

SCOMM

61:1

SN: 910

ALASKA SENATE
CSSB 427 RULS AM RES AM2

2ND SESSION 16 LEG

4/ 4/90 11:59 AM

9 YEAS 11 NAYS 0 EXC 0 ABS

N	ADAMS	N	FISCHER	Y	POURCHOT
N	BINKLEY	Y	FRANK	Y	RODEY
N	COGHILL	N	HALFORD	Y	STURGULEWSKI
N	DUNCAN	Y	JONES	N	SZYMANSKI
N	ELIASON	N	KELLY	Y	UEHLING
Y	FAHRENKAMP	N	KERTTULA	N	ZHAROFF
Y	FAIKS	Y	PEARCE		

+ VOTED FOR
* CHANGED VOTE

Patrick M. Rodey
Senator

Alaska State Legislature



3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

Tuesday, April 3, 1990

Senate

MEMORANDUM

To: Senator Pat Rodey

From: Max

Subject: CSSB 427 (RIs)/ AHFC

SECTIONAL ANALYSIS. The Chenoweth memo to Sen. Uehling of March 30th, does a good job at detailing the bill.

Note the first two pages are specific to AHFC. On page two under subsection (4), however, there is a reference to Sec. 10 in which Chenoweth states, "the amendment would permit AHFC to draw upon unappropriated corporation receipts with providing the opportunity for prior review of the proposed additional expenditure by LB&A."

This statement may cause some confusion because it does not take into account the **appropriation of AHFC program receipts** in the front section of the annual budget bill. The intent and purpose of this bill is do what the Legislature's housing finance task force set out to do which was to find ways to stabilize Alaska's housing market, reduce the state's fiduciary involvement, and hopefully let the housing market system develop into a viable business in state without considerable state involvement. To do that AHFC needs the tools to accomplish these goals...and that means giving them the ability to function in the housing market without being hamstrung by bureaucracy. As AHFC has indicated the potential for losing money grows in proportion to their inability to respond to the ups and downs of the housing market.

To further buttress the point, I asked for a short memo (Dierdorff to Rodey, April 2nd) noting that for several years the legislature has provided for appropriation of AHFC program receipts in the front section of the budget. The finance committee did that in 1985 to assist AHFC in responding to market needs. During those years, 1988 was the only year reference was made to requesting AHFC comply with the LB&A procedure.

Further protecting state interests is the requirement in Sec. 10 that AHFC submit program revisions (expending program receipts) to the governor and LB&A, and once submitted, then permitting the agency to proceed with the program revision.

The argument may be made that AHFC should not be allowed to expend money without first gaining approval from LB&A, however, some believe (LAA Legai) that the legislative appropriation/authorization in the front section of the budget is all that is needed for AHFC to expend program receipts. Besides, the LB&A requirement may take as long as 45 days and sometimes longer and that is the real problem; the inability of the bureaucracy to act promptly to protect state fiduciary interests in the housing market.

SUBSIDY PHASE DOWN. The remaining three pages of the March 30th Chenoweth to Uehling memo is a good overview of the subsidy phase down program proposed in SB 427.

RAILROAD. Also attached is the Railroad procurement amendment Sen. Faiks will offer. It essentially opts them out from the confines of the procurement code but says the RR shall adopt procedures that reflect competitive bidding, reasonable opportunities for vendors, and establish an Alaska bidder preference, except for "purchase, operation, expansion, reduction, or maintenance or track structure or equipment moving upon track structure of the railroad." (i.e. tracks, ties, and rail cars)

Memos attached

March 30th, Chenoweth to Uehling, 2 page sectional analysis, followed by a three page analysis of the subsidy adjustment.

April 2nd, Dierdorff to Rodey, 1 page, re: AHFC Program Receipts

Amendments.....Sen. Faiks, Railroad procurement, bidder preference.

STATE OF ALASKA
THE LEGISLATURE

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


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1990

SUBJECT: AHFC Program Receipts (CSSB 427(Rules))

TO: Senator Pat Rodey
Attn: Max Gifford

FROM: David R. Dierdorff 
Revisor of Statutes

You have asked for a brief explanation of the treatment of AHFC program receipts in the budget bill.

For the last five fiscal years, the Act providing for the general operating and loan program budget of state government has included "front pages" language appropriating all unrestricted receipts that the corporation receives during the fiscal year to the Alaska housing finance revolving fund. See, sec. 15, ch. 98, SLA 1985; sec. 14, ch. 129, SLA 1986; sec. 14, ch. 95, SLA 1987; sec. 14, ch. 154, SLA 1988; and sec. 14, ch. 116, SLA 1989. I note that the language each year has been identical, except that in 1988 a subsection (b) was added requiring the corporation to comply with AS 37.07.080(h) prior to expending any of the program receipts for a purpose not described in the corporation's operating plan under AS 37.07.080(b). I note also that the language appears in the governor's operating and loan program bill for FY 91. See sec. 15, HB 500.

There is no question but that the boiler plate language found in these budget Acts appropriates everything AHFC receives during the year.

DRD:pl
WKP4/011

This memo "balances"
the subsection (4) sec. analysis
Comments by Chenoweth —
N: "unappropriated corporation
receipts"

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 427 (Rules)

Page 7, line 3:

Delete "the Alaska Railroad Corporation,"

Insert "[THE ALASKA RAILROAD CORPORATION]"

Page 7, line 4, after "Corporation":

Delete ","

Page 7, following line 14:

Insert a new bill section to read:

"* Sec. 9. AS 36.30.015 is amended by adding a new subsection to read:

(f) The board of directors of the Alaska Railroad Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances; and

(3) for a contract awarded for supplies, services, and construction, comply with the provisions of AS 36.30.170(b) and 36.-30.250(b) that establish a preference for an Alaska bidder, except

that the Alaska bidder preference provisions of AS 36.30.170(b) and 36.30.250(b) do not apply to a contract that actually and directly relates to the purchase, operation, expansion, reduction, or maintenance of track structure or equipment moving upon track structure of the railroad."

Renumber the following bill sections accordingly.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

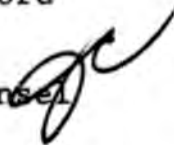
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1990

SUBJECT: CSSB 427 (Rules): use of "immediately" in
bill title

TO: Senator Pat Rodey
ATTN: Max Gifford

FROM: Jack Chenoweth
Legislative Counsel 

Alaska's constitution requires (article II, section 13) that "[t]he subject of each bill shall be expressed in its title."

The reference to "immediately" appearing in the bill title (page 1, line 12) as descriptive of the authority of the Alaska Housing Finance Corporation is intentional. It reflects, as you know, the substance of section 10 of CSSB 427 (Rules). That section makes an exception for AHFC and its use of its "program receipts" or "corporation receipts." Under the Executive Budget Act, agencies generally may alter or revise their programs after submitting a revised program request to the governor, securing the governor's approval, submitting the revision to the Legislative Budget and Audit Committee, and waiting 45 days. See AS 37.07.080(h). The language of bill section 10 would except AHFC from the 45 day wait. In other words, AHFC could expend its increased, unappropriated program receipts immediately--in the sense of "directly," "instantly," or "without further ado"--after submitting the revised program to the legislative budget and audit committee. I submit that, as no wait would be required, use of "immediately" accurately describes the temporal element of this provision.

Please understand that, as to this reference in the title to the material set out in bill section 10, I was directed by the Finance Committee to "tighten the title" so that it would be tamper-proof when it went to the other body for consideration. Reference to "immediately" in the title is necessary, it seems to me, to protect the Finance Committee's conclusions and expectations and to reasonably assure that

Senator Pat Rodey

Page 2

April 2, 1990

the other body did not restore a waiting period that was less than (1 to 44 days), equal to (45 days), or greater than (more than 45 days) the period that, under AS 37.07.-080(h), all other agencies are required to wait before acting on a revised program approved by the governor. In line with the Senate Finance Committee's decision, "immediately" would prevent the other body from interposing a waiting period.

JBC:lmb

L10/044

CC: Senator Johne Binkley
ATTN: Janice Adair

*This memo discusses very
directly the "tight title."
its reasons why - and
I don't think we should
put it out with last
paragraph.*

A M E N D M E N T

#2

↓ w/memo

OFFERED IN THE SENATE

BY SEN. KERTTULA

TO: CSSB 427 (Rules)

Page 1, line 10, after "Code":

Delete "and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee"

Page 7, line 29, through page 8, line 16:

Delete all material.

Renumber the following bill sections accordingly.

April 3, 1990

To: Tom Behan
AHFC

The votes on SB-427

Kerttula Amendment: attached

The vote: **YEAS** Adams, Binkley, Coghill, Eliason, Fischer,
Halford, Jones, Kerttula, Pourchot, Sturgulewski,
Szymanski, Zharoff

NAYS Duncan, Faiks, Frank, Kelly, Pearce, Rodey, Uehling

The vote on the bill:

YEAS: Binkley, Duncan, Eliason, Faiks, Frank, Jones,
Kelly, Pearce, Pourchot, Rodey, Sturgulewski,
Uehling, Zharoff

NAYS: Adams, Coghill, Fischer, Halford, Kerttula,
Szymanski

A M E N D M E N T

#2

↓ w/memo

OFFERED IN THE SENATE

BY SEN. KERTTULA

TO: CSSB 427 (Rules)

Page 1, line 10, after "Code":

Delete "and allowing the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee"

Page 7, line 29, through page 8, line 16:

Delete all material.

Renumber the following bill sections accordingly.

SN: 903

ALASKA SENATE
CSSB 427 RULES AM AM 2

2ND SESSION 16 LEG

4/ 3/90 12:10 PM

12 YEAS 7 NAYS 1 EXC 0 ABS

Y	ADAMS <	Y	FISCHER X	Y	POURCHOT
Y	BINKLEY	N	FRANK	N	RODEY
Y	COGHILL X	Y	HALFORD X	Y	STURGULEWSKI
N	DUNCAN	Y	JONES	Y	SZYMANSKI X
Y	ELIASON	N	KELLY	N	UEHLING
E	FAHRENKAMP	Y	KERTTULA X	Y	ZHAROFF
N	FAIKS	N	PEARCE		

+ VOTED FOR
* CHANGED VOTE

561-7860

0-2074G

563-8292

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 427 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 allowing the corporation to expend additional corpo-
12 ration receipts immediately after submission of a
13 revised program to the Legislative Budget and Audit
14 Committee; amending the corporation's special mort-
15 gage loan purchase program and progressively reducing
16 the maximum level of loan amounts eligible for a re-
17 duction under a mortgage loan subsidy; amending the
18 corporation's mortgage loan subsidy program for
19 persons of lower and moderate income; and relating to
20 procurement practices of certain state corporations;
21 and providing for an effective date."

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

23 * Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors
25 consisting of

26 (1) the commissioner of revenue and the commissioner of
27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal
29 department of the executive branch of state government appointed by

1. Adds 2 seats on B of D
 - 1) Lic. R.E. Broker
 - 2) Rep. of fin. Comm

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (1) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

§ 1 to 7 eliminate the subsidized
program 90 70 50 30 0

Lowincome (HOF no.) will still be
subsidized up to 50,000

§ 8 Changes procurement code to
1. require ~~part~~ to
2. Add AHFC TO LIST OF AGENCIES WITH
U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process; and

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER].

* Sec. 9. AS 36.30.990(1) is amended to read:

(1) "agency"

(A) means a department, institution, board, commission, division, authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of the executive branch of state government;

(B) does not include

(i) [, EXCEPT FOR] the University of Alaska;

(ii) [,] the Alaska State Housing Authority;

(iii) the [AND] Alaska Railroad Corporation;

(iv) the Alaska Housing Finance Corporation;

(v) [IT DOES NOT INCLUDE] a regional Native housing authority created under AS 13.55.996, or a regional electrical authority created under AS 18.57.020;

* Sec. 10. AS 37.07 is amended by adding a new section to read:

§ Allows AHFC to use available money

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)
2 Notwithstanding the provisions of AS 37.07.080(b), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

MEMORANDUM

State of Alaska
Office of the Governor
Division of Policy

TO: Representative Swackhammer
House Finance Committee

DATE: March 20, 1990

FROM: *MARY*
Mary Halloran
Director, Policy

PHONE: 465-3568

SUBJECT: AHFC: DIVIDEND POLICY
Comments from Bond Counsel

FILE NO:

In addition to the earlier comments already forwarded to you, here are comments on the proposed dividend policy from bond counsel Eric Wohlforth. Mr. Wohlforth makes several points:

(1) Dividend policy language needs to contain a provision that the dividend will not be paid unless AHFC is in compliance with all covenants and agreements with respect to its borrowings and after payment of the dividend will remain in compliance. This language was in an earlier version, but was dropped in the latest proposal by the subcommittee.

(2) Dividend policy language also needs to explicitly recognize that AHFC will not issue dividend income if it had no unrestricted net income for the prior fiscal year.

Mr. Wohlforth also endorses the proposed delayed effective date of a dividend policy.

Attachment

cc: Members, House Finance w/ attachment
Bob Mintz, AHFC

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

800 WEST 5TH AVENUE, SUITE 800

ANCHORAGE, ALASKA 99501

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JULIUS J. BRECHT
CYNTHIA L. CARTLEDGE
ROBERT M. JOHNSON
THOMAS F. KLINCKNER
BRADLEY E. MEYER
JAMES A. SARAFIN
JAMES R. SZENDER
KENNETH E. VASSAR
ERIC E. WOHLFORTH

OF COUNSEL
ROGER G. CONNOR

OF COUNSEL

HARRIS, ORR & WAKAYAMA
3210 FIRST INTERSTATE CENTER
800 THIRD AVENUE
SEATTLE, WASHINGTON 98104
TELEPHONE (206) 821-1818

MAR 19 1990

CARR-GOTTSTEIN
PROPERTIES

M E M O R A N D U M

TO: Representative Steve Rieger
Chairman, House Finance Sub-Committee
CSHB 462 (C&RA)

FROM: Wohlforth, Argetsinger, Johnson & Brecht *EGW*

DATE: March 16, 1990

This memorandum is written responsive to Chairman Robert Mintz's request of March 14, 1990 for our comments on the proposed committee substitute dividend language. I attach a copy of Mr. Mintz's request and the proposed substitute. The previous draft contained a provision that the dividend would not be paid unless the Corporation was in compliance with all covenants and agreements with respect to its borrowings and after the dividend payment would remain in compliance. Addition of this language to the proposed substitute is important because, for example, the Corporation may have unrestricted net income in a particular year but may not be meeting equity maintenance requirements of bond covenants. It may be argued that the board would in such event establish, by resolution, that payment of no dividend is required to maintain the financial soundness of the Corporation. It is my view, however, that bondholders who did not expect this legislative change (whether rightly or wrongly) when they purchased bonds need objective assurances that income will not be diverted away from the Corporation at times when bond covenants and agreements may not be met. The other provisions of the prior draft stated that the Corporation could not dividend income if it had no unrestricted net income for the prior fiscal year. Again, although it might be assumed that the Corporation's Board of Directors would, in such event, determine that a lesser dividend or no dividend would be required to maintain the financial soundness of the Corporation, it is important that the objective criteria be maintained to assure bondholders and the rating services in public offering material of the exact circumstances when dividends will be paid.

Objective criteria will tend to give assurances that the Board would not in a given year be swayed by state

budgetary considerations to the detriment of the Corporation's bond programs.

I feel as well that a delay of the effective date of the Dividend statute would be a prudent and wise step. The Corporation is in the midst of very substantial financing programs as it attempts to deal with its REO inventory, maintain housing values and assist homeowners through its Homeowners' Assistance Program. An Official Statement just completed today required mention of the pendency of the legislative proposal to dividend income to the general fund. At the same time that the Corporation is proceeding with its financing plans, it has initiated litigation against MGIC. Credit enhancers and others are properly concerned about the affairs of the Corporation. These factors argue for a postponed effective date of this very significant change in State policy toward the Corporation.

EEW/jf

cc: Robert Mintz
Mark Cameron
Thomas Behan
Larry Pederson

March 14, 1990

^F1^
^F2^
^F3^
^F4^
^F5^

Re: Proposed AHFC Dividend Statute

Dear ^F6^:

Thank you for your analysis of the original proposed AHFC Dividend Statute. Your insights and observations helped focus the House Finance Committee's deliberations.

Enclosed find a copy of a revised Dividend Statute. This current proposal represents an apparent consensus reached at a recent House Finance Sub-Committee meeting. The Committee would greatly appreciate your taking the time to review this new proposal and, in light of your knowledge of AHFC and the capital markets, provide your comments at your earliest possible convenience. The committee would like to know your views on whether, and to what extent, the current proposal is better, worse, or no different than the previous dividend policy which you reviewed.

Also, there is talk of postponing the effective date of the Dividend Statute until 1994. How would such a delay affect your analysis?

Thank you in advance for your assistance.

Very truly yours,

15/
Robert A. Mintz
Chairman
Board of Directors
Alaska Housing Finance Corporation
RAM/ms

3/14/90

The attached 2 pages were sent individually to:

John C. Moore/Shearson Lehman Hutton

JoAnne Kennedy/First Boston

Alfred B. Thatcher Jr./Bear Stearns

Maria DeRosa/Paine Webber, cc: Dennis Waldock

Eric Wohlforth/Wohlforth, Argetsinger, Johnson & Brecht

Mark Cameron/Alaska Housing Finance Corporation

bcc:

Senator Pat Rodey

Amendment
to: CSHB 462 (C & RA)

Page 2, line 12, insert a new section to read:

"*Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56.051 Dividend Policy. The corporation shall pay an annual dividend to the state general fund equal to at least fifty percent of the unrestricted net income, if any, of the corporation as determined under AS 18.56.089.

The dividend shall be paid within six months of the close of the fiscal year, unless the Board of Directors establishes by resolution that payment of a lesser dividend or no dividend is required to maintain the financial soundness of the corporation."

(renumber following sections accordingly)

R. R. 3-30-90

*Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER]; and

(3) for the Alaska Railroad Corporation also contain preferences for Alaska bidders and products which are substantially equivalent to the preferences prescribed in A.S. 36.30.170(b)^{36.30.250(b)} and 36.30.322 - .338, except that the preferences will not apply to procurements of railroad equipment, parts, supplies, and services.

9664L

*Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER; and

(3) include preferences for Alaska bidders and products which are substantially equivalent to the preferences prescribed in A.S. 36.30.170(b), 36.30.250(b), and 36.30.322 - .338, except that the preferences will not apply to procurements of railroad equipment, parts, and supplies, that are produced or manufactured outside the state and are not Alaska products as defined in A.S. 36.30.338.(1).

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. SZYMANSKI

TO: CSSB 427 (Finance)

Page 7, after line 4:

Insert

"(1) comply with requirements of AS 36.30.170;"

Renumber the following paragraphs accordingly.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 427 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
 7 quirements of certain state corporations; expanding
 8 the number of directors of the Alaska Housing Finance
 9 Corporation; exempting the Alaska Housing Finance
 10 Corporation from the State Procurement Code and
 11 allowing the corporation to expend additional corpo-
 12 ration receipts immediately after submission of a
 13 revised program to the Legislative Budget and Audit
 14 Committee; amending the corporation's special mort-
 15 gage loan purchase program and progressively reducing
 16 the maximum level of loan amounts eligible for a re-
 17 duction under a mortgage loan subsidy; amending the
 18 corporation's mortgage loan subsidy program for
 19 persons of lower and moderate income; and relating to
 20 procurement practices of certain state corporations;
 21 and providing for an effective date."

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

23 * Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors
 25 consisting of

26 (1) the commissioner of revenue and the commissioner of
 27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal
 29 department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (1) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF '980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 13.56.093(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 13.56.093(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 13.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

BAIDJIN 1829296

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
14 CHAPTER].

15 *Make Amendment here*

16 * Sec. 9. AS 36.30.990(1) is amended to read:

17 (1) "agency"

18 (A) means a department, institution, board, commis-
19 sion, division, authority, public corporation, the Alaska Pio-
20 neers' Home, or other administrative unit of the executive branch
21 of state government;

22 (B) does not include

- 23 (i) [, EXCEPT FOR] the University of Alaska;
- 24 (ii) [,] the Alaska State Housing Authority;
- 25 (iii) the [AND] Alaska Railroad Corporation;
- 26 (iv) the Alaska Housing Finance Corporation;

27 (v) [IT DOES NOT INCLUDE] a regional Native
28 housing authority created under AS 13.55.996, or a regional
29 electrical authority created under AS 13.57.020;

30 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)
2 Notwithstanding the provisions of AS 37.07.030(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 affect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

A M E N D M E N T #2

OFFERED IN THE SENATE

BY SEN. SZYMANSKI
SEN. PEARCE

TO: CSSB 427 (Rules)

Page 7, after line 4:

Insert

"(1) comply with requirements of AS 36.30.170:"

Renumber the following paragraphs accordingly.

NOTE: The purpose of this amendment is to insure that the Alaska Bidder Preference of 5% and the Alaska Products Preference be applicable to the Alaska Railroad and AHFC.

*Please do
Sectional
Analysis
on
S.B. 427*

#1
A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: CSSB 427(Rules)

Page 7, line 10, after "process;":

Delete "and"

Page 7, line 12, after "circumstances":

Insert "; and

(3) include preferences for Alaska bidders and products that are substantially equivalent to the preferences prescribed in AS 36.30.170(b), 36.30.250(b), and 36.30.322 - 36.30.338, except that the preferences are not applicable to procurements of railroad equipment, parts, and supplies that are produced or manufactured outside the state and are not Alaska products as defined in AS 36.30.338(1)"

FAIKS

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: CSSB 427(Rules)

Page 7, line 10, after "process,":

Delete "and"

Page 7, line 12, after "circumstances":

Insert "; and

(3) include preferences for Alaska bidders and products that are substantially equivalent to the preferences prescribed in AS 36.30.170 b), 36.30.250(b), and 36.30.322 - 36.30.338, except that the preferences are not applicable to procurements of railroad equipment, parts, and supplies that are produced or manufactured outside the state and are not Alaska products as defined in AS 36.30.338(1)"

Baldwin language, to be offered by Fairs — if necessary — Sen. Fairs would rather leave bill as it is — AHFC + P.R. "OK" U.

R. R. 3-30-90

*Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER]; and

(3) for the Alaska Railroad Corporation also contain preferences for Alaska bidders and products which are substantially equivalent to the preferences prescribed in A.S. 36.30.170(b) ^{36.50.250(b)} and 36.30.322 - .338, except that the preferences will not apply to procurements of railroad equipment, parts, supplies, and services.

9664L

*Railroad
proposal*

*Sec. 8. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation, the Alaska Housing Finance Corporation, and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction for [BY] the respective public corporations [CORPORATION]. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCEDURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS CHAPTER; and

(3) include preferences for Alaska bidders and products which are substantially equivalent to the preferences prescribed in A.S. 36.30.170(b), 36.30.250(b), and 36.30.322 - .338, except that the preferences will not apply to procurements of railroad equipment, parts, and supplies, that are produced or manufactured outside the state and are not Alaska products as defined in A.S. 36.30.338.(1).

THIS LANGUAGE IN Rules Version

~~NOT~~ IN Rules Version

Baldwin - modification of Railroad proposal

PEM.CC

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

Page 7, between lines 11 and 12: insert the following new material to read:

"(3) grant preferences that are substantially similar to the resident and product preferences authorized by AS 36.30.170(b), AS 36.30.250(b) and AS 36.30.322 - 36.30.338. "

EFFECT OF AMENDMENT:

This amendment would require the ARRC, ASHA, and AHFC to adopt procurement procedures embodying the Alaska bidder's preference and the Alaska product preference set out in existing law and regulations.

Sen. Peace MAY offer this
AMENDMENT.

AHFC IS OPPOSED —

R.R. IS OPPOSED —

~~SYMANSKI~~

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 427 (Finance)

~~BY SEN. SZYMANSKI~~

Page 7, after line 4:

Insert

"(1) comply with requirements of AS 36.30.170;"

Renumber the following paragraphs accordingly.

I don't know if Mike will offer this amendment or not, but Bob (AAFC) says "they can live with it."

Rail Road *opposed*

U.

Effect of amendments. — The 1989 amendment, effective September 10, 1989, rewrote the second sentence of subsection (b).

Sec. 36.30.170. Contract award after bids. (a) Except as provided in (b), (c), and (d) of this section, the procurement officer shall award a contract based on the solicited bids with reasonable promptness by written notice to the lowest responsible and responsive bidder whose bid conforms in all material respects to the requirements and criteria set out in the invitation to bid.

