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State of Pennsylvania
Financing Programs

- 1) Industrial and Commercial Development Authority Law
The law empowers counties, town, cities, etc. to establish industrial and commercial development authorities to finance industrial and commercial development projects including financing for modern buildings, plant facilities, modern machinery and equipment and to encourage commercial enterprise in meeting pollution standards. The Authority may exist for a maximum 50 year period at which time all it's holdings are turned over to the municipality, city, town or county.

The Authority is empowered to issue revenue bonds, which are exempt from state tax, with a maximum maturation length of 40 years (less depending on the the life of the Authority as all bonds must be paid off by the expiration of said Authority). Payment of principal, interest and other charges are payable solely from: a. the income, revenues and property of the project financed, in whole or in part, with the proceeds of such bonds, b. the income and revenues of certain designated projects whether or not they are financed, in whole or in part, with the proceeds of such bonds, and c. from its (the Authority) revenues generally.

- 2) Pennsylvania Industrial Development Authority (PIDA)
PIDA was established to stimulate economic activity in counties with high unemployment by making low-cost business loans, particularly to industrial and manufacturing firms for acquisition or construction of buildings. Loans have also been made to other job-creating enterprises. County unemployment must be 4% or greater to qualify for a loan.

PIDA participates in the necessary financing with the local industrial development corporation (IDC) and local financial institutions. The local bank takes the first mortgage and puts up 50% of the financing. PIDA takes a second mortgage and, depending on the extent of the county's unemployment, puts up 30 - 50%. The local IDC takes a third mortgage and supplies the balance of the financing.

There are no specified loan terms or amounts but the following roughly conveys PIDA's average figures.

Loan Amount	\$4,000 - \$5 million (cannot exceed 50% of costs)
Terms	Up to 20 years
Interest Rate	Roughly 4%

- 3) Pennsylvania Redevelopment Area Economic Cooperation and Implementation Act
This act authorized the Department of Commerce and PIDA to implement the Federal program established by Federal Area Redevelopment and, secondly, to allow PIDA to make loans to industrial development agencies for 60% of the cost for industrial parks with the industrial development agency contributing not less than 10% of the costs. Loans will be secured by a first mortgage except in the case of Federal participation in which case PIDA will accept a lien junior to that of the Federal agency involved.

State of South Carolina
Financing Programs

1) IRB's

State of Vermont
 Financing Programs

1) Vermont Industrial Development Authority

The VIDA was created to coordinate the state's activities in encouraging the orderly growth of industrial development.

a. Assistance to local development corporations

The VIDA provides loans for purchase of land, industrial park planning and erection of speculative shell buildings. Funds made available to the Authority by issuance of notes to the State Treasurer. There is \$5,000,000. available to local development corporations at low interest rates. Loans will be payable not later than 5 years (may be extended by approval of Treasurer) and secured by assignment of a first mortgage to VIDA.

b. Insurance of mortgage loans

This includes loans from lending institutions for purchase of land, building, and equipment. Loans are insured by VIDA under these terms:

- a) lender willing to make funds available for manufacturer if VIDA will insure loans
- b) Guarantees up to \$10 million for each project
- c) VIDA will insure up to 90% project and local development corp. participates at 10% of cost
- d) Working capital loans insured through refinancing of capital assets.
- e) Not more than \$35,000,000 in loan guarantees may be outstanding at any one time.

c. Direct mortgage loans

VIDA loans for purchase of industrial land, buildings and equipment may be made under the following conditions:

- a) VIDA will loan at low interest up to 40% of project not to exceed \$300,000 for land and buildings and \$100,000 for equipment
- b) Loan will be made by local development corporation up to 10% and other banks or lenders supply the balance
- c) VIDA will take second mortgage on project with first mortgage being assigned to principal lender.

d. Industrial Revenue Bonds

	TERMS		INTEREST RATE	
	Statutory	Existing	Statutory	Existing
a. Loans to LDC	5 yrs renewable	2 yrs renewable	Not less than State cost of \$	State cost of \$ plus 1%
b. Loan Guarantees	25yr land & bldg. 10yr machinery & equipment	same	determined by lender	
c. Direct Loans	20 yrs	same	none	4%
d. IRB's	40 yrs	same	determined by lender	