(b) The procurement officer shall award a contract based on solicited bids to the lowest responsive and responsible bidder after an Alaska bidder preference of five percent and an Alaska products preference as described in AS 36.30.322 — 36.30.338 have been applied. In this subsection, "Alaska bidder" means a person who

(1) holds a current Alaska business license;

(2) submits a bid for goods, services, or construction under the name as appearing on the person's current Alaska business license;

(3) has maintained a place of business within the state staffed by the bidder or an employee of the bidder for a period of six months immediately preceding the date of the bid;

(4) is incorporated or qualified to do business under the laws of the state, is a sole proprietorship, and the proprietor is a resident of the state or is a partnership, and all partners are residents of the state; and

(5) if a joint venture, is composed entirely of ventures that qualify under (1) — (4) of this subsection.

(c) If a bidder qualifies under (b) of this section as an Alaska bidder, is offering services through an employment program, and is the lowest responsible and responsive bidder with a bid that is not more than 10 percent higher than the lowest bid of a nonresident, the procurement officer shall award the contract to that bidder.

(d) The procurement officer shall award an insurance-related contract based on solicited bids to the lowest responsive and responsible bidder after an Alaska bidder preference of five percent. In this subsection, "Alaska bidder" means a person who meets the criteria set out in (b)(1) — (5) of this section and who is an Alaska domestic insurer. (§ 2 ch 106 SLA 1986; am §§ 7 — 9 ch 65 SLA 1987; am § 6 ch 102 SLA 1989)

Effect of amendments. — The 1989 amendment, effective September 10, 1989, deleted "as defined under AS 36.30.100(c)" following "employment program" in subsection (c).

(e) The offeror must have a valid Alaska business license at the time designated, in the request for proposals, for opening of the proposals. (§ 2 ch 106 SLA 1986; am § 10 ch 65 SLA 1987; am §§ 7, 8 ch 102 SLA 1989)

Effect of amendments. — The 1989 amendment, effective September 10, 1989, in subsection (a), rewrote the second sentence and, in the third sentence, substi-

tuted "must" for "shall" and inserted "the work to be subcontracted to each subcontractor"; and added subsection (e)."

Sec. 36.30.250. Award of contract. (a) The procurement officer shall award a contract under competitive sealed proposals to the responsible and responsive offeror whose proposal is determined in writing to be the most advantageous to the state taking into consideration price and the evaluation factors set out in the request for proposals. Other factors and criteria may not be used in the evaluation. The contract file must contain the basis on which the award is made.

(b) In determining whether a proposal is advantageous to the state, the procurement officer shall take into account, in accordance with regulations of the commissioner, whether the offeror qualifies as an Alaska bidder under AS 36.30.170(b) or is offering the service of an employment program. (§ 2 ch 106 SLA 1986; am § 9 ch 102-SLA 1989)

Effect of amendments. — The 1989 amendment, effective September 10, 1989,

deleted "as defined in AS 36.30.100(c)" at the end of subsection (b).

Sec. 36.30.265. Multi-step sealed proposals. When it is considered impractical to initially prepare a definitive purchase description to support an award based on listed selection criteria, the procurement officer may issue an expression of interest requesting the submission of unpriced technical offers, and then later issue a request for proposals limited to the offerors whose offers are determined to be technically qualified under the criteria set out in the expression of interest. (§ 10 ch 102 SLA 1989)

Effective dates. — Chapter 102, SLA 1989, which enacted this section, took effect on September 10, 1989.

Article 4. Other Procurement Methods.

Section

300. Sole source procurements
305. Limited competition procurements

Section

320. Small procurements

- (1) for a Class I designated Alaska product — four percent;
 - (2) for a Class II designated Alaska product — six percent;
 - (3) for a Class III designated Alaska product — eight percent;
- (b) A person is not a responsible bidder or offeror if, in the preceding three years, the person has twice designated the use of an Alaska product in a bid or proposal for a procurement for an agency and has each time failed to use the designated Alaska product for reasons within the control of the bidder or offeror.

(c) The procurement officer shall report to the commissioner of commerce and economic development each contractor penalized under (a) of this section. The commissioner of commerce and economic development shall maintain a list of contractors determined not to be responsible bidders under (b) of this section. (§ 2 ch 106 SLA 1986)

Sec. 36.30.332. Classification of Alaska products. (a) The commissioner of commerce and economic development shall adopt regulations establishing the value added in the state for materials and supplies produced or manufactured in the state that are used in a state procurement and shall publish a list of the products annually. A supplier may request inclusion of its product on the appropriate list.

(b) Materials and supplies with value added in the state that are

- (1) more than 25 percent and less than 50 percent produced or manufactured in the state are Class I products;

- (2) 50 percent or more and less than 75 percent produced or manufactured in the state are Class II products; and

- (3) 75 percent or more produced or manufactured in the state are Class III products.

(c) In a bid or proposal evaluation a

- (1) Class I product is given a three percent preference;

- (2) Class II product is given a five percent preference;

- (3) Class III product is given a seven percent preference. (§ 2 ch 106 SLA 1986; am § 15 ch 65 SLA 1987)

Effect of amendments. — The 1987 amendment, effective January 1, 1988, in subsection (b) in paragraphs (1) and (2) substituted "produced or manufactured in the state are" for "of the manufacturer's

quoted price is a" and "products" for "product" and in paragraph (3) substituted "producer or manufactured in the state are" for "of a manufacturer's quoted price is a" and "products" for "product."

Sec. 36.30.334. Identification of Alaska products. An agency may identify specific Alaska products for use in making a procurement. (§ 2 ch 106 SLA 1986)

Sec. 36.30.338. Definitions. In AS 36.30.322 -- 36.30.338

(1) "Alaska product" means a product of which not less than 25 percent of the value, as determined in accordance with regulations adopted under AS 36.30.332(a), has been added by manufacturing or production in the state;

(2) "produced or manufactured" means processing, developing, or making an item into a new item with a distinct character and use through the application within the state of materials, labor, skill, or other services;

(3) "product" means materials or supplies but does not include gravel and asphalt;

(4) "recycled Alaska product" means an Alaska product of which not less than 50 percent of the value of the product consists of a product that was previously used in another product, if the recycling process is done in the state. (§ 2 ch 106 SLA 1986; am § 17 ch 65 SLA 1987; am § 6 ch 63 SLA 1988)

Effect of amendments. — The 1988 amendment added paragraph (4).

Article 6. Contract Formation and Modification.

Section	Section
360. Determination of responsibility	362. Determination to award a contract to a nonresident

Sec. 36.30.360. Determination of responsibility. (a) A written determination of nonresponsibility of a bidder or offeror shall be made by the procurement officer in accordance with regulations adopted by the commissioner. The unreasonable failure of a bidder or offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination of nonresponsibility with respect to the bidder or offeror.

(b) Information furnished by a bidder or offeror under (a) of this section is confidential and may not be disclosed without prior written consent by the bidder or offeror. (§ 2 ch 106 SLA 1986; am § 14 ch 102 SLA 1989)

Effect of amendments. — The 1989 amendment, effective September 10, 1989, substituted "nonresponsibility" for "responsibility" in the first sentence in subsection (a).

Sec. 36.30.362. Determination to award a contract to a nonresident. Except for awards made under AS 36.30.170, if the procurement officer awards a contract to a person who does not reside or maintain a place of business in the state and if the supplies, services, professional services, or construction that is the subject of the contract could have been obtained from sources in the state, the procurement officer shall issue a written statement explaining the basis of the award. The statement required under this section shall be kept in the contract file. (§ 2 ch 106 SLA 1986; am § 15 ch 102 SLA 1989)

To: BOB SULLIVAN
AHFC

From: MAX

BSN:1018

ALASKA SENATE
HCS CSSB 427 FIN AM H R

2ND SESSION 16 LEG

4/23/90 11:24 AM

		13 YEAS	7 NAYS	0 EXC	0 ABS		
N	ADAMS		N	FISCHER		Y	POURCHOT
N	BINKLEY		Y	FRANK		Y	RODEY
N	COGHILL		N	HALFORD		Y	STURGULEWSKI
Y	DUNCAN		Y	JONES		Y	SZYMANSKI
N	ELIASON		Y	KELLY		Y	UEHLING
N	FAHRENKAMP		Y	KERTTULA		Y	ZHAROFF
Y	FAIKS		Y	PEARCE			

+ VOTED FOR
* CHANGED VOTE

Finally!

BSN:1019

ALASKA SENATE
HCS CSSB 427 FIN AM H E

2ND SESSION 16 LEG

4/23/90 11:25 AM

		19 YEAS	1 NAYS	0 EXC	0 ABS		
Y	ADAMS		Y	FISCHER		Y	POURCHOT
Y	BINKLEY		Y	FRANK		Y	RODEY
N	COGHILL		Y	HALFORD		Y	STURGULEWSKI
Y	DUNCAN		Y	JONES		Y	SZYMANSKI
Y	ELIASON		Y	KELLY		Y	UEHLING
Y	FAHRENKAMP		Y	KERTTULA		Y	ZHAROFF
Y	FAIKS		Y	PEARCE			

+ VOTED FOR
* CHANGED VOTE

BSN:1017

ALASKA SENATE
HCS CSSB 427 FIN AM H C

2ND SESSION 16 LEG

4/23/90 11:16 AM

	10 YEAS	5 NAYS	0 EXC	5 ABS		
A	ADAMS	N	FISCHER		N	POURCHOT
A	BINKLEY	A	FRANK		Y	RODEY
N	COGHILL	N	HALFORD		Y	STURGULEWSKI
A	DUNCAN	Y	JONES		Y	SZYMANSKI
N	ELIASON	Y	KELLY		A	UEHLING
Y	FAHRENKAMP	Y	KERTTULA		Y	ZHAROFF
Y	FAIKS	Y	PEARCE			

+ VOTED FOR

* CHANGED VOTE

AHFC: Phase out subsidy

Director counters sudden-elimination recommendation

By JACQUES PICARD
Times Writer

The subsidy of home mortgages by the Alaska Housing Finance Corporation should be phased-out over the next five years, rather than eliminated immediately, said Thomas Behan, executive director of AHFC.

Behan's statement was a response to a report by Ernst & Young which recommended prompt elimination of the subsidies during a "unique window of opportunity" that presently exists.

When AHFC's cost of mortgage loan funds rise above 10 percent, AHFC currently subsidizes the interest rate to borrowers by up to three percentage points.

However, AHFC's cost of funds is generally below 10 percent at this time, and demand for mortgages is

low, noted the Ernst & Young report in its recommendation for elimination of the subsidy.

Behan said that the subsidy should be phased-out by lowering the amount of a loan eligible for a sub-



Thomas Behan

sidy by \$20,000 each year from the current \$90,000 limit. "We believe this approach would more reasonably extract the subsidy from the marketplace and would best protect

both AHFC and Alaska's residential real estate market from a high interest rate cycle while providing the most benefit to low-to-moderate income homebuyers," Behan said.

AHFC fears the real estate buyers might get "cold feet" from the sudden elimination of the subsidy, resulting in lower prices and slower sales, said Margaret Nelson, AHFC spokeswoman.

"I think every Alaskan is concerned about buying (a home) knowing that one day they will be a seller," Behan said. Potential buyers will have greater confidence if they know that financing will be available when they want to sell, he said.

AHFC constitutes a large portion of the market, Nelson said, holding two-thirds of mortgage loans in the

See AHFC, page C-3

AHFC: Home mortgage subsidy phase-out

Continued from page C-1

state and 4,000 foreclosed properties for sale and issuing 60 percent of all mortgage loans.

"We want any changes to be gradual," said Nelson.

As the loan subsidy is phased out, Behan expects that demand for mortgage loans through AHFC also will drop. Borrowers will then turn to banks and federal loan programs.

However, Behan does not want to eliminate AHFC's ability to provide unsubsidized loans, in case other sources of loans are not readily available in the future.

Behan also wants to replace the Home Ownership Fund, or HOF program, which provides mortgage payment subsidies based on a borrower's income. "We don't think it's a very good program," he said.

Behan would like AHFC to be

able to subsidize mortgage loans up to \$50,000 by up to three percentage points, based on the borrower's income. Once such a program were in place, the HOF program would be eliminated.

Such a program would be consistent with the Ernst & Young report's recommendation that AHFC's role be refocused on supporting housing for low-and-moderate income Alaskans, Behan said.

A subsidy of smaller mort-

gages based on income also would help "shore up" the condominium market over the long-term, Behan said.

Although AHFC is an independent, state-owned agency, changes in AHFC programs must be made by the legislature.

The Alaska Legislature's Housing Finance Task Force intends to introduce legislation to change AHFC programs by Jan. 31; said Rep. C.E. Swackhammer, R-Soldotna.



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900
P.O. Box 101020
Anchorage, AK 99510

POSITION PAPER

2/26/90

**RE: SB 427
REGARDING AHFC EXEMPTION FROM EXECUTIVE BUDGET ACT
AND STATE PROCUREMENT CODE**

Alaska Housing Finance Corporation firmly embraces measures in the proposed legislation which will, if enacted, exempt the Corporation from the Executive Budget Act and the State Procurement Code.

In seeking these exemptions, it is not the intent of AHFC to dodge accountability to the state government. To the contrary, these measures will place accountability with the Corporation's Board of Directors, each of whom is appointed by and accountable to the Governor.

In their report to the Housing Finance Task Force, Ernst and Young stated that "exemption [from the Executive Budget Act] would allow AHFC to respond more quickly to its staffing needs, and operate more efficiently as a result."

In governmental accounting terminology, AHFC is an "enterprise fund" of the State of Alaska. Designation as an enterprise fund is appropriate where the operations of the governmental entity are expected to be supported primarily by those whom services (mortgage loans) are to be provided. Generally, it is recognized that an enterprise must adopt a "business budget" approach as opposed to strict dollar limit caps. The business budget approach takes a variety of internal and external (market) factors into consideration to develop a budget required to be approved by the AHFC board of directors. Under a business budget, the Corporation retains accountability while it gains the ability to respond quickly to changing market conditions and constituent needs.

Exemption from the Executive Budget Act (also recommended in the Ernst and Young report) would similarly afford the Corporation the ability to respond in a timely and cost-effective manner to changing market demands. Under this measure, the Corporation would develop and implement a separate procurement code, which, while upholding the letter of the law, would eliminate wasteful time lags which result from the logistics of distance from Juneau as well as the bureaucratic process inherent in state government.

The effect of these delays can be illustrated with the example of the Corporation's experience in procuring signage for its foreclosed properties. In August, 1989, AHFC requested authorization to purchase 5500 property signs locally. After a 30-day decision process, this request was denied. Ultimately, the contract was split between two suppliers (one of which was a non-profit organization) and awarded in October, 1989. Signs began arriving at AHFC in Anchorage in mid-November, but shipment was not complete until late January. Had the authorization been issued in August to purchase locally, the entire order could have been delivered and in the hands of

brokers within 45 days. This loss of time not only effects the marketability of AHFC's foreclosed properties, but also costs extra staff resources to negotiate and supervise the order.

In another recent procurement experience, a software order was so delayed that by the time it received final approval, the software specified was obsolete and no longer available from the vendor. Another entire process must be begun for the new software version. Productive time lost due to lack of proper software: 5 months.

Exemption from the procurement code will not absolve AHFC from accountability. Any proprietary AHFC procurement code will incorporate the same high standards for fair competition and equal opportunity as the state code. However, a proprietary code will afford the Corporation the ability to acquire needed resources quickly, therefore enhancing the level of service provided to the public and conserving public funds in the process.



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

3-27-90

To: Bob SULLIVAN

From: MAX
B + E. D.

Your (AHFC) REACTION to
this "bidder preference"
LANGUAGE — A.S.A.P.
465.3793

MAX

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

Page 7, between lines 11 and 12: insert the following new material to read:

"(3) grant preferences that are substantially similar to the resident and product preferences authorized by AS 36.30.170(b), AS 36.30.250(b) and AS 36.30.322 - 36.30.338. "

EFFECT OF AMENDMENT:

This amendment would require the ARRC, ASHA, and AHFC to adopt procurement procedures embodying the Alaska bidder's preference and the Alaska product preference set out in existing law and regulations.

NO

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (2d Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 making an exception for the corporation under the
12 Executive Budget Act; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of cer-
19 tain state corporations; and providing for an effec-
20 tive date."

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

22 * Section 1. AS 18.56.030(a) is amended to read:

23 (a) The corporation shall be governed by a board of directors
24 consisting of

25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;

27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and

1 (3) four [TWO] public members appointed by the governor,
2 one of whom shall be a representative of the financial community and
3 one of whom shall be a person licensed as a real estate broker under
4 AS 08.88.171(a).

5 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

6 (b) Notwithstanding (a) of this section, the loan amount eligi-
7 ble for assistance under the subsidy authorized by (a) of this section
8 is the amount determined under AS 18.56.098(f).

9 * Sec. 3. AS 18.56.098(f) is amended to read:

10 (f) In this section and in AS 18.56.099

11 (1) "graduated payment mortgage loan" means a mortgage loan
12 the terms of which provide for monthly principal and interest payments
13 that

14 (A) during the first year of the mortgage loan are
15 lower than the monthly principal and interest payments that would
16 be required under the terms of a level payment mortgage loan made
17 at the same interest rate; and

18 (B) during subsequent years of the mortgage loan are
19 graduated to provide for the same return over the term of the
20 loan that would have been provided by a level payment mortgage
21 loan made at the same interest rate;

22 (2) "loan amount eligible for assistance" means the amount
23 of a mortgage loan that does not exceed the amount of the loan estab-
24 lished by law; if an amount has not been established by law, the
25 amount is zero;

26 (3) "mortgage loan" includes a beneficial interest or
27 participation in a mortgage loan; [(3) REPEALED]

28 (4) "residence" means

29 (A) an owner-occupied, single-family residence,

1 including a mobile home; [,] or

2 (B) an owner-occupied duplex, triplex, or fourplex.

3 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

4 (f) In this section and in AS 18.56.091 and 18.56.099

5 (1) "graduated payment mortgage loan" means a mortgage loan
6 the terms of which provide for monthly principal and interest payments
7 that

8 (A) during the first year of the mortgage loan are
9 lower than the monthly principal and interest payments that would
10 be required under the terms of a level payment mortgage loan made
11 at the same interest rate; and

12 (B) during subsequent years of the mortgage loan are
13 graduated to provide for the same return over the term of the
14 loan that would have been provided by a level payment mortgage
15 loan made at the same interest rate;

16 (2) "loan amount eligible for assistance" means

17 (A) the first \$50,000 of a mortgage loan for persons
18 of lower or moderate income whose purchase of a home is assisted
19 under AS 18.56.091; or

20 (B) except as to persons whose purchase of a home is
21 assisted under AS 18.56.091, the amount of a mortgage loan that
22 does not exceed the amount of the loan established by law; if an
23 amount has not been established by law, the amount is zero;

24 (3) "mortgage loan" includes a beneficial interest or
25 participation in a mortgage loan;

26 (4) "residence" means

27 (A) an owner-occupied, single-family residence, in-
28 cluding a mobile home; or

29 (B) an owner-occupied duplex, triplex, or fourplex.

1 * Sec. 5. AS 18.56.098(g) is amended to read:

2 (g) The corporation shall establish the interest rate on a first
3 mortgage loan purchased under (a) of this section in accordance with
4 the following:

5 (1) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with the
7 proceeds of an issue of taxable bonds of the corporation is three
8 percent less than the cost of funds of that issue, except that

9 (A) if the cost of funds of that issue is less than 10
10 percent, the interest rate is equal to the cost of funds; and

11 (B) if the cost of funds of that issue is more than 10
12 percent, the interest rate may not be less than 10 percent.

13 (2) An interest rate determined under this subsection on
14 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
15 loan that is not purchased from the proceeds of bonds that are qual-
16 ified veterans' mortgage bonds under the applicable provisions of 26
17 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
18 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
19 point if the loan is made to an eligible veteran under AS 18.56.101.

20 (3) The interest rate for the amount of a mortgage loan
21 purchased under (a) of this section that exceeds the loan amount
22 eligible for assistance [\$90,000] is equal to the cost of funds to the
23 corporation attributable to that part of the loan.

24 (4) The interest rate on the loan amount eligible for
25 assistance [FIRST \$90,000] of a mortgage loan purchased with money
26 that is not the proceeds of either taxable or tax-exempt bonds is the
27 rate the corporation determines is appropriate by application of the
28 provision of (1) of this subsection.

29 (5) The interest rate on the loan amount eligible for

1 assistance [FIRST \$90,000] of a mortgage loan purchased from the
2 proceeds of bonds that are exempt from taxation other than bonds that
3 constitute qualified veterans' bonds under (i) of this section, is
4 equal to the interest rate determined under (1) and (2) of this sub-
5 section on a loan purchased under (a) of this section from the pro-
6 ceeds of the most recent applicable issue of taxable bonds sold by the
7 corporation. A higher or lower interest rate shall be established on
8 the entire loan amount if required to ensure the tax-exempt status of
9 the bonds.

10 (6) The corporation shall determine the interest rate on a
11 mortgage loan that is an adjustable rate mortgage loan as provided in
12 this subsection. The corporation shall recalculate the interest rate
13 from time to time based on changes in the cost to the corporation of
14 the funds used to purchase the adjustable rate mortgage loan. How-
15 ever, the corporation may establish a minimum interest rate applicable
16 to an adjustable rate mortgage loan, and the interest rate on the
17 adjustable rate mortgage loan may not be less than the minimum inter-
18 est rate so established regardless of the cost of funds to the corpo-
19 ration.

20 (7) For loans made under this section, the corporation
21 shall give effect to interest rate changes applicable to the loans
22 based on time of loan application, time of issuance of the corpora-
23 tion's bonds issued to purchase loans, or other factors as the corpora-
24 tion determines.

25 (8) [(7)] In this subsection

26 (A) "cost of funds" means the true interest cost
27 expressed as a rate on bonds of the corporation plus an addi-
28 tional percentage as determined by the corporation to represent
29 the allocable expenses of operation, costs of issuance, and

1 mortgage servicing;

2 (B) "taxable bonds" means bonds bearing interest that
3 is taxable under applicable provisions of 26 U.S.C. (Internal
4 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
5 BOND TAX ACT OF 1980)] issued to finance the purchase of first
6 mortgage loans.

7 * Sec. 6. AS 18.56.098(h) is amended to read:

8 (h) The corporation shall establish the interest rate on a
9 second mortgage loan purchased under (a) of this section in the manner
10 established for computing the interest rates on a first mortgage loan
11 under (g) of this section except that, in the case of a second mort-
12 gage loan, if the first mortgage loan made to the same borrower is
13 held by the corporation and was purchased under the special mortgage
14 loan purchase program, the outstanding principal balance of the exist-
15 ing first mortgage loan is subtracted from the loan amount eligible
16 for assistance [\$90,000] to determine the amount of the loan that is
17 eligible for an interest rate on a second mortgage loan determined by
18 reference to (g) of this section.

19 * Sec. 7. AS 18.56.098(i) is amended to read:

20 (i) The interest rate on the loan amount eligible for assistance
21 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
22 bonds that constitute qualified veterans' mortgage bonds under appli-
23 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
24 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
25 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
26 for other loans to veterans under (g)(2) of this section [AS 18.56.-
27 098(g)(3)]. A higher or lower interest rate shall be established on
28 the entire loan amount if required by applicable provisions of 26
29 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

1 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
2 Finance Corporation may, by resolution adopted by the board of direc-
3 tors, increase an item appropriated from corporation receipts if

4 (1) the board of directors determines that circumstances
5 require an increase in expenditures in excess of an existing appro-
6 priation made under the authority conferred by this chapter; and

7 (2) additional corporation receipts are available.

8 (b) Before the resolution required by (a) of this section takes
9 effect, the board of directors shall submit a revised program to the
10 governor for approval as provided in AS 37.07.080(d). A copy of the
11 revised program shall be submitted to the legislative budget and audit
12 committee.

13 (c) The increase authorized by (a) of this section may not
14 extend beyond the end of the fiscal year in which the resolution is
15 adopted.

16 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
17 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
18 mortgage loans purchased by the Alaska Housing Finance Corporation from the
19 special mortgage loan purchase program and from qualified veterans' mort-
20 gage bonds

21 (1) after June 30, 1990, and before July 1, 1991, the loan
22 amount eligible for assistance under AS 18.56.098 is \$70,000;

23 (2) after June 30, 1991, and before July 1, 1992, the loan
24 amount eligible for assistance under AS 18.56.098 is \$50,000;

25 (3) after June 30, 1992, and before July 1, 1993, the loan
26 amount eligible for assistance under AS 18.56.098 is \$30,000.

27 * Sec. 12. Of the two additional public members appointed by the gover-
28 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
29 seive a term of two years and one shall serve a term of one year. When

1 * Sec. 8. AS 36.30.015(e) is amended to read:

2 (e) The boards of directors of the Alaska Railroad Corporation,
3 the Alaska Housing Finance Corporation, and the Alaska State Housing
4 Authority shall adopt procedures to govern the procurement of sup-
5 plies, services, professional services, and construction for [BY] the
6 respective public corporations [CORPORATION]. The procedures must

7 (1) reflect competitive bidding principles and provide
8 vendors reasonable and equitable opportunities to participate in the
9 procurement process; and

10 (2) include procurement methods to meet emergency and
11 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
12 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
13 CHAPTER].

14 * Sec. 9. AS 36.30.990(1) is amended to read:

15 (1) "agency"

16 (A) means a department, institution, board, commis-
17 sion, division, authority, public corporation, the Alaska Pio-
18 neers' Home, or other administrative unit of the executive branch
19 of state government;

20 (B) does not include

21 (i) [, EXCEPT FOR] the University of Alaska;

22 (ii) [,] the Alaska State Housing Authority;

23 (iii) the [AND] Alaska Railroad Corporation;

24 (iv) the Alaska Housing Finance Corporation;

25 (v) [IT DOES NOT INCLUDE] a regional Native
26 housing authority created under AS 18.55.996, or a regional
27 electrical authority created under AS 18.57.020;

28 * Sec. 10. AS 37.07 is amended by adding a new section to read:

29 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

1 making the appointments, the governor shall specify the length of the term
2 of each person appointed.

3 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

4 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
5 July 1, 1990.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. BINKLEY

TO: CSSB 427 (2d Finance)

Page 1, line 12, after "Act":

Insert "to allow the corporation to expend additional corporation receipts immediately after submission of a revised program to the Legislative Budget and Audit Committee"

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

Page 7, between lines 11 and 12: insert the following new material to read:

"(3) grant preferences that are substantially similar to the resident and product preferences authorized by AS 36.30.170(b), AS 36.30.250(b) and AS 36.30.322 - 36.30.338. "

EFFECT OF AMENDMENT:

This amendment would require the ARRC, ASHA, and AHFC to adopt procurement procedures embodying the Alaska bidder's preference and the Alaska product preference set out in existing law and regulations.

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

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STATE OF ALASKA
THE LEGISLATURE

MAR 21 1990

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

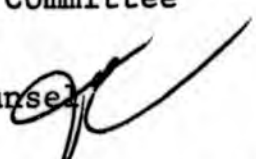
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 21, 1990

SUBJECT: Authority of Alaska Housing Finance Corporation to expend unappropriated program receipts -- Amendment Ha to CSSB 427 (Finance)

TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

The amendment is a variation of language prepared by Assistant Attorney General Jim Baldwin for AHFC Board Chair Robert Mintz, subsequently provided by the latter to your office. The amendment is consistent with the draft "Letter of Intent" for CSSB 427 (Finance) prepared and submitted by the office of Senate Majority Leader Pat Rodey wherein the Senate Finance Committee would go on record as endorsing a directive that "[AHFC] . . . present interim changes to its operating budget to the Legislative Budget & Audit Committee as a matter of information pursuant to AHFC's budget authority to expend funds provided in the front section of the general appropriations act (i.e. sec. 14, ch. 116, SLA 1989 for FY 1990 appropriations).

Let me note, first, that, in his draft, Mr. Baldwin used the phrase "corporation receipt(s)." I have substituted "program receipts of the corporation," since "corporation receipt" would be a new term while "program receipt" has a connotation that is understood in the context of the Executive Budget Act and is currently used with reference to the income of AHFC. See existing AS 18.56.089.

In summary, I am satisfied that this amendment is (1) unnecessary or (2) if necessary, unconstitutional.

I

So long as the Alaska legislature annually makes appropriations to AHFC of "[a]ll unrestricted mortgage loan interest payments and all other receipts, . . . and all income earned on assets of the corporation . . . for the purposes described in AS 18.56" (see sec. 14, ch. 116, SLA 1989), this provision seems unnecessary. Under this (or any

substantially similar) language making an open-ended appropriation in the front section of the Act making annual appropriations for state government operations, all of the corporation's income becomes available to its board. There are, then, no additional program receipts that would become available during the course of the fiscal year, and proposed AS 18.56.089(b)(2) is meaningless.

II

If, however, the legislature ever fails to appropriate all income and has determined that AHFC should have latitude to expend unappropriated program receipts without prior explicit legislative approval to do so and the Finance Committee wants to recognize that, this language accomplishes that objective. Under the amendment, the corporation's board of directors need only find that "exigent circumstances" ^{1/} warrant use of a larger amount of the program receipt and submit a revised program to the governor and the Legislative Budget and Audit Committee. The additional receipts become available to the corporation and may be used (presumably in a manner consistent with the revised program, though, because of the amendment's "notwithstanding" language, that is not entirely clear).

Regrettably for the corporation, however, expenditures made under the proposed provision would surely be unconstitutional as a violation of article IX, sec. 13's prohibition against withdrawal of money from the state treasury without an appropriation. The language tendered to the Finance Committee by AHFC seems to be predicated on the assumption that, by establishing a corporation and

^{1/} The term "exigent circumstances" appears only one other place in state statutes--AS 38.50.140, relating to legislative review of proposed land exchanges--and there it occurs without definition, but with the proviso that the "exigent circumstances" must "seriously [affect] state interests" and that the circumstances must be "carefully documented." In common parlance, an "exigent circumstance" is one constituting a sudden, unforeseen occurrence or condition calling for an immediate response or remedial action.

I respectfully suggest that, if "exigent circumstance" is offered as the functional equivalent of "emergency," then the latter term should be substituted. If "emergency" is substituted, AS 44.62.270 would presumably apply.

Senator Rick Uehling
Page 3
March 21, 1990

establishing separate fund(s) for the corporation's operations, income earned or raised by the corporation escapes deposit into the state general fund. There is no law that substantiates that reasoning, nor does this office believe that Alaska's courts would so conclude.

Alternatively, the provision may be regarded as a violation of article IX, sec. 7's prohibition against dedication of funds. By the language of this amendment, the legislature invites the corporation to make use of its unappropriated program receipts in any manner that it may determine. ^{2/} Since there are no limitations expressed in the amendment as to the permissible objects or purposes of expenditure, the amendment would permit the corporation to use unappropriated program receipts for any purpose that the corporation enjoys authority to expend money. Thus, while the amendment does not approach the problem as a general exemption from the Executive Budget Act, the method first suggested in the earliest versions of this measure, the end result would nevertheless be virtually the same: the corporation would enjoy full use of its program receipts, subject, of course, to the "exigent circumstances" and the "revised program submission" requirements.

Effectively, then, the legislature could establish a series of state corporations and related funds and turn over to those corporations and funds the responsibility to receive income and make expenditures free of any prior legislative approval. That, in essence, would defeat the constitutional provision against dedication of money and substitute the judgment of the corporation's board for that of the legislature with respect to the use of the unappropriated program receipts. Nothing in my reading of state law suggests that the courts would endorse this conclusion.

JBC:lmb
L10/017

^{2/} The language of the amendment provides the corporation broader authority than what was set out in the draft CSSB 427 (Finance) provided to the committee on 3/14/90. In the 3/14 draft, the corporation would have been authorized to "employ additional persons without obtaining prior approval of the Legislative Budget and Audit Committee." Employment of additional persons was the only exception authorized. The committee eliminated that provision.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. UEHLING

TO: CSSB 427 (Finance)

Page 1, line 10, after "Code":

Insert "and making an exception for the corporation under the Executive Budget Act"

Page 2, following line 2:

Insert new bill sections to read:

"* Sec. 2. AS 18.56.089 is amended to read:

Sec. 18.56.089. EXECUTIVE BUDGET ACT. Except as provided in (b) and (c) of this section, the [THE] operating budget of the corporation is subject to the Executive Budget Act (AS 37.07). To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and must [SHALL] include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

* Sec. 3. AS 18.56.089 is amended by adding new subsections to read:

(b) Notwithstanding the provisions of AS 37.07.080, the corporation may, by resolution adopted by the board, increase an item appropriated from program receipts of the corporation if

(1) the board determines that exigent circumstances require the increase; and

(2) additional program receipts of the corporation not specifically appropriated by the legislature are available.

(c) Before an increase authorized by a resolution required by (b) of this section takes effect, the board shall submit a revised program to the governor and the Legislative Budget and Audit Committee."

Renumber the following bill sections accordingly.

Page 8, line 13:

Delete "2 and 4"

Insert "4 and 6"

Page 8, line 14:

Delete "2 and 4"

Insert "4 and 6"

6-2074M,
Cook/
Chenoweth
3/23/90

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

*The SFC adopted
Version*

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (2d Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 making an exception for the corporation under the
12 Executive Budget Act; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of cer-
19 tain state corporations; and providing for an effec-
20 tive date."

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

22 * Section 1. AS 18.56.030(a) is amended to read:

23 (a) The corporation shall be governed by a board of directors
24 consisting of

25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;

27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and

1 (3) four [TWO] public members appointed by the governor,
2 one of whom shall be a representative of the financial community and
3 one of whom shall be a person licensed as a real estate broker under
4 AS 08.88.171(a).

5 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

6 (b) Notwithstanding (a) of this section, the loan amount eligi-
7 ble for assistance under the subsidy authorized by (a) of this section
8 is the amount determined under AS 18.56.098(f).

9 * Sec. 3. AS 18.56.098(f) is amended to read:

10 (f) In this section and in AS 18.56.099

11 (1) "graduated payment mortgage loan" means a mortgage loan
12 the terms of which provide for monthly principal and interest payments
13 that

14 (A) during the first year of the mortgage loan are
15 lower than the monthly principal and interest payments that would
16 be required under the terms of a level payment mortgage loan made
17 at the same interest rate; and

18 (B) during subsequent years of the mortgage loan are
19 graduated to provide for the same return over the term of the
20 loan that would have been provided by a level payment mortgage
21 loan made at the same interest rate;

22 (2) "loan amount eligible for assistance" means the amount
23 of a mortgage loan that does not exceed the amount of the loan estab-
24 lished by law; if an amount has not been established by law, the
25 amount is zero; [REPEALED]

26 (3) "mortgage loan" includes a beneficial interest or
27 participation in a mortgage loan;

28 (4) "residence" means

29 (A) an owner-occupied, single-family residence,

1 including a mobile home; [,] or

2 (B) an owner-occupied duplex, triplex, or fourplex.

3 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

4 (f) In this section and in AS 18.56.091 and 18.56.099

5 (1) "graduated payment mortgage loan" means a mortgage loan
6 the terms of which provide for monthly principal and interest payments
7 that

8 (A) during the first year of the mortgage loan are
9 lower than the monthly principal and interest payments that would
10 be required under the terms of a level payment mortgage loan made
11 at the same interest rate; and

12 (B) during subsequent years of the mortgage loan are
13 graduated to provide for the same return over the term of the
14 loan that would have been provided by a level payment mortgage
15 loan made at the same interest rate;

16 (2) "loan amount eligible for assistance" means

17 (A) the first \$50,000 of a mortgage loan for persons
18 of lower or moderate income whose purchase of a home is assisted
19 under AS 18.56.091; or

20 (B) except as to persons whose purchase of a home is
21 assisted under AS 18.56.091, the amount of a mortgage loan that
22 does not exceed the amount of the loan established by law; if an
23 amount has not been established by law, the amount is zero;

24 (3) "mortgage loan" includes a beneficial interest or
25 participation in a mortgage loan;

26 (4) "residence" means

27 (A) an owner-occupied, single-family residence, in-
28 cluding a mobile home; or

29 (B) an owner-occupied duplex, triplex, or fourplex.

1 * Sec. 5. AS 18.56.098(g) is amended to read:

2 (g) The corporation shall establish the interest rate on a first
3 mortgage loan purchased under (a) of this section in accordance with
4 the following:

5 (1) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with the
7 proceeds of an issue of taxable bonds of the corporation is three
8 percent less than the cost of funds of that issue, except that

9 (A) if the cost of funds of that issue is less than 10
10 percent, the interest rate is equal to the cost of funds; and

11 (B) if the cost of funds of that issue is more than 10
12 percent, the interest rate may not be less than 10 percent.

13 (2) An interest rate determined under this subsection on
14 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
15 loan that is not purchased from the proceeds of bonds that are qual-
16 ified veterans' mortgage bonds under the applicable provisions of 26
17 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
18 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
19 point if the loan is made to an eligible veteran under AS 18.56.101.

20 (3) The interest rate for the amount of a mortgage loan
21 purchased under (a) of this section that exceeds the loan amount
22 eligible for assistance [\$90,000] is equal to the cost of funds to the
23 corporation attributable to that part of the loan.

24 (4) The interest rate on the loan amount eligible for
25 assistance [FIRST \$90,000] of a mortgage loan purchased with money
26 that is not the proceeds of either taxable or tax-exempt bonds is the
27 rate the corporation determines is appropriate by application of the
28 provision of (1) of this subsection.

29 (5) The interest rate on the loan amount eligible for

1 assistance [FIRST \$90,000] of a mortgage loan purchased from the
2 proceeds of bonds that are exempt from taxation other than bonds that
3 constitute qualified veterans' bonds under (i) of this section, is
4 equal to the interest rate determined under (1) and (2) of this sub-
5 section on a loan purchased under (a) of this section from the pro-
6 ceeds of the most recent applicable issue of taxable bonds sold by the
7 corporation. A higher or lower interest rate shall be established on
8 the entire loan amount if required to ensure the tax-exempt status of
9 the bonds.

10 (6) The corporation shall determine the interest rate on a
11 mortgage loan that is an adjustable rate mortgage loan as provided in
12 this subsection. The corporation shall recalculate the interest rate
13 from time to time based on changes in the cost to the corporation of
14 the funds used to purchase the adjustable rate mortgage loan. How-
15 ever, the corporation may establish a minimum interest rate applicable
16 to an adjustable rate mortgage loan, and the interest rate on the
17 adjustable rate mortgage loan may not be less than the minimum inter-
18 est rate so established regardless of the cost of funds to the corpo-
19 ration.

20 (7) For loans made under this section, the corporation
21 shall give effect to interest rate changes applicable to the loans
22 based on time of loan application, time of issuance of the corpora-
23 tion's bonds issued to purchase loans, or other factors as the corpora-
24 tion determines.

25 (8) [(7)] In this subsection

26 (A) "cost of funds" means the true interest cost
27 expressed as a rate on bonds of the corporation plus an addi-
28 tional percentage as determined by the corporation to represent
29 the allocable expenses of operation, costs of issuance, and

mortgage servicing;

(B) "taxable bonds" means bonds bearing interest that is taxable under applicable provisions of 26 U.S.C. (Internal Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980)] issued to finance the purchase of first mortgage loans.

* Sec. 6. AS 18.56.098(h) is amended to read:

(h) The corporation shall establish the interest rate on a second mortgage loan purchased under (a) of this section in the manner established for computing the interest rates on a first mortgage loan under (g) of this section except that, in the case of a second mortgage loan, if the first mortgage loan made to the same borrower is held by the corporation and was purchased under the special mortgage loan purchase program, the outstanding principal balance of the existing first mortgage loan is subtracted from the loan amount eligible for assistance [\$90,000] to determine the amount of the loan that is eligible for an interest rate on a second mortgage loan determined by reference to (g) of this section.

* Sec. 7. AS 18.56.098(i) is amended to read:

(i) The interest rate on the loan amount eligible for assistance [FIRST \$90,000] of a mortgage loan purchased from the proceeds of bonds that constitute qualified veterans' mortgage bonds under applicable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREATER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate for other loans to veterans under (g)(2) of this section [AS 18.56.-098(g)(3)]. A higher or lower interest rate shall be established on the entire loan amount if required by applicable provisions of 26 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

1 * Sec. 8. AS 36.30.015(e) is amended to read:

2 (e) The boards of directors of the Alaska Railroad Corporation,
3 the Alaska Housing Finance Corporation, and the Alaska State Housing
4 Authority shall adopt procedures to govern the procurement of sup-
5 plies, services, professional services, and construction for [BY] the
6 respective public corporations [CORPORATION]. The procedures must

7 (1) reflect competitive bidding principles and provide
8 vendors reasonable and equitable opportunities to participate in the
9 procurement process; and

10 (2) include procurement methods to meet emergency and
11 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
12 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
13 CHAPTER].

14 * Sec. 9. AS 36.30.990(1) is amended to read:

15 (1) "agency"

16 (A) means a department, institution, board, commis-
17 sion, division, authority, public corporation, the Alaska Pio-
18 neers' Home, or other administrative unit of the executive branch
19 of state government;

20 (B) does not include

21 (i) [, EXCEPT FOR] the University of Alaska;

22 (ii) [,] the Alaska State Housing Authority;

23 (iii) the [AND] Alaska Railroad Corporation;

24 (iv) the Alaska Housing Finance Corporation;

25 (v) [IT DOES NOT INCLUDE] a regional Native
26 housing authority created under AS 18.55.996, or a regional
27 electrical authority created under AS 18.57.020;

28 * Sec. 10. AS 37.07 is amended by adding a new section to read:

29 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

1 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
2 Finance Corporation may, by resolution adopted by the board of direc-
3 tors, increase an item appropriated from corporation receipts if

4 (1) the board of directors determines that circumstances
5 require an increase in expenditures in excess of an existing appro-
6 priation made under the authority conferred by this chapter; and

7 (2) additional corporation receipts are available.

8 (b) Before the resolution required by (a) of this section takes
9 effect, the board of directors shall submit a revised program to the
10 governor for approval as provided in AS 37.07.080(d). A copy of the
11 revised program shall be submitted to the legislative budget and audit
12 committee.

13 (c) The increase authorized by (a) of this section may not
14 extend beyond the end of the fiscal year in which the resolution is
15 adopted.

16 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
17 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
18 mortgage loans purchased by the Alaska Housing Finance Corporation from the
19 special mortgage loan purchase program and from qualified veterans' mort-
20 gage bonds

21 (1) after June 30, 1990, and before July 1, 1991, the loan
22 amount eligible for assistance under AS 18.56.098 is \$70,000;

23 (2) after June 30, 1991, and before July 1, 1992, the loan
24 amount eligible for assistance under AS 18.56.098 is \$50,000;

25 (3) after June 30, 1992, and before July 1, 1993, the loan
26 amount eligible for assistance under AS 18.56.098 is \$30,000.

27 * Sec. 12. Of the two additional public members appointed by the gover-
28 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
29 serve a term of two years and one shall serve a term of one year. When

1 making the appointments, the governor shall specify the length of the term
2 of each person appointed.

3 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

4 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
5 July 1, 1990.

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LATEST

* Sec. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if:

(1) the board of directors determines that circumstances require an increase in expenditures in excess of an existing appropriation made under the authority conferred by this chapter; and

(2) additional corporation receipts are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor for approval as provided in 37.07.080(d). A copy of the revised program shall be submitted to the legislative budget and audit committee.

(c) The increase authorized by (a) of this section may not extend beyond the end of the fiscal year in which the resolution is adopted.



To SULLIVAN — A.S.A.P

March 23, 1990

Bob:

Senator Szymanski and I suspect Sen. Pearce intend to offer the attached amendment to our bill, S-427. It essentially says AHFC, RR, etc. must comply with with AS 36.30.170, bidder preference laws in procurement code.

That sure seems to counter the effects of our language in Sec. 8 (pages 6-7,) in the Senate Finance Committee version of the bill...also attached.

I understand their real interest is with the Railroad, not AHFC, but the way they are doing it hits you folks as well. Must talk asap.

Call me, 465-3793

Max

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. SZYMANSKI

TO: CSSB 427 (Finance)

Page 7, after line 4:

Insert

"(1) comply with requirements of AS 36.30.170;"

Renumber the following paragraphs accordingly.

Effect of amendments. — The 1989 amendment, effective September 10, 1989, rewrote the second sentence of subsection (b).

Sec. 36.30.170. Contract award after bids. (a) Except as provided in (b), (c), and (d) of this section, the procurement officer shall award a contract based on the solicited bids with reasonable promptness by written notice to the lowest responsible and responsive bidder whose bid conforms in all material respects to the requirements and criteria set out in the invitation to bid.

(b) The procurement officer shall award a contract based on solicited bids to the lowest responsive and responsible bidder after an Alaska bidder preference of five percent and an Alaska products preference as described in AS 36.30.322 — 36.30.338 have been applied. In this subsection, "Alaska bidder" means a person who

- (1) holds a current Alaska business license;
- (2) submits a bid for goods, services, or construction under the name as appearing on the person's current Alaska business license;
- (3) has maintained a place of business within the state staffed by the bidder or an employee of the bidder for a period of six months immediately preceding the date of the bid;
- (4) is incorporated or qualified to do business under the laws of the state, is a sole proprietorship, and the proprietor is a resident of the state or is a partnership, and all partners are residents of the state; and
- (5) if a joint venture, is composed entirely of ventures that qualify under (1) — (4) of this subsection.

(c) If a bidder qualifies under (b) of this section as an Alaska bidder, is offering services through an employment program, and is the lowest responsible and responsive bidder with a bid that is not more than 10 percent higher than the lowest bid of a nonresident, the procurement officer shall award the contract to that bidder.

(d) The procurement officer shall award an insurance-related contract based on solicited bids to the lowest responsive and responsible bidder after an Alaska bidder preference of five percent. In this subsection, "Alaska bidder" means a person who meets the criteria set out in (1) — (5) of this section and who is an Alaska domestic insurer. (§ 2 ch 106 SLA 1986; am §§ 7 — 9 ch 65 SLA 1987; am § 6 ch 102 SLA 1989)

Effect of amendments. — The 1989 amendment, effective September 10, 1989, deleted "as defined under AS 36.30.100(c)" following "employment program" in subsection (c).

OUR Bill

1 is taxable under applicable provisions of 26 U.S.C. (Internal
2 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
3 BOND TAX ACT OF 1980)] issued to finance the purchase of first
4 mortgage loans.

5 * Sec. 6. AS 18.56.098(h) is amended to read:

6 (h) The corporation shall establish the interest rate on a
7 second mortgage loan purchased under (a) of this section in the manner
8 established for computing the interest rates on a first mortgage loan
9 under (g) of this section except that, in the case of a second mort-
10 gage loan, if the first mortgage loan made to the same borrower is
11 held by the corporation and was purchased under the special mortgage
12 loan purchase program, the outstanding principal balance of the exist-
13 ing first mortgage loan is subtracted from the loan amount eligible
14 for assistance [\$90,000] to determine the amount of the loan that is
15 eligible for an interest rate on a second mortgage loan determined by
16 reference to (g) of this section.

17 * Sec. 7. AS 18.56.098(i) is amended to read:

18 (i) The interest rate on the loan amount eligible for assistance
19 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
20 bonds that constitute qualified veterans' mortgage bonds under appli-
21 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
22 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
23 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
24 for other loans to veterans under (g)(2) of this section [AS 18.56.-
25 098(g)(3)]. A higher or lower interest rate shall be established on
26 the entire loan amount if required by applicable provisions of 26
27 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

28 * Sec. 8. AS 36.30.015(e) is amended to read:

29 (e) The boards of directors of the Alaska Railroad Corporation,

1 the Alaska Housing Finance Corporation, and the Alaska State Housing
2 Authority shall adopt procedures to govern the procurement of sup-
3 plies, services, professional services, and construction for [BY] the
4 respective public corporations [CORPORATION]. The procedures must

5 (1) reflect competitive bidding principles and provide
6 vendors reasonable and equitable opportunities to participate in the
7 procurement process; and

8 (2) include procurement methods to meet emergency and
9 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
10 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
11 CHAPTER].

12 * Sec. 9. AS 36.30.990(1) is amended to read:

13 (1) "agency"

14 (A) means a department, institution, board, commis-
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16 neers' Home, or other administrative unit of the executive branch
17 of state government;

18 (B) does not include

19 (i) [, EXCEPT FOR] the University of Alaska;

20 (ii) [,] the Alaska State Housing Authority;

21 (iii) the [AND] Alaska Railroad Corporation;

22 (iv) the Alaska Housing Finance Corporation;

23 (v) [IT DOES NOT INCLUDE] a regional Native
24 housing authority created under AS 18.55.996, or a regional
25 electrical authority created under AS 18.57.020;

26 * Sec. 10. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
27 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
28 mortgage loans purchased by the Alaska Housing Finance Corporation from the
29 special mortgage loan purchase program and from qualified veterans'

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§ 36.30.015

PUBLIC CONTRACTS

§ 36.30.040

Sec. 36.30.015. Executive branch agencies. (a) The commissioner of transportation and public facilities may delegate to another agency the authority to contract for construction. Before delegating authority to an agency under this subsection, the commissioner of transportation and public facilities shall make a written determination that the agency is capable of implementing the delegated authority. Notwithstanding delegation of authority under this subsection, contracts for construction are governed by this chapter and regulations adopted by the commissioner of administration under this chapter.

(b) The commissioner of administration may delegate to an agency the authority to contract for and manage services, professional services, and supplies. Notwithstanding delegation of authority under this subsection, an agency's exercise of the authority is governed by this chapter and regulations adopted by the commissioner under this chapter. Before delegating authority to an agency under this subsection, the commissioner shall make a written determination that the agency is capable of implementing the delegated authority.