State of Virginia
Financing Programs

1) IRB's

2) LDC's

3) Virginia Industrial Development Corporation (VIDC)

VIDC is a privately capitalized and financed lending agency chartered by a special act of the General Assembly to assist in the State's industrial development. It cannot make a loan unless the loan has been offered to and refused by a conventional lender legally able to make the loan. It participates in term loans to credit-worthy borrowers and extends participations to conventional lenders. VIDC prefers local participation in loans through local development organizations or banks at the following terms:

Loan term

Not to exceed 15 to 20 yrs

Loan amt.

Prefer \$150,000 to \$350,000

(May not exceed \$500,000.)

Interest rate

2% plus, above the prime rate

prevalent among Virginia banks

State of Wisconsin
Financing Programs

1) IRB's

State of Wyoming
Financing Programs

- 1) IRB's
- 2) Wyoming Industrial Development Corporation

The WIDC is a privately capitalized and financed corporation designed to assist in the economic development of the State of Wyoming by providing management advisory services and financing to small businesses. Consultant services are frequently supplied in conjunction with financial assistance. Payment for these services is usually by direct fee or additions to the loan granted. They are not precluded, however, from taking an equity position.

- 3) Local Development Companies

Providing financial assistance, acquire sites and sell or lease land, buildings, equipment or other capital goods to firms.

- 4) Wyoming Farm Loan Board

a. Water Development Loan

The farm loan board is authorized to issue its nonnegotiable debenture bonds for a sum not in excess of 33 1/3% or \$60 million, whichever is less, of the permanent funds of Wyoming which shall be available for water development loans (construction of water development projects). The treasurer of Wyoming is directed to invest and keep invested a sum not to exceed 33 1/2% or \$60 million, whichever is less, of the permanent funds of Wyoming in the bonds of the Wyoming farm loan board; 1/2 of this sum shall be used for loans to small water development projects.

Securities	1st Mortgage on land
Maximum Amt	\$150,000.
Maximum Term	40 Yr. Term.
Interest Rate	4 - 6%

b. Loans to State Agencies

The farm loan board is authorized to negotiate and make loans to departments and agencies of state and local government, persons, corporations and associations in Wyoming for projects in a re-development area for industrial or commercial usage. Loans provided for shall be made from the permanent funds of State of Wyoming. Loans shall not exceed 10% of the cost of any project within the redevelopment area

Securities	Mortgage or other Lien
Maximum Amt	10% of total project cost
	Loans not to exceed the aggregate amount of \$300,000.00
Maximum Term	40 Yrs
Interest	Reasonable Amount

State of Wyoming
Financing Programs

4) Wyoming Farm Loan Board (continued)

c. Joint Powers Loans

The farm loan board is authorized to negotiate and make loans to one or more agencies, or joint powers boards presently existing (permitted or created pursuant to the statutes) from the permanent funds of Wyoming not otherwise obligated and not to exceed \$40 million including all loans previously made and outstanding.

Securities	Title of land on which facility is to be constructed
Maximum Amt	Not stated
Interest Rate	4% - 8% depending on current commercial rates

d. Farm Loans

The purpose of the Farm Loan system is to foster and encourage agriculture, dairying, livestock raising and the development and improvement of farm land.

Securities	1st mortgage
Maximum Amt	Not in excess of 50% of appraised value of mortgaged land \$1,000 - \$150,000.
Interest Rate	4% - 8%

e. Coal Excise Tax Loans and Grants

Funds may be used for impact related projects to replace, repair or maintain an existing so long as same is required due to coal impact.