(c) The commissioner of administration may not delegate the authority to dispose of supplies or the authority to adopt regulations under this chapter.

(d) An agency may not contract for the services of legal counsel without the approval of the attorney general.

(e) The boards of directors of the Alaska Railroad Corporation and the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction by the corporation. The procedures must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter. (§ 2 ch 106 SLA 1986)

Revisor's notes. — Under § 2, ch. 11, "Alaska State Building Authority" in SLA 1989 and AS 01.05.031 "Alaska State Housing Authority" was substituted for 1989.

Sec. 36.30.040. Procurement regulations. (a) The commissioner shall adopt regulations governing the procurement, management, and control of supplies, services, professional services and construction by agencies. The commissioner may audit and monitor the implementation of the regulations and the requirements of this chapter with respect to using agencies.

(b) The commissioner shall adopt regulations pertaining to the following:

- (1) suspension, debarment, and reinstatement of prospective bidders and contractors;
- (2) bid protests;
- (3) conditions and procedures for the procurement of perishables and items for resale;

FRONT SECTION
of budget

this ... doesn't do anything to free up ANFC



Chapter 116

Chapter 116

* Sec. 13. The income of the Alaska permanent fund allocated annually to pay permanent fund dividends as provided in AS 43.23.045(b) is appropriated to the dividend fund (AS 43.23.045(a)) for the payment of the 1989 permanent fund dividend and administrative and associated costs.

* Sec. 14. All unrestricted mortgage loan interest payments and all other receipts, including, without limitation, mortgage loan commitment fees, received by or accrued to the Alaska Housing Finance Corporation during the period of July 1, 1989 through June 30, 1990, and all income earned on assets of the corporation during that period, are appropriated to the Alaska housing finance revolving fund (AS 18.56.082) for the purposes described in AS 18.56.

* Sec. 15. The sum of \$10,580,300 is appropriated to the general fund, as an additional revenue source, from the following enterprise funds:

Alaska World War II Veterans' Revolving Fund	
(AS 26.15.090)	\$ 279,600
Commercial Fishing Revolving Loan Fund (AS 16.10.340)	5,313,600
Child Care Facility Revolving Loan Fund (AS 44.33.240)	8,800
Historical District Revolving Loan Fund (AS 45.98.010)	82,400
Mining Loan Fund (AS 27.09.010)	3,200
Alternative Energy Revolving Loan Fund (AS 45.88.010)	727,600
Residential Energy Conservation Fund (AS 45.89.010)	343,400
Power Development Revolving Loan Fund (AS 44.33.600)	2,512,300
Grain Reserve Loan Fund (AS 03.12.040)	309,400
Agricultural Revolving Loan Fund (AS 03.10.040)	1,000,000

* Sec. 16. The unexpended and unobligated balance of the appropriation made in sec. 151, ch. 3, FSSLA 1987 (Nenana Feasibility Study - \$2,700,000) is appropriated to the general fund for the operating expenses of state government.

* Sec. 17. The sum of \$200,000 is appropriated from the general fund to

the Department of (

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capitalize the fund.

* Sec. 19. The l

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Farming Task Force.

* Sec. 22. The sun

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the food stamp program

* Sec. 23. The am

CCS HB 100

M.

revised
CS

3-21-90

* Sec. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if:

(1) the board of directors determines that exigent circumstances require an increase in expenditures in excess of existing appropriations; and

(2) additional corporation receipts are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor and the legislative budget and audit committee.

(c) The increase authorized by (a) of this section may not extend beyond the end of the fiscal year in which the resolution is adopted.

LETTER OF INTENT

FOR

CSSB 427 (FINANCE)

IN CHANGING THE PROVISIONS OF AS 36.30.015(E), IT IS THE INTENT OF THE SENATE FINANCE COMMITTEE TO ALLOW THE ALASKA RAILROAD CORPORATION, THE ALASKA HOUSING FINANCE CORPORATION AND THE ALASKA STATE HOUSING AUTHORITY TO ADOPT PROCUREMENT REGULATIONS WHICH WILL ALLOW EACH CORPORATION TO OPERATE WITHIN THEIR RESPECTIVE MARKETS IN A COST-EFFECTIVE MANNER WHILE AT THE SAME TIME ENSURING A PUBLIC AND COMPETITIVE BIDDING PROCESS. IT IS NOT THE INTENT OF THE SENATE FINANCE COMMITTEE THAT THESE REGULATIONS BE THE SAME AS OR "SUBSTANTIALLY EQUIVALENT" TO THE STATE PROCUREMENT CODE.

IT IS ALSO THE INTENT OF THE SENATE FINANCE COMMITTEE THAT THE ALASKA HOUSING FINANCE CORPORATION PRESENT INTERIM CHANGES TO ITS ANNUAL OPERATING BUDGET TO THE LEGISLATIVE BUDGET & AUDIT COMMITTEE AS A MATTER OF INFORMATION NOTWITHSTANDING AHFC'S BUDGET AUTHORITY TO EXPEND FUNDS PROVIDED IN THE FRONT SECTION OF THE GENERAL APPROPRIATIONS ACT.

SENATE BILL NO. 427 WAS REFERRED TO THE RULES COMMITTEE.

Pat:

Talked with the folks at LAA Legal re: ~~AHFC~~

Here's the story...the language in the front section of the budget bill allows AHFC to receive and spend program receipts.

BUT, as we discussed, for AHFC to expend monies and hire more people as the bill currently is written they will have to comply with AS 37.07.080 (h) (copy attached); which is the Legislative Budget & Audit procedure which must take up to 45 days before action unless LB&A decides it should act earlier upon the request.

Senator Duncan and Mary Halloran talked with me...Jim says the finance committee wants the LB&A constraints on AHFC.....

To give AHFC more flexibility we would have to put the Sec. 2 language back into the bill or adopt the language Tam has written in her memo. Tam and Chenoweth feel her language gives AHFC more flexibility and Mintz and I have requested Baldwin (AG) to give us his opinion.

I have yet to talk with Janice or anyone else.....What next?

of the state must contain the following projects fund:

ds authorized and unissued;
ds to be authorized;
ls to be provided by others;
nd encumbrances compared to ap-
978; am § 62 ch 14 SLA 1987)

for capital outlay in the balance sheet of each capital projects fund.

view. The legislature shall consider intensive operating and capital im- l plans evaluate alternatives to the among the various alternatives and venues the level of funding required es. The operating and capital bud- tely reviewed. During each regular ive review of the governor's suppl- he governor's budget amendments ng time limits:

or supplemental appropriations for l budgets for the current fiscal year mittee only through the 30th legis-

for budget amendments to state scal year may be received and re- s only through the 60th legislative 1 ch 66 SLA 1977; am § 9 ch 168 32; am §§ 7, 8 ch 63 SLA 1983)

ution. (a) Except as limited by pol- ropriations by the legislature, and l state agencies have full authority rvice assignments and are respon- it.

pare an annual plan for the opera- ms except for programs that are by the office. The operations plan- content and be transmitted on the

to determine that it is consistent vernal and appropriations by the- lanning and efficient management

methods, and that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year;

(2) approve the operations plan if satisfied that it meets the requirements under (1) of this subsection; otherwise, the office shall require revision of the operations plan in whole or in part.

(d) A state agency may not increase the salaries of its employees, employ additional employees, or expend money or incur obligations except in accordance with law and properly approved operations plan.

(e) Transfers or changes between objects of expenditures or between allocations may be made by the head of a state agency upon approval of the office. Transfers may not be made between appropriations except as provided in an act making the transfers between appropriations.

(f) The office shall report quarterly to the governor and the legislature on the operations of each state agency, relating actual accomplishments to those planned and modifying, if necessary, the operations plan of any agency for the balance of the fiscal year.

(g) The governor may direct the withholding or reduction of appropriations to a state agency at any time during the fiscal year only if the governor determines that

(1) the planned expenditures can no longer be made due to factors outside the control of the state which make the expenditure factually impossible; or

(2) estimated receipts and surpluses will be insufficient to provide for appropriations.

(h) The increase of an appropriation item based on additional federal or other program receipts not specifically appropriated by the full legislature may be expended in accordance with the following procedures:

(1) the governor shall submit a revised program to the Legislative Budget and Audit Committee for review;

(2) 45 days shall elapse before commencement of expenditures under the revised program unless the Legislative Budget and Audit Committee earlier recommends that the state take part in the federally or otherwise funded activity;

(3) should the Legislative Budget and Audit Committee recommend within the 45-day period that the state not initiate the additional activity, the governor shall again review the revised program and if the governor determines to authorize the expenditure, the governor shall provide the Legislative Budget and Audit Committee with a statement of the governor's reasons before commencement of expenditures under the revised program. (§ 1 ch 188 SLA 1970; am §§ 1-3 ch 26 SLA 1976; am §§ 2, 3 ch 74 SLA 1977; am §§ 4, 5 ch 60 SLA 1979; am §§ 9-12 ch 63 SLA 1983)

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

COPY
POUCH Y · STATE CAPITOL
JUNEAU ALASKA 99811
907-465-3800

MEMORANDUM

March 15, 1990

SUBJECT: Alaska Housing Finance Corporation
(CSSB 427(Fin))

TO: Senator Pat Rodey

FROM: Tamara Brandt Cook
Director
Division of Legal Services

Max Gifford of your office has supplied me with a proposed letter of intent to CSSB 427(Fin) and asked whether this alone would authorize AHFC to hire additional employees to implement the new legislation without "going through the hoops" of the executive budget act. In my opinion it would not because AS 37.07.080(d) specifically limits the ability of an agency to add new employees not provided for in the approved operations plan of the agency. Under subsection (f) the operations plan of an agency may be modified. So, AHFC may be able to add employees under existing law if its operations plan is modified during the fiscal year. Otherwise, AHFC will not be able to increase the number of its employees over that provided for in the operations plan without an exemption from the provision of AS 37.07.080(d) enacted as law. I suggest the following language to accomplish this:

Sec. AS 18.56.089 is amended by adding a new subsection to read:

(b) Notwithstanding AS 37.07.080(d) and (f), if the board of directors determines that it is in the best interests of the corporation, the corporation may employ additional employees not authorized under its approved operations plan and make reductions in other expenditures if necessary. A determination by the board to hire additional employees must be set forth in

Senator Pat Rodey

Page 2

March 15, 1990

a resolution adopted by the board that explains the basis for the determination. A copy of the resolution shall be submitted to the governor and to the Legislative Budget and Audit Committee.

TBC:gc
G13/120

Enclosure

STATE OF ALASKA
THE LEGISLATURE

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

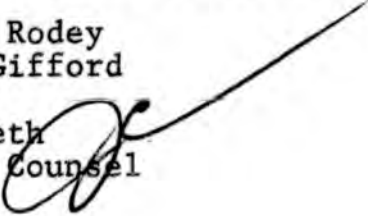
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 15, 1990

SUBJECT: Authority for Alaska Housing Finance Corporation to operate outside of constraints of Executive Budget Act based on language in Act making annual operations for expenditures of state government operations

TO: Senator Pat Rodey
ATTN: Max Gifford

FROM: Jack Chenoweth
Legislative Counsel 

You have asked whether sec. 14, ch. 116, SLA 1989, authorizes the Alaska Housing Finance Corporation to operate outside of constraints imposed by the Executive Budget Act (AS 37.07) relating to employment of additional personnel not authorized by ch. 116. In my opinion, the language does not and, since it is an act making appropriations, it can not.

Sec. 14, ch. 116, SLA 1989 appropriates the income received by the corporation during FY 1990 "to the Alaska housing finance revolving fund (AS 18.56.082) for the purposes described in AS 18.56." Without the appropriation, income received by the corporation from the sources identified in that section would be unavailable to the corporation and would lapse into the state's general fund.

AS 18.56.089 subjects the corporation to the Executive Budget Act. AS 37.07.080(d) precludes agencies subject to the Executive Budget Act from hiring additional personnel not authorized by law "except in accordance with law." Essentially, state law requires approval of employment of additional personnel by the legislature, if in session, or by the Legislative Budget and Audit Committee under AS 37.07.-080(h). Since acts making appropriations must be confined to appropriations, article II, section 13, Alaska

Senator Pat Rodey

Page 2

March 15, 1990

Constitution, and may not serve to modify or nullify substantive law, there is no merit to the contention that sec. 14, ch. 116, SLA 1989 excepts the corporation from the provisions of the Executive Budget Act.

JC:gc
G13/123

Patrick M. Roddy
Senator

Alaska State Legislature

3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618



Senate

During Session:
P.O. Box V
Juneau, Alaska 99811
1793

MEMO
re: intent
letter

March 15, 1990

Tam:

Here's the letter of intent plus the draft SFC CS for SB-427.

This morning the committee was about to adopt the proposed CS without any changes.

Then they decided to completely drop Sec. 2 (page 2, lines 2-13), and opt for a "letter of intent", which I have provided.

I am not convinced this letter will provide AHFC with the flexibility it needs to comply with SB-427 in their dealing in the banking and mortgage world.

AHFC has no trouble with the bill...the problem is a debate over whether this quasi public agency should be exempt from the constraints of the executive budget act. Someone has suggested that the front section of the budget gives AHFC that flexibility much like the UA is permitted to spend its money as it sees fit. AHFC also has its own funds by virtue of the business they are involved with and they want to make sure they can expend those monies as necessary in complying with SB-427, without "going through the hoops" of the executive budget act and perhaps the procurement code.

What this all boils down to is the agency wants to be able to hire folks as they need them to effect the changes brought about by SB-427, without having to either come to the legislature to beg for more positions or go before an LB&A inquisition if they can avoid it.

If a letter of intent can't do it, then suggest language change, please.

This is a rush job....as always, thank you.

May x 3793

CSSB 427 (Finance)

LETTER OF INTENT

In changing the provisions of AS 36.30.015(e), it is the intent of the Senate Finance Committee to allow the Alaska Railroad Corporation, the Alaska Housing Finance Corporation and the Alaska State Housing Authority to adopt procurement regulations which will allow each corporation to operate within their respective markets in a cost-effective manner while at the same time ensuring a public and competitive bidding process. It is not the intent of the Senate Finance Committee that these regulations be the same as or "substantially equivalent" to the State Procurement Code.

It is also the intent of the Senate Finance Committee that the Alaska Housing Finance Corporation shall present interim changes to its annual operating budget to the Legislative Budget & Audit Committee as a matter of information pursuant to AHFC's budget authority to expend funds provided in the front section of the General Appropriations Act.

Pat

This seems fine to me!
What do you think?

JL

Senator Duncan

let me know if you
think this will do it.
Mike Greaney does.

Quinn

Senator Rodey

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 making an exception for the corporation under the
12 Executive Budget Act; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of cer-
19 tain state corporations; and providing for an effec-
20 tive date."

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

22 * Section 1. AS 18.56.030(a) is amended to read:

23 (a) The corporation shall be governed by a board of directors
24 consisting of

25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;

27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and

1 (3) four [TWO] public members appointed by the governor.

2 * Sec. 2. AS 18.56.089 is amended by adding a new subsection to read:

3 (b) Notwithstanding the prohibition against employing additional
4 employees under AS 37.07.080(d), if the board of directors determines
5 that it is in the best interests of the corporation, the corporation
6 may employ additional employees without obtaining prior approval of
7 the Legislative Budget and Audit Committee. If the board of directors
8 determines to employ additional employees, the board shall implement
9 its decision by a board resolution. The board shall promptly submit
10 its resolution to the Legislative Budget and Audit Committee. [~~If~~
11 ~~within 45 days after receipt of the board's resolution the committee~~
12 ~~disapproves the resolution, the board shall immediately terminate the~~
13 ~~persons it employed under the resolution.~~]

14 * Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

15 (b) Notwithstanding (a) of this section, the loan amount eligi-
16 ble for assistance under the subsidy authorized by (a) of this section
17 is the amount determined under AS 18.56.098(f).

18 * Sec. 4. AS 18.56.098(f) is amended to read:

19 (f) In this section and in AS 18.56.099

20 (1) "graduated payment mortgage loan" means a mortgage loan
21 the terms of which provide for monthly principal and interest payments
22 that

23 (A) during the first year of the mortgage loan are
24 lower than the monthly principal and interest payments that would
25 be required under the terms of a level payment mortgage loan made
26 at the same interest rate; and

27 (B) during subsequent years of the mortgage loan are
28 graduated to provide for the same return over the term of the
29 loan that would have been provided by a level payment mortgage

1 loan made at the same interest rate;

2 (2) "loan amount eligible for assistance" means the amount
3 of a mortgage loan that does not exceed the amount of the loan estab-
4 lished by law; if an amount has not been established by law, the
5 amount is zero;

6 (3) [REPEALED] "mortgage loan" includes a beneficial in-
7 terest or participation in a mortgage loan;

8 (4) "residence" means

9 (A) an owner-occupied, single-family residence, in-
10 cluding a mobile home; [,] or

11 (B) an owner-occupied duplex, triplex, or fourplex.

12 * Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

13 (f) In this section and in AS 18.56.091 and 18.56.099

14 (1) "graduated payment mortgage loan" means a mortgage loan
15 the terms of which provide for monthly principal and interest payments
16 that

17 (A) during the first year of the mortgage loan are
18 lower than the monthly principal and interest payments that would
19 be required under the terms of a level payment mortgage loan made
20 at the same interest rate; and

21 (B) during subsequent years of the mortgage loan are
22 graduated to provide for the same return over the term of the
23 loan that would have been provided by a level payment mortgage
24 loan made at the same interest rate;

25 (2) "loan amount eligible for assistance" means

26 (A) the first \$50,000 of a mortgage loan for persons
27 of lower or moderate income whose purchase of a home is assisted
28 under AS 18.56.091; or

29 (B) except as to persons whose purchase of a home is

1 assisted under AS 18.56.091, the amount of a mortgage loan that
2 does not exceed the amount of the loan established by law; if an
3 amount has not been established by law, the amount is zero;

4 (3) "mortgage loan" includes a beneficial interest or
5 participation in a mortgage loan;

6 (4) "residence" means

7 (A) an owner-occupied, single-family residence, in-
8 cluding a mobile home; or

9 (B) an owner-occupied duplex, triplex, or fourplex.

10 * Sec. 6. AS 18.56.098(g) is amended to read:

11 (g) The corporation shall establish the interest rate on a first
12 mortgage loan purchased under (a) of this section in accordance with
13 the following:

14 (1) The interest rate on the loan amount eligible for
15 assistance [FIRST \$90,000] of a mortgage loan purchased with the
16 proceeds of an issue of taxable bonds of the corporation is three
17 percent less than the cost of funds of that issue, except that

18 (A) if the cost of funds of that issue is less than 10
19 percent, the interest rate is equal to the cost of funds; and

20 (B) if the cost of funds of that issue is more than 10
21 percent, the interest rate may not be less than 10 percent.

22 (2) An interest rate determined under this subsection on
23 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
24 loan that is not purchased from the proceeds of bonds that are qual-
25 ified veterans' mortgage bonds under the applicable provisions of 26
26 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
27 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
28 point if the loan is made to an eligible veteran under AS 18.56.101.

29 (3) The interest rate for the amount of a mortgage loan

1 purchased under (a) of this section that exceeds the loan amount
2 eligible for assistance [\$90,000] is equal to the cost of funds to the
3 corporation attributable to that part of the loan.

4 (4) The interest rate on the loan amount eligible for
5 assistance [FIRST \$90,000] of a mortgage loan purchased with money
6 that is not the proceeds of either taxable or tax-exempt bonds is the
7 rate the corporation determines is appropriate by application of the
8 provision of (1) of this subsection.

9 (5) The interest rate on the loan amount eligible for
10 assistance [FIRST \$90,000] of a mortgage loan purchased from the
11 proceeds of bonds that are exempt from taxation other than bonds that
12 constitute qualified veterans' bonds under (i) of this section, is
13 equal to the interest rate determined under (1) and (2) of this sub-
14 section on a loan purchased under (a) of this section from the pro-
15 ceeds of the most recent applicable issue of taxable bonds sold by the
16 corporation. A higher or lower interest rate shall be established on
17 the entire loan amount if required to ensure the tax-exempt status of
18 the bonds.

19 (6) The corporation shall determine the interest rate on a
20 mortgage loan that is an adjustable rate mortgage loan as provided in
21 this subsection. The corporation shall recalculate the interest rate
22 from time to time based on changes in the cost to the corporation of
23 the funds used to purchase the adjustable rate mortgage loan. How-
24 ever, the corporation may establish a minimum interest rate applicable
25 to an adjustable rate mortgage loan, and the interest rate on the
26 adjustable rate mortgage loan may not be less than the minimum inter-
27 est rate so established regardless of the cost of funds to the corpo-
28 ration.

29 (7) For loans made under this section, the corporation

1 shall give effect to interest rate changes applicable to the loans
2 based on time of loan application, time of issuance of the corpora-
3 tion's bonds issued to purchase loans, or other factors as the corpor-
4 ation determines.

5 (8) [(7)] In this subsection

6 (A) "cost of funds" means the true interest cost
7 expressed as a rate on bonds of the corporation plus an addi-
8 tional percentage as determined by the corporation to represent
9 the allocable expenses of operation, costs of issuance, and
10 mortgage servicing;

11 (B) "taxable bonds" means bonds bearing interest that
12 is taxable under applicable provisions of 26 U.S.C. (Internal
13 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
14 BOND TAX ACT OF 1980)] issued to finance the purchase of first
15 mortgage loans.

16 * Sec. 7. AS 18.56.098(h) is amended to read:

17 (h) The corporation shall establish the interest rate on a
18 second mortgage loan purchased under (a) of this section in the manner
19 established for computing the interest rates on a first mortgage loan
20 under (g) of this section except that, in the case of a second mort-
21 gage loan, if the first mortgage loan made to the same borrower is
22 held by the corporation and was purchased under the special mortgage
23 loan purchase program, the outstanding principal balance of the exist-
24 ing first mortgage loan is subtracted from the loan amount eligible
25 for assistance [\$90,000] to determine the amount of the loan that is
26 eligible for an interest rate on a second mortgage loan determined by
27 reference to (g) of this section.

28 * Sec. 8. AS 18.56.098(i) is amended to read:

29 (i) The interest rate on the loan amount eligible for assistance

1 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
2 bonds that constitute qualified veterans' mortgage bonds under appli-
3 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
4 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
5 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
6 for other loans to veterans under (g)(2) of this section [AS 18.56.-
7 098(g)(3)]. A higher or lower interest rate shall be established on
8 the entire loan amount if required by applicable provisions of 26
9 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

10 * Sec. 9. AS 36.30.015(e) is amended to read:

11 (e) The boards of directors of the Alaska Railroad Corporation,
12 the Alaska Housing Finance Corporation, and the Alaska State Housing
13 Authority shall adopt procedures to govern the procurement of sup-
14 plies, services, professional services, and construction for [BY] the
15 respective public corporations [CORPORATION]. The procedures must

16 (1) reflect competitive bidding principles and provide
17 vendors reasonable and equitable opportunities to participate in the
18 procurement process; and

19 (2) include procurement methods to meet emergency and
20 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
21 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
22 CHAPTER].

23 * Sec. 10. AS 36.30.990(1) is amended to read:

24 (1) "agency"

25 (A) means a department, institution, board, commis-
26 sion, division, authority, public corporation, the Alaska Pio-
27 neers' Home, or other administrative unit of the executive branch
28 of state government;

29 (B) does not include

1 (i) [, EXCEPT FOR] the University of Alaska;
2 (ii) [,] the Alaska State Housing Authority;
3 (iii) the [AND] Alaska Railroad Corporation;
4 (iv) the Alaska Housing Finance Corporation;
5 (v) [IT DOES NOT INCLUDE] a regional Native
6 housing authority created under AS 18.55.996, or a regional
7 electrical authority created under AS 18.57.020;

8 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
9 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
10 mortgage loans purchased by the Alaska Housing Finance Corporation from the
11 special mortgage loan purchase program and from qualified veterans' mort-
12 gage bonds

13 (1) after June 30, 1990, and before July 1, 1991, the loan
14 amount eligible for assistance under AS 18.56.098 is \$70,000;

15 (2) after June 30, 1991, and before July 1, 1992, the loan
16 amount eligible for assistance under AS 18.56.098 is \$50,000;

17 (3) after June 30, 1992, and before July 1, 1993, the loan
18 amount eligible for assistance under AS 18.56.098 is \$30,000.

19 * Sec. 12. Of the two additional public members appointed by the gover-
20 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
21 serve a term of two years and one shall serve a term of one year. When
22 making the appointments, the governor shall specify the length of the term
23 of each person appointed.

24 * Sec. 13. Sections 3 and 5 of this Act take effect July 1, 1992.

25 * Sec. 14. Except for secs. 3 and 5 of this Act, this Act takes effect
26 July 1, 1990.

- * Sec. AS 37.07 is amended by adding a new section to read:

Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a) Notwithstanding the provisions of AS 37.07.080, the Alaska Housing Finance Corporation may, by resolution adopted by the board of directors, increase an item appropriated from corporation receipts if:

(1) the board of directors determines that exigent circumstances require an increase in appropriations; and

(2) additional corporation receipts not specifically appropriated by the full legislature are available.

(b) Before the resolution required by (a) of this section takes effect, the board of directors shall submit a revised program to the governor and the legislative budget and audit committee.

Baldwin
LANGUAGE

STATE OF ALASKA

STEVE CONYER, GOVERNOR

DEPARTMENT OF LAW

FOURTH FLOOR - STATE CAPITOL
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OFFICE OF THE ATTORNEY GENERAL

TELECOPIER TRANSMITTAL LETTER

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Bob Mintz

LOCATION: Anch - Carr Court. PHONE: _____

TELECOPIER NUMBER: 561-7860

REMARKS: As we discussed

TOTAL NUMBER OF PAGES 02 INCLUDING COVER LETTER.DATE: 3-19-90 TIME: 9:45FROM: J. L. BaldwinIN RE SUBJECT/FILE NO. AHFC - LEGISLATION

CHARGE TO: 100 110 523

543 546 674

740 OTHER _____

IF YOU DO NOT RECEIVE ALL THE PAGES OR IF YOU HAVE ANY PROBLEMS,

PLEASE CONTACT: J.L.B.

AT (907) 465-3600 - ATTORNEY GENERAL'S OFFICE - JUNEAU

NOTE: Please fill in ALL of the blanks.

*Sec. ____ AS 18.50.089 is amended to read:

(a) Except as provided in (b) of this section the [THE] operating budget of the corporation is subject to the Executive Budget Act (AS 37.07). To further ensure effective budgetary decision making by the legislature, the corporation shall present a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund, to the legislature by January 10 of each year. The accounting shall be audited by an independent outside auditor and shall include a full description of all mortgage loan interest and principal repayments and program receipts, including mortgage loan commitment fees, received by or accrued to the corporation during the preceding fiscal year, and all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

(b) The provisions of AS 37.07.080(d) do not apply to the corporation if the board of directors determines that it is in the best interests of the corporation. A decision authorized by this subsection shall be implemented by resolution of the board of directors. Before the resolution takes effect, the board shall submit a revised program to the Legislative Budget and Audit Committee.

Pat - 3-13-90
Duck made these two
amendments available Mon.
to Vehling & Duncan as a fall-
back position if necessary -

M

A M E N D M E N T

AS 18.56.030(a)(3) is amended to read:

(3) four [TWO] public members appointed by the governor of which at least one all be a member of the finance community and one a real estate broker licensed by the State of Alaska.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 427 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code; amending
11 the corporation's special mortgage loan purchase
12 program and progressively reducing the maximum level
13 of loan amounts eligible for a reduction under a
14 mortgage loan subsidy; amending the corporation's
15 mortgage loan subsidy program for persons of lower
16 and moderate income; and relating to procurement
17 practices of certain state corporations; and provid-
18 ing for an effective date."

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

20 * Section 1. AS 18.56.030(a) is amended to read:

21 (a) The corporation shall be governed by a board of directors
22 consisting of

23 (1) the commissioner of revenue and the commissioner of
24 commerce and economic development;

25 (2) one other member who is the head of a [THE] principal
26 department of the executive branch of state government appointed by
27 the governor; and

28 (3) four [TWO] public members appointed by the governor,
29 one of whom shall be a representative of the financial community and

ROUTING - REQUEST

Please

- READ
- HANDLE
- APPROVE

To Senator Rodkey
Katie

and

- FORWARD
- RETURN
- KEEP OR DISCARD
- REVIEW WITH ME

- Just wanted you
guys to see this CS
before it was finalized.

Date 3-15-90

From Janice

1 one of whom shall be a person licensed as a real estate broker under
2 AS 08.88.171(a).

3 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

4 (b) Notwithstanding (a) of this section, the loan amount eligi-
5 ble for assistance under the subsidy authorized by (a) of this section
6 is the amount determined under AS 18.56.098(f).

7 * Sec. 3. AS 18.56.098(f) is amended to read:

8 (f) In this section and in AS 18.56.099

9 (1) "graduated payment mortgage loan" means a mortgage loan
10 the terms of which provide for monthly principal and interest payments
11 that

12 (A) during the first year of the mortgage loan are
13 lower than the monthly principal and interest payments that would
14 be required under the terms of a level payment mortgage loan made
15 at the same interest rate; and

16 (B) during subsequent years of the mortgage loan are
17 graduated to provide for the same return over the term of the
18 loan that would have been provided by a level payment mortgage
19 loan made at the same interest rate;

20 (2) "loan amount eligible for assistance" means the amount
21 of a mortgage loan that does not exceed the amount of the loan estab-
22 lished by law; if an amount has not been established by law, the
23 amount is zero;

24 (3) [REPEALED] "mortgage loan" includes a beneficial in-
25 terest or participation in a mortgage loan;

26 (4) "residence" means

27 (A) an owner-occupied, single-family residence, in-
28 cluding a mobile home; [,] or

29 (B) an owner-occupied duplex, triplex, or fourplex.

1 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

2 (f) In this section and in AS 18.56.091 and 18.56.099

3 (1) "graduated payment mortgage loan" means a mortgage loan
4 the terms of which provide for monthly principal and interest payments
5 that

6 (A) during the first year of the mortgage loan are
7 lower than the monthly principal and interest payments that would
8 be required under the terms of a level payment mortgage loan made
9 at the same interest rate; and

10 (B) during subsequent years of the mortgage loan are
11 graduated to provide for the same return over the term of the
12 loan that would have been provided by a level payment mortgage
13 loan made at the same interest rate;

14 (2) "loan amount eligible for assistance" means

15 (A) the first \$50,000 of a mortgage loan for persons
16 of lower or moderate income whose purchase of a home is assisted
17 under AS 18.56.091; or

18 (B) except as to persons whose purchase of a home is
19 assisted under AS 18.56.091, the amount of a mortgage loan that
20 does not exceed the amount of the loan established by law; if an
21 amount has not been established by law, the amount is zero;

22 (3) "mortgage loan" includes a beneficial interest or
23 participation in a mortgage loan;

24 (4) "residence" means

25 (A) an owner-occupied, single-family residence, in-
26 cluding a mobile home; or

27 (B) an owner-occupied duplex, triplex, or fourplex.

28 * Sec. 5. AS 18.56.098(g) is amended to read:

29 (g) The corporation shall establish the interest rate on a first

1 mortgage loan purchased under (a) of this section in accordance with
2 the following:

3 (1) The interest rate on the loan amount eligible for
4 assistance [FIRST \$90,000] of a mortgage loan purchased with the
5 proceeds of an issue of taxable bonds of the corporation is three
6 percent less than the cost of funds of that issue, except that

7 (A) if the cost of funds of that issue is less than 10
8 percent, the interest rate is equal to the cost of funds; and

9 (B) if the cost of funds of that issue is more than 10
10 percent, the interest rate may not be less than 10 percent.

11 (2) An interest rate determined under this subsection on
12 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
13 loan that is not purchased from the proceeds of bonds that are qual-
14 ified veterans' mortgage bonds under the applicable provisions of 26
15 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
16 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
17 point if the loan is made to an eligible veteran under AS 18.56.101.

18 (3) The interest rate for the amount of a mortgage loan
19 purchased under (a) of this section that exceeds the loan amount
20 eligible for assistance [\$90,000] is equal to the cost of funds to the
21 corporation attributable to that part of the loan.

22 (4) The interest rate on the loan amount eligible for
23 assistance [FIRST \$90,000] of a mortgage loan purchased with money
24 that is not the proceeds of either taxable or tax-exempt bonds is the
25 rate the corporation determines is appropriate by application of the
26 provision of (1) of this subsection.

27 (5) The interest rate on the loan amount eligible for
28 assistance [FIRST \$90,000] of a mortgage loan purchased from the
29 proceeds of bonds that are exempt from taxation other than bonds that

1 constitute qualified veterans' bonds under (i) of this section, is
2 equal to the interest rate determined under (1) and (2) of this sub-
3 section on a loan purchased under (a) of this section from the pro-
4 ceeds of the most recent applicable issue of taxable bonds sold by the
5 corporation. A higher or lower interest rate shall be established on
6 the entire loan amount if required to ensure the tax-exempt status of
7 the bonds.

8 (6) The corporation shall determine the interest rate on a
9 mortgage loan that is an adjustable rate mortgage loan as provided in
10 this subsection. The corporation shall recalculate the interest rate
11 from time to time based on changes in the cost to the corporation of
12 the funds used to purchase the adjustable rate mortgage loan. How-
13 ever, the corporation may establish a minimum interest rate applicable
14 to an adjustable rate mortgage loan, and the interest rate on the
15 adjustable rate mortgage loan may not be less than the minimum inter-
16 est rate so established regardless of the cost of funds to the corpo-
17 ration.

18 (7) For loans made under this section, the corporation
19 shall give effect to interest rate changes applicable to the loans
20 based on time of loan application, time of issuance of the corpora-
21 tion's bonds issued to purchase loans, or other factors as the corpora-
22 tion determines.

23 (8) [(7)] In this subsection

24 (A) "cost of funds" means the true interest cost
25 expressed as a rate on bonds of the corporation plus an addi-
26 tional percentage as determined by the corporation to represent
27 the allocable expenses of operation, costs of issuance, and
28 mortgage servicing;

29 (B) "taxable bonds" means bonds bearing interest that

1 is taxable under applicable provisions of 26 U.S.C. (Internal
2 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
3 BOND TAX ACT OF 1980)] issued to finance the purchase of first
4 mortgage loans.

5 * Sec. 6. AS 18.56.098(h) is amended to read:

6 (h) The corporation shall establish the interest rate on a
7 second mortgage loan purchased under (a) of this section in the manner
8 established for computing the interest rates on a first mortgage loan
9 under (g) of this section except that, in the case of a second mort-
10 gage loan, if the first mortgage loan made to the same borrower is
11 held by the corporation and was purchased under the special mortgage
12 loan purchase program, the outstanding principal balance of the exist-
13 ing first mortgage loan is subtracted from the loan amount eligible
14 for assistance [\$90,000] to determine the amount of the loan that is
15 eligible for an interest rate on a second mortgage loan determined by
16 reference to (g) of this section.

17 * Sec. 7. AS 18.56.098(i) is amended to read:

18 (i) The interest rate on the loan amount eligible for assistance
19 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
20 bonds that constitute qualified veterans' mortgage bonds under appli-
21 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
22 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
23 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
24 for other loans to veterans under (g)(2) of this section [AS 18.56.-
25 098(g)(3)]. A higher or lower interest rate shall be established on
26 the entire loan amount if required by applicable provisions of 26
27 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

28 * Sec. 8. AS 36.30.015(e) is amended to read:

29 (e) The boards of directors of the Alaska Railroad Corporation,

1 the Alaska Housing Finance Corporation, and the Alaska State Housing
2 Authority shall adopt procedures to govern the procurement of sup-
3 plies, services, professional services, and construction for [BY] the
4 respective public corporations [CORPORATION]. The procedures must

5 (1) reflect competitive bidding principles and provide
6 vendors reasonable and equitable opportunities to participate in the
7 procurement process; and

8 (2) include procurement methods to meet emergency and
9 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
10 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
11 CHAPTER].

12 * Sec. 9. AS 36.30.990(1) is amended to read:

13 (1) "agency"

14 (A) means a department, institution, board, commis-
15 sion, division, authority, public corporation, the Alaska Pio-
16 neers' Home, or other administrative unit of the executive branch
17 of state government;

18 (B) does not include

19 (i) [, EXCEPT FOR] the University of Alaska;

20 (ii) [,] the Alaska State Housing Authority;

21 (iii) the [AND] Alaska Railroad Corporation;

22 (iv) the Alaska Housing Finance Corporation;

23 (v) [IT DOES NOT INCLUDE] a regional Native
24 housing authority created under AS 18.55.996, or a regional
25 electrical authority created under AS 18.57.020;

26 * Sec. 10. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
27 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
28 mortgage loans purchased by the Alaska Housing Finance Corporation from the
29 special mortgage loan purchase program and from qualified veterans'

1 mortgage bonds

2 (1) after June 30, 1990, and before July 1, 1991, the loan
3 amount eligible for assistance under AS 18.56.098 is \$70,000;

4 (2) after June 30, 1991, and before July 1, 1992, the loan
5 amount eligible for assistance under AS 18.56.098 is \$50,000;

6 (3) after June 30, 1992, and before July 1, 1993, the loan
7 amount eligible for assistance under AS 18.56.098 is \$30,000.

8 * Sec. 11. Of the two additional public members appointed by the gover-
9 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
10 serve a term of two years and one shall serve a term of one year. When
11 making the appointments, the governor shall specify the length of the term
12 of each person appointed.

13 * Sec. 12. Sections 2 and 4 of this Act take effect July 1, 1992.

14 * Sec. 13. Except for secs. 2 and 4 of this Act, this Act takes effect
15 July 1, 1990.

Adopted

6-2074E
Chenoweth
2/27/90

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE
ON BANKING AND ECONOMIC DEVELOPMENT

2 CS FOR SENATE BILL NO. 427 (B&ED)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the Executive Budget Act and the
11 State Procurement Code; amending the corporation's
12 special mortgage loan purchase program and progres-
13 sively reducing the maximum level of loan amounts
14 eligible for a reduction under a mortgage loan sub-
15 sidy; amending the corporation's mortgage loan sub-
16 sidy program for persons of lower and moderate in-
17 come; and relating to procurement practices of the
18 Alaska Railroad Corporation; and providing for an
19 effective date."

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

21 * Section 1. AS 18.56.030(a) is amended to read:

22 (a) The corporation shall be governed by a board of directors
23 consisting of

24 (1) the commissioner of revenue and the commissioner of
25 commerce and economic development;

26 (2) one other member who is the head of a [THE] principal
27 department of the executive branch of state government appointed by
28 the governor; and

29 (3) four [TWO] public members appointed by the governor.

1 * Sec. 2. AS 18.56.089 is amended to read:

2 Sec. 18.56.089. ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT.
3 THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE
4 BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECI-
5 SION MAKING BY THE LEGISLATURE, THE] corporation shall present a
6 complete accounting of all assets of the corporation, including assets
7 of the Alaska housing finance revolving fund, to the legislature by
8 January 10 of each year. The accounting shall be audited by an in-
9 dependent outside auditor and shall include a full description of all
10 mortgage loan interest and principal repayments and program receipts,
11 including mortgage loan commitment fees, received by or accrued to the
12 corporation during the preceding fiscal year, and all income earned on
13 assets of the corporation during that period, including earnings on
14 assets of the state assisted mortgage fund.

15 * Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

16 (b) Notwithstanding (a) of this section, the loan amount eligi-
17 ble for assistance under the subsidy authorized by (a) of this section
18 is the amount determined under AS 18.56.098(f).

19 * Sec. 4. AS 18.56.098(f) is amended to read:

20 (f) In this section and in AS 18.56.099

21 (1) "graduated payment mortgage loan" means a mortgage loan
22 the terms of which provide for monthly principal and interest payments
23 that

24 (A) during the first year of the mortgage loan are
25 lower than the monthly principal and interest payments that would
26 be required under the terms of a level payment mortgage loan made
27 at the same interest rate; and

28 (B) during subsequent years of the mortgage loan are
29 graduated to provide for the same return over the term of the

1 loan that would have been provided by a level payment mortgage
2 loan made at the same interest rate;

3 (2) "loan amount eligible for assistance" means the amount
4 of a mortgage loan that does not exceed the amount of the loan estab-
5 lished by law; if an amount has not been established by law, the
6 amount is zero;

7 (3) [REPEALED] "mortgage loan" includes a beneficial in-
8 terest or participation in a mortgage loan;

9 (4) "residence" means

10 (A) an owner-occupied, single-family residence, in-
11 cluding a mobile home; [,] or

12 (B) an owner-occupied duplex, triplex, or fourplex.

13 * Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

14 (f) In this section and in AS 18.56.091 and 18.56.099

15 (1) "graduated payment mortgage loan" means a mortgage loan
16 the terms of which provide for monthly principal and interest payments
17 that

18 (A) during the first year of the mortgage loan are
19 lower than the monthly principal and interest payments that would
20 be required under the terms of a level payment mortgage loan made
21 at the same interest rate; and

22 (B) during subsequent years of the mortgage loan are
23 graduated to provide for the same return over the term of the
24 loan that would have been provided by a level payment mortgage
25 loan made at the same interest rate;

26 (2) "loan amount eligible for assistance" means

27 (A) the first \$50,000 of a mortgage loan for persons
28 of lower or moderate income whose purchase of a home is assisted
29 under AS 18.56.091; or

1 (B) except as to persons whose purchase of a home
2 assisted under AS 18.56.091, the amount of a mortgage loan that
3 does not exceed the amount of the loan established by law; if a
4 amount has not been established by law, the amount is zero;

5 (3) "mortgage loan" includes a beneficial interest or
6 participation in a mortgage loan;

7 (4) "residence" means

8 (A) an owner-occupied, single-family residence, in-
9 cluding a mobile home; or

10 (B) an owner-occupied duplex, triplex, or fourplex.

11 * Sec. 6. AS 18.56.098(g) is amended to read:

12 (g) The corporation shall establish the interest rate on a first
13 mortgage loan purchased under (a) of this section in accordance with
14 the following:

15 (1) The interest rate on the loan amount eligible for
16 assistance [FIRST \$90,000] of a mortgage loan purchased with the
17 proceeds of an issue of taxable bonds of the corporation is three
18 percent less than the cost of funds of that issue, except that

19 (A) if the cost of funds of that issue is less than 10
20 percent, the interest rate is equal to the cost of funds; and

21 (B) if the cost of funds of that issue is more than 10
22 percent, the interest rate may not be less than 10 percent.

23 (2) An interest rate determined under this subsection on
24 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
25 loan that is not purchased from the proceeds of bonds that are qual-
26 ified veterans' mortgage bonds under the applicable provisions of 26
27 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
28 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
29 point if the loan is made to an eligible veteran under AS 18.56.101.

1 (3) The interest rate for the amount of a mortgage loan
2 purchased under (a) of this section that exceeds the loan amount
3 eligible for assistance [\$90,000] is equal to the cost of funds to the
4 corporation attributable to that part of the loan.

5 (4) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with money
7 that is not the proceeds of either taxable or tax-exempt bonds is the
8 rate the corporation determines is appropriate by application of the
9 provision of (1) of this subsection.

10 (5) The interest rate on the loan amount eligible for
11 assistance [FIRST \$90,000] of a mortgage loan purchased from the
12 proceeds of bonds that are exempt from taxation other than bonds that
13 constitute qualified veterans' bonds under (i) of this section, is
14 equal to the interest rate determined under (1) and (2) of this sub-
15 section on a loan purchased under (a) of this section from the pro-
16 ceeds of the most recent applicable issue of taxable bonds sold by the
17 corporation. A higher or lower interest rate shall be established on
18 the entire loan amount if required to ensure the tax-exempt status of
19 the bonds.

20 (6) The corporation shall determine the interest rate on a
21 mortgage loan that is an adjustable rate mortgage loan as provided in
22 this subsection. The corporation shall recalculate the interest rate
23 from time to time based on changes in the cost to the corporation of
24 the funds used to purchase the adjustable rate mortgage loan. How-
25 ever, the corporation may establish a minimum interest rate applicable
26 to an adjustable rate mortgage loan, and the interest rate on the
27 adjustable rate mortgage loan may not be less than the minimum inter-
28 est rate so established regardless of the cost of funds to the corpo-
29 ration.

1 (7) For loans made under this section, the corporatio
2 shall give effect to interest rate changes applicable to the loan
3 based on time of loan application, time of issuance of the corpora
4 tion's bonds issued to purchase loans, or other factors as the corpor
5 ation determines.

6 (8) [(7)] In this subsection

7 (A) "cost of funds" means the true interest cost
8 expressed as a rate on bonds of the corporation plus an addi-
9 tional percentage as determined by the corporation to represent
10 the allocable expenses of operation, costs of issuance, and
11 mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that
13 is taxable under applicable provisions of 26 U.S.C. (Internal
14 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
15 BOND TAX ACT OF 1980)] issued to finance the purchase of first
16 mortgage loans.

17 * Sec. 7. AS 18.56.098(h) is amended to read:

18 (h) The corporation shall establish the interest rate on a
19 second mortgage loan purchased under (a) of this section in the manner
20 established for computing the interest rates on a first mortgage loan
21 under (g) of this section except that, in the case of a second mort-
22 gage loan, if the first mortgage loan made to the same borrower is
23 held by the corporation and was purchased under the special mortgage
24 loan purchase program, the outstanding principal balance of the exist-
25 ing first mortgage loan is subtracted from the loan amount eligible
26 for assistance [\$90,000] to determine the amount of the loan that is
27 eligible for an interest rate on a second mortgage loan determined by
28 reference to (g) of this section.

29 * Sec. 8. AS 18.56.098(i) is amended to read:

1 (i) The interest rate on the loan amount eligible for assistance
2 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
3 bonds that constitute qualified veterans' mortgage bonds under appli-
4 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
5 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
6 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
7 for other loans to veterans under (g)(2) of this section [AS 18.56.-
8 098(g)(3)]. A higher or lower interest rate shall be established on
9 the entire loan amount if required by applicable provisions of 26
10 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

11 * Sec. 9. AS 36.30.015(e) is amended to read:

12 (e) The board [BOARDS] of directors of [THE ALASKA RAILROAD
13 CORPORATION AND] the Alaska State Housing Authority shall adopt proce-
14 dures to govern the procurement of supplies, services, professional
15 services, and construction [BY THE CORPORATION]. The procedures must
16 be substantially equivalent to the procedures prescribed in this
17 chapter and in regulations adopted under this chapter.

18 * Sec. 10. AS 36.30.990(1) is amended to read:

19 (1) "agency"

20 (A) means a department, institution, board, commis-
21 sion, division, authority, public corporation, the Alaska Pio-
22 neers' Home, or other administrative unit of the executive branch
23 of state government;

24 (B) does not include

25 (i) [, EXCEPT FOR] the University of Alaska;

26 (ii) [,] the Alaska State Housing Authority;

27 (iii) the [AND] Alaska Railroad Corporation;

28 (iv) the Alaska Housing Finance Corporation;

29 (v) [IT DOES NOT INCLUDE] a regional Native

1 housing authority created under AS 18.55.996, or a regional
2 electrical authority created under AS 18.57.020;

3 * Sec. 11. AS 37.07.120(1) is amended to read:

4 (1) "agency"

5 (A) means a department, officer, institution, board,
6 commission, bureau, division, or other administrative unit form-
7 ing the state government, and includes the Alaska Pioneers' Home
8 and the University of Alaska;

9 (B) [, BUT] does not include

10 (i) the legislature;

11 (ii) [OR] the judiciary; or

12 (iii) the Alaska Housing Finance Corporation;

13 * Sec. 12. AS 42.40.100 is amended to read:

14 Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsi-
15 ble for the management of the corporation but shall delegate certain
16 powers and duties to the chief executive officer in accordance with
17 AS 42.40.120. In managing the corporation the board shall

18 (1) be responsible for the management of the financial and
19 legal obligations of the Alaska Railroad;

20 (2) operate the Alaska Railroad as a common carrier subject
21 to the jurisdiction of the United States Interstate Commerce Commis-
22 sion consistent with 45 U.S.C. 1207;

23 (3) generally manage the corporation on a self-sustaining
24 basis;

25 (4) apply to the legislature for an appropriation with the
26 concurrence of the governor to be used to provide a particular service
27 that is not otherwise self-sustaining if a subsidy is required to
28 maintain that service;

29 (5) provide for safe, efficient, and economical

1 transportation to meet the overall needs of the state;

2 (6) raise needed capital by issuing bonds of the corpora-
3 tion upon approval by the legislature while ensuring that borrowing by
4 the corporation does not directly or indirectly endanger the state's
5 own borrowing capacity;

6 (7) review all state and other land disposal proposals to
7 aid in planning for future development or expansion of transportation
8 services;

9 (8) adopt and publish procedures to govern the procurement
10 of supplies, services, professional services, and construction by the
11 corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT
12 PROCEDURES OF THE CORPORATION] meet accepted railroad industry stan-
13 dards;

14 (9) ensure that the accounting procedures of the corpora-
15 tion meet generally accepted accounting principles consistent with
16 industry standards for comparable railroads.

17 * Sec. 13. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 14. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. W
2 making the appointments, the governor shall specify the length of the te
3 of each person appointed.