State of Kentucky
Financing Programs

- 1) IRB's
- 2) Kentucky Business Development Corporation (BDC)
The BDC consists of privat pooled capital to finance industrial building projects that are high risk requiring large amounts of capital where no other financing is available. Terms and amounts are determined by the director of BDC but roughly fall into the following:

Maximum Term	20 Yrs.
Maximum Amount	\$1,000,000.
Interest Rate	2-3% above prime rates
Security	1st or 2nd mortgages on real estate or chattels

- 3) Kentucky Industrial Development Finance Authority
KIDFA is an agency of the government separate from the executive branch or any administrative department created to promote and aid the development of industrial and manufacturing enterprises in the Commonwealth through loans for industrial building projects or industrial subdivisions. Monies are appropriated by the General Assembly to the Industrial Development Fund which also includes grants, gifts and repayments.

- a. Loans are primarily made through Local Development Agencies (non-profit) where the LDA provides 10% of the financing and a firm committment exists from other sources for 40-50% of the funds. The KIDFA supplies:

40% costs	building projects
50% costs	sub-division projects

- b. Direct loans are given to industry with participation of a business development corporation or federal agencies

There are no set rates or terms for KIDFA loans but they roughly fall into the following:

Maximum Term	25 Yrs.
Amount	\$50,000 - \$500,000.
Interest Rate	Generally 8% (as determined by director)

- 4) Capital Funds for Area Development Districts(New Law)
Funds are allocated by General Assembly to a special fund for reclamation and industrial site development projects. Funds may be used for construction, property acquisition, engineering and design, maintenance, and equipment. The law allocates specific amounts available to each district. Administered by Dept. for Finance and Administration.
- 5) Coal Severance Economic Aid Fund (New Fund - 1976)
This fund will be used to finance capital improvement projects in the coal producing counties of the State for industrial development and reclamation. A formula has been established for allocation of funds based on the amount of tax collected and the income of the county.
- 6) Local Industrial Development Foundations
Most communities have an active non-profit industrial development foundation

State of Maryland
Financing Programs

- 1) Maryland Housing Insurance Program
Maryland's Housing Fund (MHF) received initial monies from issue of G.O. bonds and must be self-supporting from premiums and fees.

The program was established to meet the housing needs of those from all levels of income by insuring mortgages which removes the risk to the private lender. The key criteria is the ability of the individual to meet mortgage obligation from a qualified lender. This tends to eliminate people in the low income bracket from receiving the insurance from the State.

The housing insurance program is presently limited to 1 - 4 family residential units. When there has been adequate default ratio experience and the reserve fund is solid, it is likely they will expand to multi-family insurance.

The MHF has established four insurance plans which apply to both existing and proposed structures. The significant difference is the initial loan ratios. The following chart indicates the initial loan ratios, MHF upper coverage and appropriate premium plans.

	Premium Plans			
Initial Loan-Ratio	80%	90%	95%	100%
MHF upper coverage	20%	20%	25%	25%
Equiv. loan ratio	64%	72%	71.25%	75%
Initial Premium	.25% of loan	.50% of loan	1% of loan	2% of loan
Annual renewal	.25% of bal.	.25% of bal.	.25% of bal.	.50% of bal.
Five year term	.75% of loan	1% of loan	1.50% of loan	3% of loan
Seven year term	1% of loan	1.50% of loan	2% of loan	4% of loan
Ten year term	*	2% of loan	2.50% of loan	4.50% of loan
Fifteen year term	*	*	2.75% of loan	5% of loan
Application Fee	\$25.00	\$25.00	\$25.00	\$25.00

* Coverage on loans insured through a term premium plan may be continued after expiration of the term by requesting continued coverage on an annual renewal basis.

State of Maryland
Financing Programs
(page 2)

2) Maryland Industrial Development Authority (MIDFA)

MIDFA was established to provide state insurance for industrial mortgage loans and to assist going businesses which are financially solid but not of sufficient size or credit to obtain funds through the (uninsured) industrial revenue bond market. MIDFA insures mortgage loans for financing acquisition, construction, rehabilitation and/or improvements of industrial plants and equipment thereby allowing financing through: a. IRB's, or b. mortgage loans arranged directly through the financial institutions. When evaluating loans considerable weight is placed on the socio-economic impact of each project. Additionally sound credit practices, such as are commonplace in commercial banks, are followed by the Authority