4 * Sec. 15. Sections 3 and 5 of this Act take effect July 1, 1992.

5 * Sec. 16. Except for secs. 3 and 5 of this Act, this Act takes effe
6 July 1, 1990.

#1
ADD-1-2

A M E N D M E N T

HB 462 (CR&A)

HOUSE FINANCE COMMITTEE SUBSTITUTE

Page 7, line 8:

Insert a new bill section to read:

* Sec. 9. AS 36.30.015(e) is amended to read:

(e) The boards of directors of the Alaska Railroad Corporation [AND], the Alaska Housing Authority and the Alaska Housing Finance Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedure must be substantially equivalent to the procedures prescribed in this chapter and in regulations adopted under this chapter.

Renumber the following bill sections accordingly.

Rep. C.E. Swackhammer

#2
ADOPTED

A M E N D M E N T

HOUSE FINANCE COMMITTEE SUBSTITUTE

HB 462 (CR&A)

Page 1, line 26:

* Sec. 1. AS 18.56.030(a)(3) is amended to read:

(3) four [TWO] public members appointed by the governor of which at least one shall be a member of the finance community *and a member of the*

Rep. C.E. Swackhammer

A M E N D M E N T

#3

OFFERED IN THE HOUSE

BY REP. BROWN

TO: CSHB 462(C&RA)

Page 1, line 9:

Delete "the Executive Budget Act and"

Page 1, line 27, through page 2, line 11:

Delete all material.

Renumber the following bill sections accordingly.

Page 7, line 22, through page 8, line 2:

Delete all material.

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

Insert "2 and 4"

Page 8, line 20:

Delete "3 and 5"

Insert "2 and 4"

#5

Amendment

By Rieyer

To. CSHB 462 (CIRA)

Page 2, line 12, insert a new section to read:

" * Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56.⁰⁵¹091 Dividend Policy. The corporation

shall pay an annual dividend to the state general fund equal to at least fifty percent of the annual net earnings, if any, of the corporation as determined under AS 18.56.089.

The dividend shall be paid within six months of the close of the fiscal year, unless the board of directors establishes by resolution that the cash flow of the corporation will not permit the payment of the dividend without causing significant harm to the financial soundness of the corporation. "

(renumber following sections accordingly)

A M E N D M E N T

#7
MOVED

OFFERED IN THE HOUSE

BY REP. BARNES

TO: CSHB 462(C&RA)

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. CONTRACTS TO BE HONORED. Notwithstanding the amendments made to AS 18.56.098 by secs. 4 and 6 - 8 of this Act, the Alaska Housing Finance Corporation shall purchase a loan of a person whose loan purchase qualifies under the special mortgage loan purchase program of AS 18.56.098 as it read on the day before the effective date of secs. 4 and 6 - 8 of this Act if the person's intention to purchase the home is evidenced by a contract for sale, earnest money agreement, or document exercising an option to purchase if the contract, agreement, or document is executed before the effective date of those sections." *Reinsert new language*

Renumber following bill sections accordingly.

AMENDMENT #8

Adopted

OFFERED IN THE HOUSE

BY REP. PHILLIPS

TO: CSHB 462(C&RA)

Page 1, line 15, after "income;":

Insert "permitting the corporation to appoint a general counsel;"

Page 1, after line 26:

Insert a new bill section to read:

"* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.056. GENERAL COUNSEL. The corporation may employ a general counsel. If the corporation employs a general counsel, the general counsel shall advise the corporation in legal matters and represent it in litigation."

Renumber the following bill sections accordingly.

Page 8, after line 18:

Insert a new bill section to read:

"* Sec. 14. AS 18.56.055 is repealed."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "3 and 5"

Insert "4 and 6"

Page 8, line 20:

Delete "3 and 5"

Insert "4 and 6"

A M E N D M E N T #7 11/10

OFFERED IN THE HOUSE

BY REP. RIEGER

TO: CSHB 462 (C&RA)

Page 2, lines 12 - 15:

Delete all material and insert:

"* Sec. 3. AS 18.56.091 is amended to read:

Sec. 18.56.091. HOME OWNERSHIP ASSISTANCE PROGRAM. The corporation shall implement a home ownership assistance program to assist persons of lower and moderate income to purchase homes financed under the special mortgage loan purchase program by providing a subsidy to the persons as determined under AS 18.56.098(f) [IN AN AMOUNT NOT GREATER THAN THE DIFFERENCE BETWEEN

(1) THE AMOUNT ANNUALLY REQUIRED TO PAY INTEREST AND PRINCIPAL ON THAT PERSON'S LOAN AND REAL PROPERTY TAXES AND INSURANCE FOR THE HOME PURCHASE WITH THE LOAN; AND

(2) 25 PERCENT OF THAT PERSON'S ANNUAL GROSS INCOME]."

Page 8, following line 13:

Insert a new bill section to read:

"* Sec. 12. A loan made under AS 18.56.091 before July 1, 1992, is assumable with a down payment of not less than five percent of the purchase price."

Renumber the following bill sections accordingly.

Page 8, line 19:

Delete "Sections 3 and 5"

Insert "Sections 3, 5, and 12"

Page 8, line 20:

Delete "Except for secs. 3 and 5,"

Insert "Except for secs. 3, 5, and 12,"

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: "An Act relating to program and
administration requirements of certain* BRU: General Services and Supply
 Sponsor: Rules/Housing Finance Task Force Components: Purchasing
 Requestor: _____

*corporations; expending. . .

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Section 9 of the bill deletes the requirement for the Alaska Railroad to adopt procurement procedures which are substantially equivalent to the procedures prescribed under the procurement code and resultant regulations. Section 10 of this bill revises the definition of agency to allow for the Alaska Housing Finance Corporation to purchase under procedures established by their board of directors which are substantially equivalent to the procedures and regulations established by the executive branch under the procurement code. There is no fiscal impact to the Department of Administration if this bill becomes law.

Prepared by: Robert J. Link, Director Phone: 465-2250
 Division: General Services and Supply Date: 3/5/90
 Approved by Commissioner: Frank S. Baxter Date: 3/5/90
 Agency: Department of Administration

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

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: "An Act relating to program and administration requirements of certain*" BRU: General Services and Supply
 Sponsor: Rules/Housing Finance Task Force Components: Purchasing
 Requestor: _____

*corporations; expending. . .

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Section 9 of the bill deletes the requirement for the Alaska Railroad to adopt procurement procedures which are substantially equivalent to the procedures prescribed under the procurement code and resultant regulations. Section 10 of this bill revises the definition of agency to allow for the Alaska Housing Finance Corporation to purchase under procedures established by their board of directors which are substantially equivalent to the procedures and regulations established by the executive branch under the procurement code. There is no fiscal impact to the Department of Administration if this bill becomes law.

Prepared by: Robert J. Link, Director *[Signature]* Phone: 465-2250
 Division: General Services and Supply Date: 3/5/90
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 Agency: Department of Administration

Distribution (by preparer):

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

Alaska State Legislature

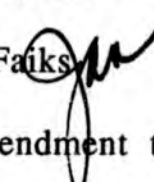


Senate Judiciary Committee

February 26, 1990

MEMORANDUM

TO: Senator Pat Rodey, Chairman
Senate Banking and Economic Development Committee

FROM: Senator Jan Faiks 

SUBJECT: Proposed Amendment to Senate Bill 427

Attached is an amendment I will be offering to Senate Bill 427 when the bill is considered by the committee this Tuesday. Just as the original bill exempts AHFC from the state procurement code, the amendment also exempts the Alaska Railroad Corporation.

Should you need any further information, please just let me know.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: SB 427

Page 1, lines 6 - 7:

Delete "the Alaska Housing Finance Corporation and its housing programs"

Insert "program and administration requirements of certain state corporations"

Page 1, lines 7 - 8:

Delete "corporation"

Insert "Alaska Housing Finance Corporation"

Page 1, line 14, after "income;":

Insert "relating to procurement practices of the Alaska Railroad Corporation;"

Page 6, following line 26:

Insert a new bill section to read:

"* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The board [BOARDS] of directors of [THE ALASKA RAILROAD CORPORATION AND] the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedures must be substantially equivalent to the procedures prescribed in this

chapter and in regulations adopted under this chapter."

Renumber the following bill sections accordingly.

Page 7, following line 21:

Insert a new bill section to read:

* Sec. 11. AS 42.40.100 is amended to read:

Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation the board shall

(1) be responsible for the management of the financial and legal obligations of the Alaska Railroad;

(2) operate the Alaska Railroad as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207;

(3) generally manage the corporation on a self-sustaining basis;

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

(5) provide for safe, efficient, and economical transportation to meet the overall needs of the state;

(6) raise needed capital by issuing bonds of the corporation upon approval by the legislature while ensuring that borrowing by

the corporation does not directly or indirectly endanger the state's own borrowing capacity;

(7) review all state and other land disposal proposals to aid in planning for future development or expansion of transportation services;

(8) adopt and publish procedures to govern the procurement of supplies, services, professional services, and construction by the corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT PROCEDURES OF THE CORPORATION] meet accepted railroad industry standards;

(9) ensure that the accounting procedures of the corporation meet generally accepted accounting principles consistent with industry standards for comparable railroads."

Renumber the following bill sections accordingly.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE SENATE SPECIAL COMMITTEE
ON BANKING AND ECONOMIC DEVELOPMENT

2 CS FOR SENATE BILL NO. 427 (B&ED)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the Executive Budget Act and the
11 State Procurement Code; amending the corporation's
12 special mortgage loan purchase program and progres-
13 sively reducing the maximum level of loan amounts
14 eligible for a reduction under a mortgage loan sub-
15 sidy; amending the corporation's mortgage loan sub-
16 sidy program for persons of lower and moderate in-
17 come; and relating to procurement practices of the
18 Alaska Railroad Corporation; and providing for an
19 effective date."

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

21 * Section 1. AS 18.56.030(a) is amended to read:

22 (a) The corporation shall be governed by a board of directors
23 consisting of

24 (1) the commissioner of revenue and the commissioner of
25 commerce and economic development;

26 (2) one other member who is the head of a [THE] principal
27 department of the executive branch of state government appointed by
28 the governor; and

29 (3) four [TWO] public members appointed by the governor.

1 * Sec. 2. AS 18.56.089 is amended to read:

2 Sec. 18.56.089. ANNUAL ACCOUNTING. The [EXECUTIVE BUDGET ACT.
3 THE OPERATING BUDGET OF THE CORPORATION IS SUBJECT TO THE EXECUTIVE
4 BUDGET ACT (AS 37.07). TO FURTHER ENSURE EFFECTIVE BUDGETARY DECI-
5 SION MAKING BY THE LEGISLATURE, THE] corporation shall present a
6 complete accounting of all assets of the corporation, including assets
7 of the Alaska housing finance revolving fund, to the legislature by
8 January 10 of each year. The accounting shall be audited by an in-
9 dependent outside auditor and shall include a full description of all
10 mortgage loan interest and principal repayments and program receipts,
11 including mortgage loan commitment fees, received by or accrued to the
12 corporation during the preceding fiscal year, and all income earned on
13 assets of the corporation during that period, including earnings on
14 assets of the state assisted mortgage fund.

15 * Sec. 3. AS 18.56.091 is amended by adding a new subsection to read:

16 (b) Notwithstanding (a) of this section, the loan amount eligi-
17 ble for assistance under the subsidy authorized by (a) of this section
18 is the amount determined under AS 18.56.098(f).

19 * Sec. 4. AS 18.56.098(f) is amended to read:

20 (f) In this section and in AS 18.56.099

21 (1) "graduated payment mortgage loan" means a mortgage loan
22 the terms of which provide for monthly principal and interest payments
23 that

24 (A) during the first year of the mortgage loan are
25 lower than the monthly principal and interest payments that would
26 be required under the terms of a level payment mortgage loan made
27 at the same interest rate; and

28 (B) during subsequent years of the mortgage loan are
29 graduated to provide for the same return over the term of the

1 loan that would have been provided by a level payment mortgage
2 loan made at the same interest rate;

3 (2) "loan amount eligible for assistance" means the amount
4 of a mortgage loan that does not exceed the amount of the loan estab-
5 lished by law; if an amount has not been established by law, the
6 amount is zero;

7 (3) [REPEALED] "mortgage loan" includes a beneficial in-
8 terest or participation in a mortgage loan;

9 (4) "residence" means

10 (A) an owner-occupied, single-family residence, in-
11 cluding a mobile home; [,] or

12 (B) an owner-occupied duplex, triplex, or fourplex.

13 * Sec. 5. AS 18.56.098(f) is repealed and reenacted to read:

14 (f) In this section and in AS 18.56.091 and 18.56.099

15 (1) "graduated payment mortgage loan" means a mortgage loan
16 the terms of which provide for monthly principal and interest payments
17 that

18 (A) during the first year of the mortgage loan are
19 lower than the monthly principal and interest payments that would
20 be required under the terms of a level payment mortgage loan made
21 at the same interest rate; and

22 (B) during subsequent years of the mortgage loan are
23 graduated to provide for the same return over the term of the
24 loan that would have been provided by a level payment mortgage
25 loan made at the same interest rate;

26 (2) "loan amount eligible for assistance" means

27 (A) the first \$50,000 of a mortgage loan for persons
28 of lower or moderate income whose purchase of a home is assisted
29 under AS 18.56.091; or

1 (B) except as to persons whose purchase of a home is
2 assisted under AS 18.56.091, the amount of a mortgage loan that
3 does not exceed the amount of the loan established by law; if an
4 amount has not been established by law, the amount is zero;

5 (3) "mortgage loan" includes a beneficial interest or
6 participation in a mortgage loan;

7 (4) "residence" means

8 (A) an owner-occupied, single-family residence, in-
9 cluding a mobile home; or

10 (B) an owner-occupied duplex, triplex, or fourplex.

11 * Sec. 6. AS 18.56.098(g) is amended to read:

12 (g) The corporation shall establish the interest rate on a first
13 mortgage loan purchased under (a) of this section in accordance with
14 the following:

15 (1) The interest rate on the loan amount eligible for
16 assistance [FIRST \$90,000] of a mortgage loan purchased with the
17 proceeds of an issue of taxable bonds of the corporation is three
18 percent less than the cost of funds of that issue, except that

19 (A) if the cost of funds of that issue is less than 10
20 percent, the interest rate is equal to the cost of funds; and

21 (B) if the cost of funds of that issue is more than 10
22 percent, the interest rate may not be less than 10 percent.

23 (2) An interest rate determined under this subsection on
24 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
25 loan that is not purchased from the proceeds of bonds that are qual-
26 ified veterans' mortgage bonds under the applicable provisions of 26
27 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
28 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
29 point if the loan is made to an eligible veteran under AS 18.56.101.

1 (3) The interest rate for the amount of a mortgage loan
2 purchased under (a) of this section that exceeds the loan amount
3 eligible for assistance [\$90,000] is equal to the cost of funds to the
4 corporation attributable to that part of the loan.

5 (4) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with money
7 that is not the proceeds of either taxable or tax-exempt bonds is the
8 rate the corporation determines is appropriate by application of the
9 provision of (1) of this subsection.

10 (5) The interest rate on the loan amount eligible for
11 assistance [FIRST \$90,000] of a mortgage loan purchased from the
12 proceeds of bonds that are exempt from taxation other than bonds that
13 constitute qualified veterans' bonds under (i) of this section, is
14 equal to the interest rate determined under (1) and (2) of this sub-
15 section on a loan purchased under (a) of this section from the pro-
16 ceeds of the most recent applicable issue of taxable bonds sold by the
17 corporation. A higher or lower interest rate shall be established on
18 the entire loan amount if required to ensure the tax-exempt status of
19 the bonds.

20 (6) The corporation shall determine the interest rate on a
21 mortgage loan that is an adjustable rate mortgage loan as provided in
22 this subsection. The corporation shall recalculate the interest rate
23 from time to time based on changes in the cost to the corporation of
24 the funds used to purchase the adjustable rate mortgage loan. How-
25 ever, the corporation may establish a minimum interest rate applicable
26 to an adjustable rate mortgage loan, and the interest rate on the
27 adjustable rate mortgage loan may not be less than the minimum inter-
28 est rate so established regardless of the cost of funds to the corpo-
29 ration.

1 (7) For loans made under this section, the corporation
2 shall give effect to interest rate changes applicable to the loans
3 based on time of loan application, time of issuance of the corpora-
4 tion's bonds issued to purchase loans, or other factors as the corpora-
5 tion determines.

6 (8) [(7)] In this subsection

7 (A) "cost of funds" means the true interest cost
8 expressed as a rate on bonds of the corporation plus an addi-
9 tional percentage as determined by the corporation to represent
10 the allocable expenses of operation, costs of issuance, and
11 mortgage servicing;

12 (B) "taxable bonds" means bonds bearing interest that
13 is taxable under applicable provisions of 26 U.S.C. (Internal
14 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
15 BOND TAX ACT OF 1980)] issued to finance the purchase of first
16 mortgage loans.

17 * Sec. 7. AS 18.56.098(h) is amended to read:

18 (h) The corporation shall establish the interest rate on a
19 second mortgage loan purchased under (a) of this section in the manner
20 established for computing the interest rates on a first mortgage loan
21 under (g) of this section except that, in the case of a second mort-
22 gage loan, if the first mortgage loan made to the same borrower is
23 held by the corporation and was purchased under the special mortgage
24 loan purchase program, the outstanding principal balance of the exist-
25 ing first mortgage loan is subtracted from the loan amount eligible
26 for assistance [\$90,000] to determine the amount of the loan that is
27 eligible for an interest rate on a second mortgage loan determined by
28 reference to (g) of this section.

29 * Sec. 8. AS 18.56.098(i) is amended to read:

1 (i) The interest rate on the loan amount eligible for assistance
2 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
3 bonds that constitute qualified veterans' mortgage bonds under appli-
4 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
5 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
6 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
7 for other loans to veterans under (g)(2) of this section [AS 18.56.-
8 098(g)(3)]. A higher or lower interest rate shall be established on
9 the entire loan amount if required by applicable provisions of 26
10 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

11 * Sec. 9. AS 36.30.015(e) is amended to read:

12 (e) The board [BOARDS] of directors of [THE ALASKA RAILROAD
13 CORPORATION AND] the Alaska State Housing Authority shall adopt proce-
14 dures to govern the procurement of supplies, services, professional
15 services, and construction [BY THE CORPORATION]. The procedures must
16 be substantially equivalent to the procedures prescribed in this
17 chapter and in regulations adopted under this chapter.

18 * Sec. 10. AS 36.30.990(1) is amended to read:

19 (1) "agency"

20 (A) means a department, institution, board, commis-
21 sion, division, authority, public corporation, the Alaska Pio-
22 neers' Home, or other administrative unit of the executive branch
23 of state government;

24 (B) does not include

25 (i) [, EXCEPT FOR] the University of Alaska;

26 (ii) [,] the Alaska State Housing Authority;

27 (iii) the [AND] Alaska Railroad Corporation;

28 (iv) the Alaska Housing Finance Corporation;

29 (v) [IT DOES NOT INCLUDE] a regional Native

1 housing authority created under AS 18.55.996, or a regional
2 electrical authority created under AS 18.57.020;

3 * Sec. 11. AS 37.07.120(1) is amended to read:

4 (1) "agency"

5 (A) means a department, officer, institution, board,
6 commission, bureau, division, or other administrative unit form-
7 ing the state government, and includes the Alaska Pioneers' Home
8 and the University of Alaska;

9 (B) [, BUT] does not include

10 (i) the legislature;

11 (ii) [OR] the judiciary; or

12 (iii) the Alaska Housing Finance Corporation;

13 * Sec. 12. AS 42.40.100 is amended to read:

14 Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsi-
15 ble for the management of the corporation but shall delegate certain
16 powers and duties to the chief executive officer in accordance with
17 AS 42.40.120. In managing the corporation the board shall

18 (1) be responsible for the management of the financial and
19 legal obligations of the Alaska Railroad;

20 (2) operate the Alaska Railroad as a common carrier subject
21 to the jurisdiction of the United States Interstate Commerce Commis-
22 sion consistent with 45 U.S.C. 1207;

23 (3) generally manage the corporation on a self-sustaining
24 basis;

25 (4) apply to the legislature for an appropriation with the
26 concurrence of the governor to be used to provide a particular service
27 that is not otherwise self-sustaining if a subsidy is required to
28 maintain that service;

29 (5) provide for safe, efficient, and economical

1 transportation to meet the overall needs of the state;

2 (6) raise needed capital by issuing bonds of the corpora-
3 tion upon approval by the legislature while ensuring that borrowing by
4 the corporation does not directly or indirectly endanger the state's
5 own borrowing capacity;

6 (7) review all state and other land disposal proposals to
7 aid in planning for future development or expansion of transportation
8 services;

9 (8) adopt and publish procedures to govern the procurement
10 of supplies, services, professional services, and construction by the
11 corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT
12 PROCEDURES OF THE CORPORATION] meet accepted railroad industry stan-
13 dards;

14 (9) ensure that the accounting procedures of the corpora-
15 tion meet generally accepted accounting principles consistent with
16 industry standards for comparable railroads.

17 * Sec. 13. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 14. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. Whe:
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 15. Sections 3 and 5 of this Act take effect July 1, 1992.

5 * Sec. 16. Except for secs. 3 and 5 of this Act, this Act takes effect
6 July 1, 1990.

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Amendment
to: CSHB 462 (C & RA)

Page 2, line 12, insert a new section to read:

"*Sec. 3. AS 18.56 is amended by adding a new section to read:

Sec 18.56.051 Dividend Policy. The corporation shall pay an annual dividend to the state general fund equal to at least fifty percent of the unrestricted net income, if any, of the corporation as determined under AS 18.56.089.

The dividend shall be paid within six months of the close of the fiscal year, unless the Board of Directors establishes by resolution that payment of a lesser dividend or no dividend is required to maintain the financial soundness of the corporation."

(renumber following sections accordingly)

March 14, 1990

^F1^
^F2^
^F3^
^F4^
^F5^

Re: Proposed AHFC Dividend Statute

Dear ^F6^:

Thank you for your analysis of the original proposed AHFC Dividend Statute. Your insights and observations helped focus the House Finance Committee's deliberations.

Enclosed find a copy of a revised Dividend Statute. This current proposal represents an apparent consensus reached at a recent House Finance Sub-Committee meeting. The Committee would greatly appreciate your taking the time to review this new proposal and, in light of your knowledge of AHFC and the capital markets, provide your comments at your earliest possible convenience. The committee would like to know your views on whether, and to what extent, the current proposal is better, worse, or no different than the previous dividend policy which you reviewed.

Also, there is talk of postponing the effective date of the Dividend Statute until 1994. How would such a delay affect your analysis?

Thank you in advance for your assistance.

Very truly yours,

/s/
Robert A. Mintz
Chairman
Board of Directors
Alaska Housing Finance Corporation
RAM/ms

3/14/90

The attached 2 pages were sent individually to:

John C. Moore/Shearson Lehman Hutton

JoAnne Kennedy/First Boston

Alfred B. Thatcher Jr./Bear Stearns

Maria DeRosa/Paine Webber, cc: Dennis Waldock

Eric Wohlforth/Wohlforth, Argetsinger, Johnson & Brecht

Mark Cameron/Alaska Housing Finance Corporation

bcc:

Senator Pat Rodey

ALASKA MORTGAGE BANKERS ASSOCIATION

P.O. BOX 9-2691 / ANCHORAGE, ALASKA 99509-2691

February 9, 1990

Senator Pat Rodey
Alaska State Senate
P.O. Box V
Juneau, Alaska 99811

Reference SB 427 (AHFC)

Dear Senator Rodey:

The Alaska Mortgage Bankers Association supports passage of Senate Bill 427, but urges consideration of the following amendments:

- We strongly recommend that the Board of Directors be returned to seven members, with a majority of those members to come from the private sector.
- We recommend that AHFC be given authorization to obtain legal counsel from the private sector as pertains to issues involving real estate and mortgage law, specific issues on loan programs and on individual loans.

Thank you for your consideration. If we can be of further assistance, please call me at 257-3442 or any member of the Board of Directors of the Association.

Sincerely,



Lucille Stietz
Chair, Legislative Committee

AMBA Board Members:	Cheryl Henry, President	257-3301
	Betty Knipp, Secretary-Treasurer	265-3450
	Randy Boyd, Director	364-0210
	Julie North, Director	563-0700



520 East 34th St.
 Anchorage, AK 99503
 (907) 561-1900
 P.O. Box 101020
 Anchorage, AK 99510

M E M O R A N D U M

DATE: February 13, 1990
 TO: Max Gifford
 FROM: Bob Sullivan

AHFC supports SB427 as written.

AHFC will support SB344 if amended to read same as current version of HB368.

→ in attendance, Redey, Faiks, Frank.
S-427 (rep. Satchamice)

Bob Sullivan - * Why exemption from
EX. BUDGET ACT

427. EFFECT:
1. PHASE OUT SUBSIDY
 2. EXEMPTS FROM PROCUREMENT ACT
 3. EXEMPTS AHFC FROM EXEC. BUDGET ACT.

* Sen. Frank - serious policy questions
w: exemption from Ex.
Budget Act.

Faiks - Admin. Procedures Act
Public Policy Act
How would exemption from Ex. Budget
Act, impact the other two
remaining ACTS - Admin & Pub. Policy.
(rep. Swack ~~also~~ offers response
Swack - references Ernst & Young
Reports.

Faiks - AHFC was supposed to be
bond purchaser - NOT
property owner.

Swack - Economic Crisis caused
AHFC ownership (66% ownership)

S-427

Fails - Trailer program?

Swack: "NOT sure we did anything"

Chris Foster: AK. Assoc. of Realtors =
on record of expanding AHFC
board from 5-7

"Stepped staff increases" rather
than waiting too long

Coyne: Bankers Assoc. supports increasing
AHFC staff

Budget/Audit - opposed to AHFC exemption
from Budget Act -
Mark.

Fails 4A - AHFC - R.V.
substantially equivalent -
- make it same -

Kirkpatrick:

S-371 : license

Kirkpatrick -

FRANK: doubts agency ability to
influence Mortgage Servicers
outside ALASKA.....

"Michigan example"

Kirkpatrick - bill patterned
after Illinois

FRANK

Guidelines -

AK BANKERS
ASSOC.

American Assoc.
of Mortgage Servicers

Alaska State Legislature

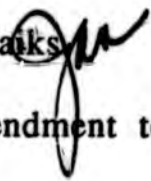


Senate Judiciary Committee

February 26, 1990

MEMORANDUM

TO: Senator Pat Rodey, Chairman
Senate Banking and Economic Development Committee

FROM: Senator Jan Fawks 

SUBJECT: Proposed Amendment to Senate Bill 427

Attached is an amendment I will be offering to Senate Bill 427 when the bill is considered by the committee this Tuesday. Just as the original bill exempts AHFC from the state procurement code, the amendment also exempts the Alaska Railroad Corporation.

Should you need any further information, please just let me know.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: SB 427

Page 1, lines 6 - 7:

Delete "the Alaska Housing Finance Corporation and its housing programs"

Insert "program and administration requirements of certain state corporations"

Page 1, lines 7 - 8:

Delete "corporation"

Insert "Alaska Housing Finance Corporation"

Page 1, line 14, after "income;":

Insert "relating to procurement practices of the Alaska Railroad Corporation;"

Page 6, following line 26:

Insert a new bill section to read:

"* Sec. 8. AS 36.30.015(e) is amended to read:

(e) The board [BOARDS] of directors of [THE ALASKA RAILROAD CORPORATION AND] the Alaska State Housing Authority shall adopt procedures to govern the procurement of supplies, services, professional services, and construction [BY THE CORPORATION]. The procedures must be substantially equivalent to the procedures prescribed in this

chapter and in regulations adopted under this chapter."

Renumber the following bill sections accordingly.

Page 7, following line 21:

Insert a new bill section to read:

"* Sec. 11. AS 42.40.100 is amended to read:

Sec. 42.40.100. MANAGEMENT BY THE BOARD. The board is responsible for the management of the corporation but shall delegate certain powers and duties to the chief executive officer in accordance with AS 42.40.120. In managing the corporation the board shall

(1) be responsible for the management of the financial and legal obligations of the Alaska Railroad;

(2) operate the Alaska Railroad as a common carrier subject to the jurisdiction of the United States Interstate Commerce Commission consistent with 45 U.S.C. 1207;

(3) generally manage the corporation on a self-sustaining basis;

(4) apply to the legislature for an appropriation with the concurrence of the governor to be used to provide a particular service that is not otherwise self-sustaining if a subsidy is required to maintain that service;

(5) provide for safe, efficient, and economical transportation to meet the overall needs of the state;

(6) raise needed capital by issuing bonds of the corporation upon approval by the legislature while ensuring that borrowing by

the corporation does not directly or indirectly endanger the state's own borrowing capacity;

(7) review all state and other land disposal proposals to aid in planning for future development or expansion of transportation services;

(8) adopt and publish procedures to govern the procurement of supplies, services, professional services, and construction by the corporation; the procedures adopted must [ENSURE THAT THE PROCUREMENT PROCEDURES OF THE CORPORATION] meet accepted railroad industry standards;

(9) ensure that the accounting procedures of the corporation meet generally accepted accounting principles consistent with industry standards for comparable railroads."

Renumber the following bill sections accordingly.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 427 (2d Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to program and administration re-
7 quirements of certain state corporations; expanding
8 the number of directors of the Alaska Housing Finance
9 Corporation; exempting the Alaska Housing Finance
10 Corporation from the State Procurement Code and
11 making an exception for the corporation under the
12 Executive Budget Act; amending the corporation's
13 special mortgage loan purchase program and progres-
14 sively reducing the maximum level of loan amounts
15 eligible for a reduction under a mortgage loan sub-
16 sidy; amending the corporation's mortgage loan sub-
17 sidy program for persons of lower and moderate in-
18 come; and relating to procurement practices of cer-
19 tain state corporations; and providing for an effec-
20 tive date."

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

22 * Section 1. AS 18.56.030(a) is amended to read:

23 (a) The corporation shall be governed by a board of directors
24 consisting of

25 (1) the commissioner of revenue and the commissioner of
26 commerce and economic development;

27 (2) one other member who is the head of a [THE] principal
28 department of the executive branch of state government appointed by
29 the governor; and

1 (3) four [TWO] public members appointed by the governor,
2 one of whom shall be a representative of the financial community and
3 one of whom shall be a person licensed as a real estate broker under
4 AS 08.88.171(a).

5 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

6 (b) Notwithstanding (a) of this section, the loan amount eligi-
7 ble for assistance under the subsidy authorized by (a) of this section
8 is the amount determined under AS 18.56.098(f).

9 * Sec. 3. AS 18.56.098(f) is amended to read:

10 (f) In this section and in AS 18.56.099

11 (1) "graduated payment mortgage loan" means a mortgage loan
12 the terms of which provide for monthly principal and interest payments
13 that

14 (A) during the first year of the mortgage loan are
15 lower than the monthly principal and interest payments that would
16 be required under the terms of a level payment mortgage loan made
17 at the same interest rate; and

18 (B) during subsequent years of the mortgage loan are
19 graduated to provide for the same return over the term of the
20 loan that would have been provided by a level payment mortgage
21 loan made at the same interest rate;

22 (2) "loan amount eligible for assistance" means the amount
23 of a mortgage loan that does not exceed the amount of the loan estab-
24 lished by law; if an amount has not been established by law, the
25 amount is zero;

26 (3) "mortgage loan" includes a beneficial interest or
27 participation in a mortgage loan; [(3) REPEALED]

28 (4) "residence" means

29 (A) an owner-occupied, single-family residence,

1 including a mobile home; [,] or
2 (B) an owner-occupied duplex, triplex, or fourplex.
3 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:
4 (f) in this section and in AS 18.56.091 and 18.56.099
5 (1) "graduated payment mortgage loan" means a mortgage loan
6 the terms of which provide for monthly principal and interest payments
7 that
8 (A) during the first year of the mortgage loan are
9 lower than the monthly principal and interest payments that would
10 be required under the terms of a level payment mortgage loan made
11 at the same interest rate; and
12 (B) during subsequent years of the mortgage loan are
13 graduated to provide for the same return over the term of the
14 loan that would have been provided by a level payment mortgage
15 loan made at the same interest rate;
16 (2) "loan amount eligible for assistance" means
17 (A) the first \$50,000 of a mortgage loan for persons
18 of lower or moderate income whose purchase of a home is assisted
19 under AS 18.56.091; or
20 (B) except as to persons whose purchase of a home is
21 assisted under AS 18.56.091, the amount of a mortgage loan that
22 does not exceed the amount of the loan established by law; if an
23 amount has not been established by law, the amount is zero;
24 (3) "mortgage loan" includes a beneficial interest or
25 participation in a mortgage loan;
26 (4) "residence" means
27 (A) an owner-occupied, single-family residence, in-
28 cluding a mobile home; or
29 (B) an owner-occupied duplex, triplex, or fourplex.

1 * Sec. 5. AS 18.56.098(g) is amended to read:

2 (g) The corporation shall establish the interest rate on a first
3 mortgage loan purchased under (a) of this section in accordance with
4 the following:

5 (1) The interest rate on the loan amount eligible for
6 assistance [FIRST \$90,000] of a mortgage loan purchased with the
7 proceeds of an issue of taxable bonds of the corporation is three
8 percent less than the cost of funds of that issue, except that

9 (A) if the cost of funds of that issue is less than 10
10 percent, the interest rate is equal to the cost of funds; and

11 (B) if the cost of funds of that issue is more than 10
12 percent, the interest rate may not be less than 10 percent.

13 (2) An interest rate determined under this subsection on
14 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
15 loan that is not purchased from the proceeds of bonds that are qual-
16 ified veterans' mortgage bonds under the applicable provisions of 26
17 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
18 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
19 point if the loan is made to an eligible veteran under AS 18.56.101.

20 (3) The interest rate for the amount of a mortgage loan
21 purchased under (a) of this section that exceeds the loan amount
22 eligible for assistance [\$90,000] is equal to the cost of funds to the
23 corporation attributable to that part of the loan.

24 (4) The interest rate on the loan amount eligible for
25 assistance [FIRST \$90,000] of a mortgage loan purchased with money
26 that is not the proceeds of either taxable or tax-exempt bonds is the
27 rate the corporation determines is appropriate by application of the
28 provision of (1) of this subsection.

29 (5) The interest rate on the loan amount eligible for

1 assistance [FIRST \$90,000] of a mortgage loan purchased from the
2 proceeds of bonds that are exempt from taxation other than bonds that
3 constitute qualified veterans' bonds under (i) of this section, is
4 equal to the interest rate determined under (1) and (2) of this sub-
5 section on a loan purchased under (a) of this section from the pro-
6 ceeds of the most recent applicable issue of taxable bonds sold by the
7 corporation. A higher or lower interest rate shall be established on
8 the entire loan amount if required to ensure the tax-exempt status of
9 the bonds.

10 (6) The corporation shall determine the interest rate on a
11 mortgage loan that is an adjustable rate mortgage loan as provided in
12 this subsection. The corporation shall recalculate the interest rate
13 from time to time based on changes in the cost to the corporation of
14 the funds used to purchase the adjustable rate mortgage loan. How-
15 ever, the corporation may establish a minimum interest rate applicable
16 to an adjustable rate mortgage loan, and the interest rate on the
17 adjustable rate mortgage loan may not be less than the minimum inter-
18 est rate so established regardless of the cost of funds to the corpo-
19 ration.

20 (7) For loans made under this section, the corporation
21 shall give effect to interest rate changes applicable to the loans
22 based on time of loan application, time of issuance of the corpora-
23 tion's bonds issued to purchase loans, or other factors as the corpora-
24 tion determines.

25 (8) [(7)] In this subsection

26 (A) "cost of funds" means the true interest cost
27 expressed as a rate on bonds of the corporation plus an addi-
28 tional percentage as determined by the corporation to represent
29 the allocable expenses of operation, costs of issuance, and

1 mortgage servicing;

2 (B) "taxable bonds" means bonds bearing interest that
3 is taxable under applicable provisions of 26 U.S.C. (Internal
4 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
5 BOND TAX ACT OF 1980)] issued to finance the purchase of first
6 mortgage loans.

7 * Sec. 6. AS 18.56.098(h) is amended to read:

8 (h) The corporation shall establish the interest rate on a
9 second mortgage loan purchased under (a) of this section in the manner
10 established for computing the interest rates on a first mortgage loan
11 under (g) of this section except that, in the case of a second mort-
12 gage loan, if the first mortgage loan made to the same borrower is
13 held by the corporation and was purchased under the special mortgage
14 loan purchase program, the outstanding principal balance of the exist-
15 ing first mortgage loan is subtracted from the loan amount eligible
16 for assistance [\$90,000] to determine the amount of the loan that is
17 eligible for an interest rate on a second mortgage loan determined by
18 reference to (g) of this section.

19 * Sec. 7. AS 18.56.098(i) is amended to read:

20 (i) The interest rate on the loan amount eligible for assistance
21 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
22 bonds that constitute qualified veterans' mortgage bonds under appli-
23 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
24 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
25 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
26 for other loans to veterans under (g)(2) of this section [AS 18.56.-
27 098(g)(3)]. A higher or lower interest rate shall be established on
28 the entire loan amount if required by applicable provisions of 26
29 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

1 * Sec. 8. AS 36.30.015(e) is amended to read:

2 (e) The boards of directors of the Alaska Railroad Corporation,
3 the Alaska Housing Finance Corporation, and the Alaska State Housing
4 Authority shall adopt procedures to govern the procurement of sup-
5 plies, services, professional services, and construction for [BY] the
6 respective public corporations [CORPORATION]. The procedures must

7 (1) reflect competitive bidding principles and provide
8 vendors reasonable and equitable opportunities to participate in the
9 procurement process; and

10 (2) include procurement methods to meet emergency and
11 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
12 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
13 CHAPTER].

14 * Sec. 9. AS 36.30.990(1) is amended to read:

15 (1) "agency"

16 (A) means a department, institution, board, commis-
17 sion, division, authority, public corporation, the Alaska Pio-
18 neers' Home, or other administrative unit of the executive branch
19 of state government;

20 (B) does not include

21 (i) [, EXCEPT FOR] the University of Alaska;

22 (ii) [,] the Alaska State Housing Authority;

23 (iii) the [AND] Alaska Railroad Corporation;

24 (iv) the Alaska Housing Finance Corporation;

25 (v) [IT DOES NOT INCLUDE] a regional Native
26 housing authority created under AS 18.55.996, or a regional
27 electrical authority created under AS 18.57.020;

28 * Sec. 10. AS 37.07 is amended by adding a new section to read:

29 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

1 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
2 Finance Corporation may, by resolution adopted by the board of direc-
3 tors, increase an item appropriated from corporation receipts if

4 (1) the board of directors determines that circumstances
5 require an increase in expenditures in excess of an existing appro-
6 priation made under the authority conferred by this chapter; and

7 (2) additional corporation receipts are available.

8 (b) Before the resolution required by (a) of this section takes
9 effect, the board of directors shall submit a revised program to the
10 governor for approval as provided in AS 37.07.080(d). A copy of the
11 revised program shall be submitted to the legislative budget and audit
12 committee.

13 (c) The increase authorized by (a) of this section may not
14 extend beyond the end of the fiscal year in which the resolution is
15 adopted.

16 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
17 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
18 mortgage loans purchased by the Alaska Housing Finance Corporation from the
19 special mortgage loan purchase program and from qualified veterans' mort-
20 gage bonds

21 (1) after June 30, 1990, and before July 1, 1991, the loan
22 amount eligible for assistance under AS 18.56.098 is \$70,000;

23 (2) after June 30, 1991, and before July 1, 1992, the loan
24 amount eligible for assistance under AS 18.56.098 is \$50,000;

25 (3) after June 30, 1992, and before July 1, 1993, the loan
26 amount eligible for assistance under AS 18.56.098 is \$30,000.

27 * Sec. 12. Of the two additional public members appointed by the gover-
28 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall
29 serve a term of two years and one shall serve a term of one year. When

1 making the appointments, the governor shall specify the length of the term
2 of each person appointed.

3 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

4 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
5 July 1, 1990.

A M E N D M E N T

To: CSSB 427(fin)

Page 7, line 7: delete "and"

Page 7, between lines 11 and 12: insert the following new material to read:

"(3) grant preferences that are substantially similar to the resident and product preferences authorized by AS 36.30.170(b), AS 36.30.250(b) and AS 36.30.322 - 36.30.338. "

EFFECT OF AMENDMENT:

This amendment would require the ARRC, ASHA, and AHFC to adopt procurement procedures embodying the Alaska bidder's preference and the Alaska product preference set out in existing law and regulations.



520 East 34th St.
Anchorage, AK 99503
(907) 561-1900

P.O. Box 101020
Anchorage, AK 99510

POSITION PAPER

APRIL 10, 1990

PROPOSED HOUSE FINANCE COMMITTEE AMENDMENT TO SB 427

An amendment to SB 427, the AHFC Subsidy Revision bill has been introduced in the House Finance Committee. The amendment would require the Corporation to pay an annual dividend to the State of Alaska general fund, in an amount equal to 50% of the Corporation's annual earnings.

AHFC opposes this amendment for several reasons, including:

1. It jeopardizes the Corporation's short- and long-term borrowing capacity, and its present and future credit relationships, both of which are essential for the Corporation to continue access capital markets, making mortgage dollars available to Alaskans.
2. It severely inhibits the ability of the Corporation to support and to participate in new, innovative housing programs, including layered financing approaches which would effectively leverage outside funding for housing for special needs populations and non-profit housing sponsors.
3. Diverting funds from the Corporation to the general fund for non-housing purposes is contradictory to AHFC's enabling legislation, which established the Corporation for the purpose of providing housing for low- and moderate-income Alaskans.
4. It is contrary to the recommendations contained in the report of the Legislature's own Housing Finance Task Force, which called for less interference by the state government in running the business of AHFC and specified that it was unwise to attempt to extract assets from the Corporation for non-housing purposes. Further, the amendment would negate the impact of the elimination of the subsidy program, by diverting the savings realized by elimination of the subsidy away from the Corporation.
5. It obscures the separation of AHFC, an independent public corporation, responsible for its own assets and liabilities, from the state government, by putting the legislature in first position with discretion over use of the Corporation's earnings. This control must remain solely with the Board of Directors, as appointed by the Governor, to maintain the integrity of the Corporation as an independent entity and to avoid perception of state liability for the Corporation's debt.

COMPARING CSSB427(2d Fin) to CSSB427(B&ED)

SUMMARY OF CHANGES MADE TO SB427(B&ED) IN THE
SENATE FINANCE COMMITTEE

1. page 2, lines 2 - 4; Added language specifying that one of AHFC's four Board members be a representative of the financial community and that one be a licensed real estate broker.
2. We eliminated the old section 2 from the B&ED version which would have totally exempted AHFC from the Executive Budget Act.
3. page 7, lines 1 - 13; Under this bill, AHFC and the Alaska Railroad are exempted from the state procurement code to save them money. This language requires AHFC and the ARR to adopt their own procurement procedures which reflect competitive bidding practices.
4. page 7, line 28 thru page 8, line 15; New section added
This section gives AHFC an exception to rather than an exemption from the Executive Budget Act. AHFC's budget will continue to come before the legislature for approval, but this exception gives them the flexibility to make needed changes during the interim. This flexibility will save AHFC money.

Flood
Draft

Suggest letting
Sen. Frank decide
how to deal with
FBX —



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

April 2, 1990

FAX TRANSMISSION

To: Tom Behan
Bob Mintz
AHFC

From: Max Gifford
Legislative Assistant

Subject: SB-427, analysis by Chenoweth

Sen. Uehling asked Jack Chenoweth of LAA Legal to do an analysis and sectional of SB-427, following our less than successful effort to pass the bill in the Senate on Friday last.

From my initial reading the only concern I have is with page two of the two-page document entitled, "Sectional Analysis". Under point (4) in the Chenoweth memo he discusses AHFC expenditure of program receipts and suggests that this language allows expenditure, "without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget & Audit Committee;.." This language is sure to engender interest (I use that term lightly) from Senator Kerttula.

There is a school of thought that believes that with the inclusion of the program receipt expenditure language in the front section of the budget AHFC can already expend funds without necessarily waiting for LB&A approval. But I'd rather not distribute this memo with the wording that Chenoweth has used without referencing the front section of the budget as it now exists.

Also, Senator Duncan continues to object to the word "immediately" on line 12 of the title page....and according to staff his objections are pure and simple....without the word immediately, he can seek to amend the time frame for which program receipts can be expended when the bill gets to the house.



Tuesday, April 3, 1990

Senate

MEMORANDUM

To: Senator Pat Rodey

From: Max

Subject: CSSB 427 (RIs)/ AHFC

SECTIONAL ANALYSIS. The Chenoweth memo to Sen. Uehling of March 30th, does a good job at detailing the bill.

Note the first two pages are specific to AHFC. On page two under subsection (4), however, there is a reference to Sec. 10 in which Chenoweth states, "the amendment would permit AHFC to draw upon unappropriated corporation receipts with providing the opportunity for prior review of the proposed additional expenditure by LB&A."

This statement may cause some confusion because it does not take into account the **appropriation of AHFC program receipts** in the front section of the annual budget bill. The intent and purpose of this bill is do what the Legislature's housing finance task force set out to do which was to find ways to stabilize Alaska's housing market, reduce the state's fiduciary involvement, and hopefully let the housing market system develop into a viable business in state without considerable state involvement. To do that AHFC needs the tools to accomplish these goals...and that means giving them the ability to function in the housing market without being hamstrung by bureaucracy. As AHFC has indicated the potential for losing money grows in proportion to their inability to respond to the ups and downs of the housing market.

To further buttress the point, I asked for a short memo (Dierdorff to Rodey, April 2nd) noting that for several years the legislature has provided for appropriation of AHFC program receipts in the front section of the budget. The finance committee did that in 1985 to assist AHFC in responding to market needs. During those years, 1988 was the only year reference was made to requesting AHFC comply with the LB&A procedure.

Further protecting state interests is the requirement in Sec. 10 that AHFC submit program revisions (expending program receipts) to the governor and LB&A, and once submitted, then permitting the agency to proceed with the program revision.

The argument may be made that AHFC should not be allowed to expend money without first gaining approval from LB&A, however, some believe (LAA Legal) that the legislative appropriation/authorization in the front section of the budget is all that is needed for AHFC to expend program receipts. Besides, the LB&A requirement may take as long as 45 days and sometimes longer and that is the real problem; the inability of the bureaucracy to act promptly to protect state fiduciary interests in the housing market.

SUBSIDY PHASE DOWN. The remaining three pages of the March 30th Chenoweth to Uehling memo is a good overview of the subsidy phase down program proposed in SB 427.

RAILROAD. Also attached is the Railroad procurement amendment Sen. Faiks will offer. It essentially opts them out from the confines of the procurement code but says the RR shall adopt procedures that reflect competitive bidding, reasonable opportunities for vendors, and establish an Alaska bidder preference, except for "purchase, operation, expansion, reduction, or maintenance or track structure or equipment moving upon track structure of the railroad." (i.e. tracks, ties, and rail cars)

Memos attached

March 30th, Chenoweth to Uehling, 2 page sectional analysis, followed by a three page analysis of the subsidy adjustment.

April 2nd, Dierdorff to Rodey, 1 page, re: AHFC Program Receipts

Amendments.....Sen. Faiks, Railroad procurement, bidder preference.

STATE OF ALASKA
THE LEGISLATURE

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

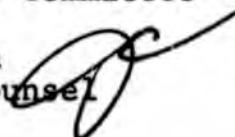
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1990

SUBJECT: CSSB 427 (Rules) -- sectional analysis

TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

This measure generally amends various program and administrative requirements applicable to several state corporations. While it is principally applicable to the Alaska Housing Finance Corporation (AHFC), one section--bill section 8--also applies to the Alaska Railroad Corporation and the Alaska State Housing Authority (ASHA).

In summary, this bill accomplishes the following:

With respect to the Alaska Housing Finance Corporation:

(1) re-orientes the interest subsidy on AHFC's major mortgage loan program: the bill eliminates, by stair-stepping down over a three-year period, the mortgage interest subsidy that may be provided under the current special mortgage loan program--the principal mortgage loan program--of the AHFC, and replaces that subsidized program, in modified form, with an amended version of the Corporation's home ownership program for persons of low and moderate income, with the subsidy provided at a reduced threshold [bill sections 2 - 7 and 11];

(2) increases the number of members of the board of directors of AHFC from five to seven by adding two additional public members, thereby making the majority of the board (4 of 7 members) "public members" rather than agency heads [bill sections 1 and 12];

(3) exempts AHFC from compliance with the State Procurement Code, substituting a requirement that the AHFC board of directors develop and adopt other similar

Senator Rick Uehling
Page 2
March 30, 1990

procedures applicable to guide and govern necessary procurements [bill sections 8 and 9];

*Maybe
Modify*

(4) amends the manner of handling of AHFC's expenditure of additional corporation receipts by exempting AHFC from compliance with the provisions of AS 37.07.080 (submission and approval of revised program requirements under the Executive Budget Act, AS 37.07); the amendment would permit AHFC to draw upon unappropriated corporation receipts without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget and Audit Committee; under the change, AHFC would only be required to prepare a program revision and submit the revision to the governor and the committee; once the revised program was prepared and submitted, the additional corporation receipts could be expended by AHFC [bill section 10];

With respect to the Alaska Railroad Corporation and the Alaska State Housing Authority:

These two state corporations are now exempt from the State Procurement Code (see existing AS 36.30.990(1)). Under current law these two corporations were to have adopted procedures "substantially equivalent to the procedures prescribed in [the State Procurement Code]." The amendment made by bill section 8 eliminates the "substantially equivalent" reference and substitutes different, somewhat broader, less stringent, standards that these two corporations' procurement practices would have to meet.