	Mortgage loan amt.	Term	MIDFA insurance/MIDFA premium	
Acquisition of equipment and machinery	100%	15 yrs	70% of cost	0.5%
Lands & buildings	100%	25 yrs	90% of cost	0.5%

Maximum Amt. MIDFA insurance per project: \$5 million

3) Industrial Development Corporations

When a county declares an acute state of unemployment exists, they are authorized to raise, contribute and deliver sums of money to individual development corporations operating with said county to encourage and assist new and existing business and individuals. In order to provide adequate funding to the development corporations, the county may issue bonds not to exceed 0.2% of the total assessed valuation of all property within the county subject to taxation of full county tax rate. These industrial development bonds shall have interest not exceeding 5.5% for 30 year maximum term and become the obligation of the county. Certificates of indebtedness may also be issued for terms not exceeding 5 years.

State of Massachusetts
Financing Programs

- 1) Massachusetts Community Development Finance Corporation (CDFC)
The CDFC was created to provide equity and venture capital to finance businesses and create jobs. They are targeted only to those areas where economic conditions are severe.

Initially \$10 million was invested in CDFC through issue of G.O. bonds. In time, a modest return on investment will allow the organization to be self-sustaining. CDFC is also authorized to accept grants, gifts, and loans from any federal or state agency. Project by project capital investments are made to non-profit community development corporations (CDC's), local development corporations (LDC's), and local industrial authorities. Financing can be provided in the form of debt, preferred or common stock, or other capital participation instruments. If equity is used, CDFC is prohibited from owning more than 49% of the stock of any enterprise.

CDFC is also authorized to establish a limited small business investment corporations (SBIC) which, in turn, may provide equity capital or loans to small businesses meeting CDFC criteria.

Wherever possible, CDFC will co-venture with other financial intermediaries in making loans. CDFC takes the high, front-end risk and the financial institution assumes the reasonable market risk.

- 2) Massachusetts Industrial Mortgage Insurance Agency (MIMIA)
Under this plan, an eligible borrower is an industrial, recreational, research and development enterprise when there is reasonable assurance of the ability to make payments on the loan. In conjunction with the above, eligible borrowers could include realty holding companies, private developers, CDC's, community foundations holding title to industrial realty. Any payments required to be paid by MIMIA are derived solely from the mortgage insurance reserve fund.

Lender	Land & Bldg.	Machinery & Equipment	Polution Control Facilities
Max. Cost Coverage	90%	80%	80%
Max. Term	30 yrs	15 yrs	15 yrs

MIMIA			
Max Ins. for 1st Mortgage	40%	40%	40%
Max Amt. Ins. Per Project	\$400,000.	\$250,000.	\$250,000.
Premium	1 - 2%	1 - 2%	1 - 2%

3) Massachusetts Business Development Corporation (BDC)

The BDC was created by private enterprise to provide funds for industrial growth and expansion of employment in the Commonwealth. It does not compete with banks or other conventional lenders since it makes loans only to borrowers who are not able to obtain financing, and the loans are normally medium or long term and in secondary position to other financing.

The company obtains funds from the sale of its stock and from loans from financial institutions such as banks and insurance companies which, by becoming Members of the Company, agree to lend money to it upon call, under conditions and limits as set forth in the Company's charter.

4) IRB's

State of Michigan
Financing Programs

1) IRB's

2) Michigan Industrial Development Corporations (IDC)

An IDC is an organization formed by local firms and individuals interested in promoting the local economy by offering incentives to commercial and industrial firms to locate within their community. The IDC can acquire or build plants and other facilities for sale or lease to firms to locate within their community. Initial capital comes from sale of stock or memberships. Additional funds can be raised by sale of debentures, borrowing from financial institutions, revenues from sales and rentals, or loans from the SBA under "502" loan program.

3) Economic Development Corporations

An EDC can acquire, develop, and maintain all lands, buildings, machinery, furnishings, and equipment necessary to complete a project plan. The potential uses of the EDC are diverse and EDC's primarily complement state and local economic development efforts through the issuance of tax exempt revenue bonds. They also participate in federal programs such as EDA, SBA "502" program.

State of Mississippi
Financing Programs

1) Small Businessman's Loan Guaranty Program

This program received its funds through state appropriation and is empowered and authorized to accept federal and private grant funds for additional guarantee authority so long as the Small Businessman's Loan Fund and Guaranty Fee Fund do not exceed \$1 million liability. The fund was created to provide guarantees expansion and development of business. In order to be eligible, the applicant must be unable to obtain financing elsewhere. The amount of outstanding guarantees may not exceed four times the combined total amount in the Small Businessman's and Guaranty Fee Funds.

Maximum Loan	\$50,000.00
Maximum Term	10 Yrs.
Maximum Interest	Current Legal Rate
Maximum Guaranty	75% - not to exceed \$37,500.00
Guaranty Fee	1% per annum of the guaranteed portion to be remitted to the state

NORTH CAROLINA

The North Carolina Business Development Corporation is privately owned and managed but works closely with the State government. Financed by sale of stock, and loans are also obtained from member financial institutions.

Manufacturing and processing corporations are eligible for NCBDC loans ranging from \$50,000. to \$1,000,000. for a 5 - 20 year term at 6% interest (possible more depending on condition of the market). On occasion member financial institutions (banks) participate in the loan. NCBDC is also authorized to participate in a bank loan.

State of Oklahoma
Financing Programs

- 1) The Oklahoma Industrial Finance Authority
This Authority was established by law and permitted to sell general obligation bonds (in an amount not to exceed \$20 million outstanding at any one time) to initiate its activities. Its purpose is to aid in financing new or expanding industry by making loans to local incorporated industrial development agencies, including public trust authorities, for specific industrial projects.

Method of Financing

Maximum amt. of project cost	25%
Maximum loan amt.	\$1 million
Interest rate	8%
Security	1st or 2nd mortgage

Local participation is favored with local agencies and other sources contributing 75% of the project cost. The only restriction on OIFA loans is that they must be applied to manufacturing projects only.

2) IRB's

3) SBIC's

4) Oklahoma Business Development Corporation (BDC)

The BDC is a privately owned development company. The membership is composed of shareholders and members which are financial institutions, mostly banks. BDC provides intermediate and long term industrial loans to small businesses, locally owned firms and local branches of out-of-state firms provided they have first applied for funds through conventional lending sources.

Loans are made for the purchase of land, construction of buildings, the purchase of machinery and equipment, and for working capital.

Term	Negotiable
Amount	Not specified
Interest	2-3% above prime rate
Security	Liens Assigned leases and life insurance policies Personal guarantees Subordination of other indebtedness Loan agreements controlling certain expenditures

State of Kansas
Financing Programs

- 1) IRB's
- 2) Kansas Development Credit Corporation (KDCC)
The KDCC was created to meet the long and short term financial needs of businesses and industry. It supplements existing sources of credit to foster new and expanding business and industry.

KDCC was established by the Kansas State Chamber of Commerce and the Kansas Bankers' Association and operates by borrowing money from more than 400 members banks lending it to manufacturers and processors in Kansas. These loans can range up to \$250,000 and are available to companies unable to find financial assistance from conventional lenders.

Under the "Kansas Funds Promote Kansas Jobs" program, KDCC can purchase the Small Business Administration (SBA) guaranteed portion of new loans or those already held by Kansas banks thus releasing their funds committed to SBA guaranteed loans and allowing them to make new SBA guaranteed loans which would not normally be made.

State of Indiana
Financing Programs

- 1) IRB's
- 2) Indiana Economic Development
(mortgage, equipment and small business loan guaranties)

The General Assembly appropriates funds to the Mortgage Insurance Fund. 40% of these funds available for guaranteeing mortgages in rural areas and small municipalities. 60% are available for same activities in the rest of the state. The amount of principal obligations of all mortgages so insured outstanding at any one time shall not exceed ten times the amount of money in the fund.

Mortgage and Equipment Guaranty Fund

Maximum Guaranty Amount	\$1,000,000.
Maximum Maturity	25 Yrs.