Effective dates:

Sections 2 and 4, relating to the modifications of AHFC's home ownership program for low- and moderate-income people, are delayed until July 1, 1992.

The remainder of the bill takes effect July 1, 1990.

* * *

Additional details of the AHFC subsidy modification provisions that are changed by bill sections 2 - 7 and 11 are set out in the enclosed.

JBC:lmb
L10/041

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

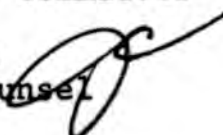
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1990

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TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

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- (2) increases the number of members of the board of directors of AHFC from five to seven by adding two additional public members, thereby making the majority of the board (4 of 7 members) "public members" rather than agency heads [bill sections 1 and 12];
- (3) exempts AHFC from compliance with the State Procurement Code, substituting a requirement that the AHFC board of directors develop and adopt other similar

Senator Rick Uehling
Page 2
March 30, 1990

procedures applicable to guide and govern necessary procurements [bill sections 8 and 9];

(4) amends the manner of handling of AHFC's expenditure of additional corporation receipts by exempting AHFC from compliance with the provisions of AS 37.07.080 (submission and approval of revised program requirements under the Executive Budget Act, AS 37.07); the amendment would permit AHFC to draw upon unappropriated corporation receipts without providing the opportunity for a prior review of the proposed additional expenditure by the Legislative Budget and Audit Committee; under the change, AHFC would only be required to prepare a program revision and submit the revision to the governor and the committee; once the revised program was prepared and submitted, the additional corporation receipts could be expended by AHFC [bill section 10];

With respect to the Alaska Railroad Corporation and the Alaska State Housing Authority:

These two state corporations are now exempt from the State Procurement Code (see existing AS 36.30.990(1)). Under current law these two corporations were to have adopted procedures "substantially equivalent to the procedures prescribed in [the State Procurement Code]." The amendment made by bill section 8 eliminates the "substantially equivalent" reference and substitutes different, somewhat broader, less stringent, standards that these two corporations' procurement practices would have to meet.

Effective dates:

Sections 2 and 4, relating to the modifications of AHFC's home ownership program for low- and moderate-income people, are delayed until July 1, 1992.

The remainder of the bill takes effect July 1, 1990.

* * *

Additional details of the AHFC subsidy modification provisions that are changed by bill sections 2 - 7 and 11 are set out in the enclosed.

JBC:lmb
L10/041

This isn't bad
for a sectional
excerpt for (4)
on page 2 which
discusses "inappropriate
corporation receipts

The yellowed
language is
like a red flag
for Sen. Kribbala
& Duncan

STATE OF ALASKA
THE LEGISLATURE

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


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 2, 1990

SUBJECT: AHFC Program Receipts (CSSB 427(Rules))

TO: Senator Pat Rodey
Attn: Max Gifford

FROM: David R. Dierdorff 
Revisor of Statutes

You have asked for a brief explanation of the treatment of AHFC program receipts in the budget bill.

For the last five fiscal years, the Act providing for the general operating and loan program budget of state government has included "front pages" language appropriating all unrestricted receipts that the corporation receives during the fiscal year to the Alaska housing finance revolving fund. See, sec. 15, ch. 98, SLA 1985; sec. 14, ch. 129, SLA 1986; sec. 14, ch. 95, SLA 1987; sec. 14, ch. 154, SLA 1988; and sec. 14, ch. 116, SLA 1989. I note that the language each year has been identical, except that in 1988 a subsection (b) was added requiring the corporation to comply with AS 37.07.080(h) prior to expending any of the program receipts for a purpose not described in the corporation's operating plan under AS 37.07.080(b). I note also that the language appears in the governor's operating and loan program bill for FY 91. See sec. 15, HB 500.

There is no question but that the boiler plate language found in these budget Acts appropriates everything AHFC receives during the year.

DRD:pl
WKP4/011

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSSB 427 (Rules)

Page 7, line 3:

Delete "the Alaska Railroad Corporation₁"

Insert "[THE ALASKA RAILROAD CORPORATION]"

Page 7, line 4, after "Corporation":

Delete "₁"

Page 7, following line 14:

Insert a new bill section to read:

"* Sec. 9. AS 36.30.015 is amended by adding a new subsection to read:

(f) The board of directors of the Alaska Railroad Corporation shall adopt procedures to govern the procurement of supplies, services, professional services, and construction. The procedures must

(1) reflect competitive principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and extraordinary circumstances; and

(3) for a contract awarded for supplies, services, and construction, comply with the provisions of AS 36.30.170(b) and 36.30.250(b) that establish a preference for an Alaska bidder, except

that the Alaska bidder preference provisions of AS 36.30.170(b) and 36.30.250(b) do not apply to a contract that actually and directly relates to the purchase, operation, expansion, reduction, or maintenance of track structure or equipment moving upon track structure of the railroad."

Renumber the following bill sections accordingly.

STATE OF ALASKA
THE LEGISLATURE

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


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1990

SUBJECT: Mortgage interest subsidy adjustment made by
secs. 2 - 7 and 11 of CSSB 427 (Rules) --
sectional analysis

TO: Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel 

As has been noted, the significant provisions of CSSB 427 (Rules), sections 2 - 7 and 11, re-orient the interest subsidy on AHFC's major mortgage loan program. This memo provides more detailed information as to how that adjustment is accomplished.

AHFC's leading mortgage assistance program is its special mortgage loan purchase program established in AS 18.56.098. Under current law, AHFC is authorized to subsidize interest on the first \$90,000 of a borrower's mortgage loan. See AS 18.56.098(g).

This bill phases out the subsidy by stair-stepping down over a three-year period the mortgage interest subsidy that may be provided under the current special mortgage loan program:

-- for loans made in FY '91, the authorized subsidy threshold is set at the first \$70,000 of a mortgage loan;

-- for those made in FY '92, the authorized subsidy threshold is set at the first \$50,000 of a mortgage loan;

-- for mortgage loans made during FY '93, the authorized subsidy threshold is set at \$30,000.

After June 30, 1993 (i.e. the last day of FY 1993), no further interest subsidy is authorized under this loan program.

Senator Rick Uehling
Page 2
March 30, 1990

However, AHFC officials indicated that they wanted to retain the authority to provide a subsidy to certain low- and moderate-income borrowers. This is accomplished by amending another AHFC program, known as the "home ownership assistance program" established in AS 18.56.091 for persons of low and moderate income. That program is amended, effective July 1, 1992, to permit provision of subsidized interest payments on the first \$50,000 of a mortgage loan approved by AHFC under its home ownership assistance program loan.

The definition of "persons of lower and moderate income" appears in AS 18.56.900(11). The definition makes reference to various factors that AHFC must consider, but does not prescribe a definition solely with reference to a set amount of the borrower's income.

Finally, I would note that, at the sponsor's request, this legislation is drafted in a way that, should the legislature ever want to re-establish subsidized interest payments for mortgages provided under AHFC's special mortgage loan program, it may very easily do so.

*

The particular bill sections, bill sections 2 - 7 and 11, do the following:

Bill sections 3, 5, 6, 7, and 11 make changes to AHFC's "special mortgage loan program."

In addition to a couple of technical and drafting changes (relating to U.S. tax code references), the principal changes made by bill sections 5, 6, and 7 delete, in various places, a reference to the existing \$90,000 threshold for interest subsidies authorized under AHFC's special mortgage loan program and substitute in place the term "loan amount eligible for assistance."

"Loan amount eligible for assistance" is defined in bill section 3 to be an amount as determined by law (or, if no amount is set by law, then the amount is deemed to be zero).

The actual amount of a "loan amount eligible for assistance" is set by law in bill section 11. This is a temporary law provision. As noted, the loan threshold declines from the current \$90,000 and is, for loans made

Senator Rick Uehling
Page 3
March 30, 1990

- during FY 91, \$70,000;
- during FY 92, \$50,000;
- during FY 93, \$30,000.

After June 30, 1993 (i.e. beginning July 1, 1993, or the start of FY 94), there would be no rate set or determined by law, hence, under the definition of the phrase "loan amount eligible for assistance," the threshold rate is deemed to be zero, and no part of the interest on a mortgage loan made under the special mortgage loan program may be subsidized.

Under this approach, the legislature may readily re-establish subsidized interest rates on these mortgage loans merely by enacting an uncodified law that re-states the threshold rate.

Bill sections 2 and 4 amend the other AHFC loan program mentioned, the "home ownership assistance program" of AS 18.56.091, established for persons of lower and moderate income. Under bill section 2, an interest subsidy is authorized based on the threshold established by law. Bill section 4 (page 3, lines 18, 19, and 20) sets that threshold for persons whose purchase of a home is assisted under AS 18.56.091 at \$50,000.

Bill sections 2 and 4 take effect July 1, 1992, that is, on the date when, under the existing subsidy program, the interest rate subsidy threshold is due to drop from \$50,000 to \$30,000. In other words, for persons of lower and moderate income, the threshold at which interest rates on new mortgage loans may be subsidized will not fall below \$50,000.

JBC:lmb
L10/042

** This is good for explanation
of subsidy phase out -
and should be passed
out*

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 427 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to program and administration re-

7

quirements of certain state corporations; expanding

8

the number of directors of the Alaska Housing Finance

9

Corporation; exempting the Alaska Housing Finance

10

Corporation from the State Procurement Code and

11

allowing the corporation to expend additional corpo-

12

ration receipts immediately after submission of a

13

revised program to the Legislative Budget and Audit

14

Committee; amending the corporation's special mort-

15

gage loan purchase program and progressively reducing

16

the maximum level of loan amounts eligible for a re-

17

duction under a mortgage loan subsidy; amending the

18

corporation's mortgage loan subsidy program for

19

persons of lower and moderate income; and relating to

20

procurement practices of certain state corporations;

21

and providing for an effective date."

22

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

23

* Section 1. AS 18.56.030(a) is amended to read:

24

(a) The corporation shall be governed by a board of directors

25

consisting of

26

(1) the commissioner of revenue and the commissioner of

27

commerce and economic development;

28

(2) one other member who is the head of a [THE] principal

29

department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (i) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

25 (iv) the Alaska Housing Finance Corporation;

26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 18.55.996, or a regional
28 electrical authority created under AS 18.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

2 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2

CS FOR SENATE BILL NO. 427 (Rules)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to program and administration re-

7

quirements of certain state corporations; expanding

8

the number of directors of the Alaska Housing Finance

9

Corporation; exempting the Alaska Housing Finance

10

Corporation from the State Procurement Code and

11

allowing the corporation to expend additional corpo-

12

ration receipts immediately after submission of a

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revised program to the Legislative Budget and Audit

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Committee; amending the corporation's special mort-

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gage loan purchase program and progressively reducing

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the maximum level of loan amounts eligible for a re-

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duction under a mortgage loan subsidy; amending the

18

corporation's mortgage loan subsidy program for

19

persons of lower and moderate income; and relating to

20

procurement practices of certain state corporations;

21

and providing for an effective date."

22

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

23

* Section 1. AS 18.56.030(a) is amended to read:

24

(a) The corporation shall be governed by a board of directors

25

consisting of

26

(1) the commissioner of revenue and the commissioner of

27

commerce and economic development;

28

(2) one other member who is the head of a [THE] principal

29

department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 * Sec. 3. AS 18.56.098(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 * Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (i) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpor-
25 ation determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
24 cable provisions of 26 U.S.C. (Internal Revenue Code) is [26 U.S.C.
25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2)] the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS

14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

25 (iv) the Alaska Housing Finance Corporation;

26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 18.55.996, or a regional
28 electrical authority created under AS 18.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)
2 Notwithstanding the provisions of AS 37.07.080(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appo-
7 riation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.56.030(a), amended by sec. 1 of this Act, one member shall

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.

Original sponsor(s): Rules/Housing Finance Task Force

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 427 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to program and administration re-
 7 quirements of certain state corporations; expanding
 8 the number of directors of the Alaska Housing Finance
 9 Corporation; exempting the Alaska Housing Finance
 10 Corporation from the State Procurement Code and
 11 allowing the corporation to expend additional corpo-
 12 ration receipts immediately after submission of a
 13 revised program to the Legislative Budget and Audit
 14 Committee; amending the corporation's special mort-
 15 gage loan purchase program and progressively reducing
 16 the maximum level of loan amounts eligible for a re-
 17 duction under a mortgage loan subsidy; amending the
 18 corporation's mortgage loan subsidy program for
 19 persons of lower and moderate income; and relating to
 20 procurement practices of certain state corporations;
 21 and providing for an effective date."

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

23 * Section 1. AS 18.56.030(a) is amended to read:

24 (a) The corporation shall be governed by a board of directors
 25 consisting of

26 (1) the commissioner of revenue and the commissioner of
 27 commerce and economic development;

28 (2) one other member who is the head of a [THE] principal
 29 department of the executive branch of state government appointed by

1 the governor; and

2 (3) four [TWO] public members appointed by the governor,
3 one of whom shall be a representative of the financial community and
4 one of whom shall be a person licensed as a real estate broker under
5 AS 08.88.171(a).

6 * Sec. 2. AS 18.56.091 is amended by adding a new subsection to read:

7 (b) Notwithstanding (a) of this section, the loan amount eligi-
8 ble for assistance under the subsidy authorized by (a) of this section
9 is the amount determined under AS 18.56.098(f).

10 + Sec. 3. AS 18.56.096(f) is amended to read:

11 (f) In this section and in AS 18.56.099

12 (1) "graduated payment mortgage loan" means a mortgage loan
13 the terms of which provide for monthly principal and interest payments
14 that

15 (A) during the first year of the mortgage loan are
16 lower than the monthly principal and interest payments that would
17 be required under the terms of a level payment mortgage loan made
18 at the same interest rate; and

19 (B) during subsequent years of the mortgage loan are
20 graduated to provide for the same return over the term of the
21 loan that would have been provided by a level payment mortgage
22 loan made at the same interest rate;

23 (2) "loan amount eligible for assistance" means the amount
24 of a mortgage loan that does not exceed the amount of the loan estab-
25 lished by law; if an amount has not been established by law, the
26 amount is zero;

27 (3) "mortgage loan" includes a beneficial interest or
28 participation in a mortgage loan; [(3) REPEALED]

29 (4) "residence" means

1 (A) an owner-occupied, single-family residence, in-
2 cluding a mobile home; [,] or

3 (B) an owner-occupied duplex, triplex, or fourplex.

4 * Sec. 4. AS 18.56.098(f) is repealed and reenacted to read:

5 (f) In this section and in AS 18.56.091 and 18.56.099

6 (1) "graduated payment mortgage loan" means a mortgage loan
7 the terms of which provide for monthly principal and interest payments
8 that

9 (A) during the first year of the mortgage loan are
10 lower than the monthly principal and interest payments that would
11 be required under the terms of a level payment mortgage loan made
12 at the same interest rate; and

13 (B) during subsequent years of the mortgage loan are
14 graduated to provide for the same return over the term of the
15 loan that would have been provided by a level payment mortgage
16 loan made at the same interest rate;

17 (2) "loan amount eligible for assistance" means

18 (A) the first \$50,000 of a mortgage loan for persons
19 of lower or moderate income whose purchase of a home is assisted
20 under AS 18.56.091; or

21 (B) except as to persons whose purchase of a home is
22 assisted under AS 18.56.091, the amount of a mortgage loan that
23 does not exceed the amount of the loan established by law; if an
24 amount has not been established by law, the amount is zero;

25 (3) "mortgage loan" includes a beneficial interest or
26 participation in a mortgage loan;

27 (4) "residence" means

28 (A) an owner-occupied, single-family residence, in-
29 cluding a mobile home; or

1 (B) an owner-occupied duplex, triplex, or fourplex.

2 + Sec. 5. AS 18.56.098(g) is amended to read:

3 (g) The corporation shall establish the interest rate on a first
4 mortgage loan purchased under (a) of this section in accordance with
5 the following:

6 (1) The interest rate on the loan amount eligible for
7 assistance [FIRST \$90,000] of a mortgage loan purchased with the
8 proceeds of an issue of taxable bonds of the corporation is three
9 percent less than the cost of funds of that issue, except that

10 (A) if the cost of funds of that issue is less than 10
11 percent, the interest rate is equal to the cost of funds; and

12 (B) if the cost of funds of that issue is more than 10
13 percent, the interest rate may not be less than 10 percent.

14 (2) An interest rate determined under this subsection on
15 the loan amount eligible for assistance [FIRST \$90,000] of a mortgage
16 loan that is not purchased from the proceeds of bonds that are qual-
17 ified veterans' mortgage bonds under the applicable provisions of 26
18 U.S.C. (Internal Revenue Code) [26 U.S.C. 103A (MORTGAGE SUBSIDY BOND
19 TAX ACT OF 1980), AS AMENDED,] shall be reduced by one percentage
20 point if the loan is made to an eligible veteran under AS 18.56.101.

21 (3) The interest rate for the amount of a mortgage loan
22 purchased under (a) of this section that exceeds the loan amount
23 eligible for assistance [\$90,000] is equal to the cost of funds to the
24 corporation attributable to that part of the loan.

25 (4) The interest rate on the loan amount eligible for
26 assistance [FIRST \$90,000] of a mortgage loan purchased with money
27 that is not the proceeds of either taxable or tax-exempt bonds is the
28 rate the corporation determines is appropriate by application of the
29 provision of (1) of this subsection.

1 (5) The interest rate on the loan amount eligible for
2 assistance [FIRST \$90,000] of a mortgage loan purchased from the
3 proceeds of bonds that are exempt from taxation other than bonds that
4 constitute qualified veterans' bonds under (1) of this section, is
5 equal to the interest rate determined under (1) and (2) of this sub-
6 section on a loan purchased under (a) of this section from the pro-
7 ceeds of the most recent applicable issue of taxable bonds sold by the
8 corporation. A higher or lower interest rate shall be established on
9 the entire loan amount if required to ensure the tax-exempt status of
10 the bonds.

11 (6) The corporation shall determine the interest rate on a
12 mortgage loan that is an adjustable rate mortgage loan as provided in
13 this subsection. The corporation shall recalculate the interest rate
14 from time to time based on changes in the cost to the corporation of
15 the funds used to purchase the adjustable rate mortgage loan. How-
16 ever, the corporation may establish a minimum interest rate applicable
17 to an adjustable rate mortgage loan, and the interest rate on the
18 adjustable rate mortgage loan may not be less than the minimum inter-
19 est rate so established regardless of the cost of funds to the corpo-
20 ration.

21 (7) For loans made under this section, the corporation
22 shall give effect to interest rate changes applicable to the loans
23 based on time of loan application, time of issuance of the corpora-
24 tion's bonds issued to purchase loans, or other factors as the corpora-
25 tion determines.

26 (8) [(7)] In this subsection

27 (A) "cost of funds" means the true interest cost
28 expressed as a rate on bonds of the corporation plus an addi-
29 tional percentage as determined by the corporation to represent

1 the allocable expenses of operation, costs of issuance, and
2 mortgage servicing;

3 (B) "taxable bonds" means bonds bearing interest that
4 is taxable under applicable provisions of 26 U.S.C. (Internal
5 Revenue Code) and which were [26 U.S.C. 103A (MORTGAGE SUBSIDY
6 BOND TAX ACT OF 1980)] issued to finance the purchase of first
7 mortgage loans.

8 * Sec. 6. AS 18.56.098(h) is amended to read:

9 (h) The corporation shall establish the interest rate on a
10 second mortgage loan purchased under (a) of this section in the manner
11 established for computing the interest rates on a first mortgage loan
12 under (g) of this section except that, in the case of a second mort-
13 gage loan, if the first mortgage loan made to the same borrower is
14 held by the corporation and was purchased under the special mortgage
15 loan purchase program, the outstanding principal balance of the exist-
16 ing first mortgage loan is subtracted from the loan amount eligible
17 for assistance [\$90,000] to determine the amount of the loan that is
18 eligible for an interest rate on a second mortgage loan determined by
19 reference to (g) of this section.

20 * Sec. 7. AS 18.56.098(i) is amended to read:

21 (i) The interest rate on the loan amount eligible for assistance
22 [FIRST \$90,000] of a mortgage loan purchased from the proceeds of
23 bonds that constitute qualified veterans' mortgage bonds under appli-
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25 103A (MORTGAGE SUBSIDY BOND TAX ACT OF 1980) AS AMENDED, IS THE GREAT-
26 ER OF (1) FOUR PERCENT LESS THAN THE COST OF FUNDS OR (2) the rate
27 for other loans to veterans under (g)(2) of this section [AS 18.56.-
28 098(g)(3)]. A higher or lower interest rate shall be established on
29 the entire loan amount if required by applicable provisions of 26

1 U.S.C. (Internal Revenue Code) [UNDER 26 U.S.C. 103A].

2 * Sec. 8. AS 36.30.015(e) is amended to read:

3 (e) The boards of directors of the Alaska Railroad Corporation,
4 the Alaska Housing Finance Corporation, and the Alaska State Housing
5 Authority shall adopt procedures to govern the procurement of sup-
6 plies, services, professional services, and construction for [BY] the
7 respective public corporations [CORPORATION]. The procedures must

8 (1) reflect competitive bidding principles and provide
9 vendors reasonable and equitable opportunities to participate in the
10 procurement process; and

11 (2) include procurement methods to meet emergency and
12 extraordinary circumstances [BE SUBSTANTIALLY EQUIVALENT TO THE PROCE-
13 DURES PRESCRIBED IN THIS CHAPTER AND IN REGULATIONS ADOPTED UNDER THIS
14 CHAPTER].

15 * Sec. 9. AS 36.30.990(1) is amended to read:

16 (1) "agency"

17 (A) means a department, institution, board, commis-
18 sion, division, authority, public corporation, the Alaska Pio-
19 neers' Home, or other administrative unit of the executive branch
20 of state government;

21 (B) does not include

22 (i) [, EXCEPT FOR] the University of Alaska;

23 (ii) [,] the Alaska State Housing Authority;

24 (iii) the [AND] Alaska Railroad Corporation;

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26 (v) [IT DOES NOT INCLUDE] a regional Native
27 housing authority created under AS 13.55.996, or a regional
28 electrical authority created under AS 13.57.020;

29 * Sec. 10. AS 37.07 is amended by adding a new section to read:

1 Sec. 37.07.085. ALASKA HOUSING FINANCE CORPORATION BUDGET. (a)

2 Notwithstanding the provisions of AS 37.07.030(h), the Alaska Housing
3 Finance Corporation may, by resolution adopted by the board of direc-
4 tors, increase an item appropriated from corporation receipts if

5 (1) the board of directors determines that circumstances
6 require an increase in expenditures in excess of an existing appro-
7 priation made under the authority conferred by this chapter; and

8 (2) additional corporation receipts are available.

9 (b) Before the resolution required by (a) of this section takes
10 effect, the board of directors shall submit a revised program to the
11 governor for approval as provided in AS 37.07.080(d). A copy of the
12 revised program shall be submitted to the legislative budget and audit
13 committee.

14 (c) The increase authorized by (a) of this section may not
15 extend beyond the end of the fiscal year in which the resolution is
16 adopted.

17 * Sec. 11. LOAN AMOUNTS ELIGIBLE FOR ASSISTANCE FOR LOANS ISSUED UNDER
18 AS 18.56.098 DURING STATE FISCAL YEARS 1991 - 1993. For first and second
19 mortgage loans purchased by the Alaska Housing Finance Corporation from the
20 special mortgage loan purchase program and from qualified veterans' mort-
21 gage bonds

22 (1) after June 30, 1990, and before July 1, 1991, the loan
23 amount eligible for assistance under AS 18.56.098 is \$70,000;

24 (2) after June 30, 1991, and before July 1, 1992, the loan
25 amount eligible for assistance under AS 18.56.098 is \$50,000;

26 (3) after June 30, 1992, and before July 1, 1993, the loan
27 amount eligible for assistance under AS 18.56.098 is \$30,000.

28 * Sec. 12. Of the two additional public members appointed by the gover-
29 nor under AS 18.55.030(a), amended by sec. 1 of this Act, one member shall
30 CSSB 427(21a)

1 serve a term of two years and one shall serve a term of one year. When
2 making the appointments, the governor shall specify the length of the term
3 of each person appointed.

4 * Sec. 13. Sections 2 and 4 of this Act take effect July 1, 1992.

5 * Sec. 14. Except for secs. 2 and 4 of this Act, this Act takes effect
6 July 1, 1990.
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