The General Assembly also appropriates funds to the small business commercial and industrial fund which is used for encouraging and assisting small business enterprises.

Maximum Guaranty Amount	\$ 100,000.
Maximum Maturity	10 Yrs.

- 3) Industrial Development Loans
(Direct loans to municipalities)

The law established a \$3,000,000. loan fund enabling Indiana communities to borrow up to \$200,000. for a) construction, extension of sewer lines; b) water lines; 3) sidewalks/streets; 4) purchase of real property. Loans exceeding \$50,000 shall be matched on a one to one basis by the community.

Interest rate is established by the State Board of Finance at the time of approving the loan. Maximum term is ten years.

State of Illinois
Financing Programs

1) Illinois Industrial Development Authority

The IIDA received \$1 million appropriation in 1969 (inception) to help create the greatest number of permanent new jobs possible in labor surplus areas. Assistance is concentrated in the area of industrial and manufacturing projects and priority is given to projects partially financed from other sources.

The Authority may make loans up to 25 years in length with interest rates consistent with the standard bank prime rates operable in the project area on the effective date of the loan.

State of Delaware
Financing Programs

Delaware Industrial Financing Plan

- 1) The DIFP was established to aid small businesses in expanding or commencing in agricultural and urban areas through:
 - a. IRB's - annual service fee: \$400.00
 - b. G.O. Bonds
Issue of G.O. bonds is limited to \$3 million per project. The minimum project cost is \$200,000. The total amount of G.O. bonds outstanding is limited to \$50 million as provided in the revolving fund authorization. The annual service on each project is 1 1/4% of the annual payment of interest plus principal

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note lack of evaluation
criteria, differences
between planned and
actual performance,
predominance of vet's
loan, position of
dept. of Revenue.

TO:

Ronald D. Lehr, Deputy Director
Division of Budget and Management
Office of the Governor

DATE : October 11, 1976

FROM: James Stey, Budget Analyst
Division of Budget and Management
Office of the Governor

SUBJECT: State Loan Programs

J. Stey

In FY 76 the State of Alaska loaned \$56.8 million dollars to its residents. Farmers, fishermen, and businessmen used twenty percent of this sum to develop their respective industries. Veterans borrowed seventy three percent of this total to finance personal expenditures and to build or buy new homes. Students used the remaining seven percent of the funds to attend vocational schools and universities. During the next ten to twenty years, the state shall receive roughly \$4.1 million dollars in annual interest payments on the value of loans issued in FY 76. Excluding the costs of delinquent notes, defaults and administrative expenses, this represents approximately a seven and a third percent return on the original investment. Some financial analysts estimate that the state could obtain a higher return on their reserve revenue by investing it in first class bonds and federal securities. This suggests that the State's loan programs are more than just another investment portfolio. The purpose of this memo is to provide a brief examination of these loan programs. Specific attention is given to the legislative intent administrative goals and the organization of these programs. Information concerning the value of outstanding loans, statutory loan limitations and program accomplishments is available in the attachments at the end of this memo.

The state maintained six revolving loan funds in FY 76: Small Business Development, Tourism, Commercial Fishing, Veteran's Affairs, Agriculture, and Student Financial Aid. In addition to these programs, four new loan funds (Water Resources, Fisheries Enhancement, Senior Citizen Housing Development, Child Care Facilities) were established and funded for operations in FY 77. The Alaska State Development Corporation, and the Small Business Development Corporation maintain revolving loan funds. However, today these loan funds are inactive. The Power Project Development Loan Fund is also a new loan fund in FY 77. It is administered by the Power Development Authority. However, those loan funds whose operations are outside the control of line agencies are not a subject of this memo. Attachment A lists the goals and objectives, as defined by program managers, of these ten loan fund programs. In several instances these goals and objectives are quite broad and fail to identify the ultimate aims (end products) of the given program. Generally, program managers are more concerned about the manner and not the reasons for operating their loan programs. The legislative intent pertinent to each loan fund underscores the significance of function over purpose. Only five of the ten loan fund legislative acts state the intentions (goals) of the established fund. (see Attachment B) However, each act precisely

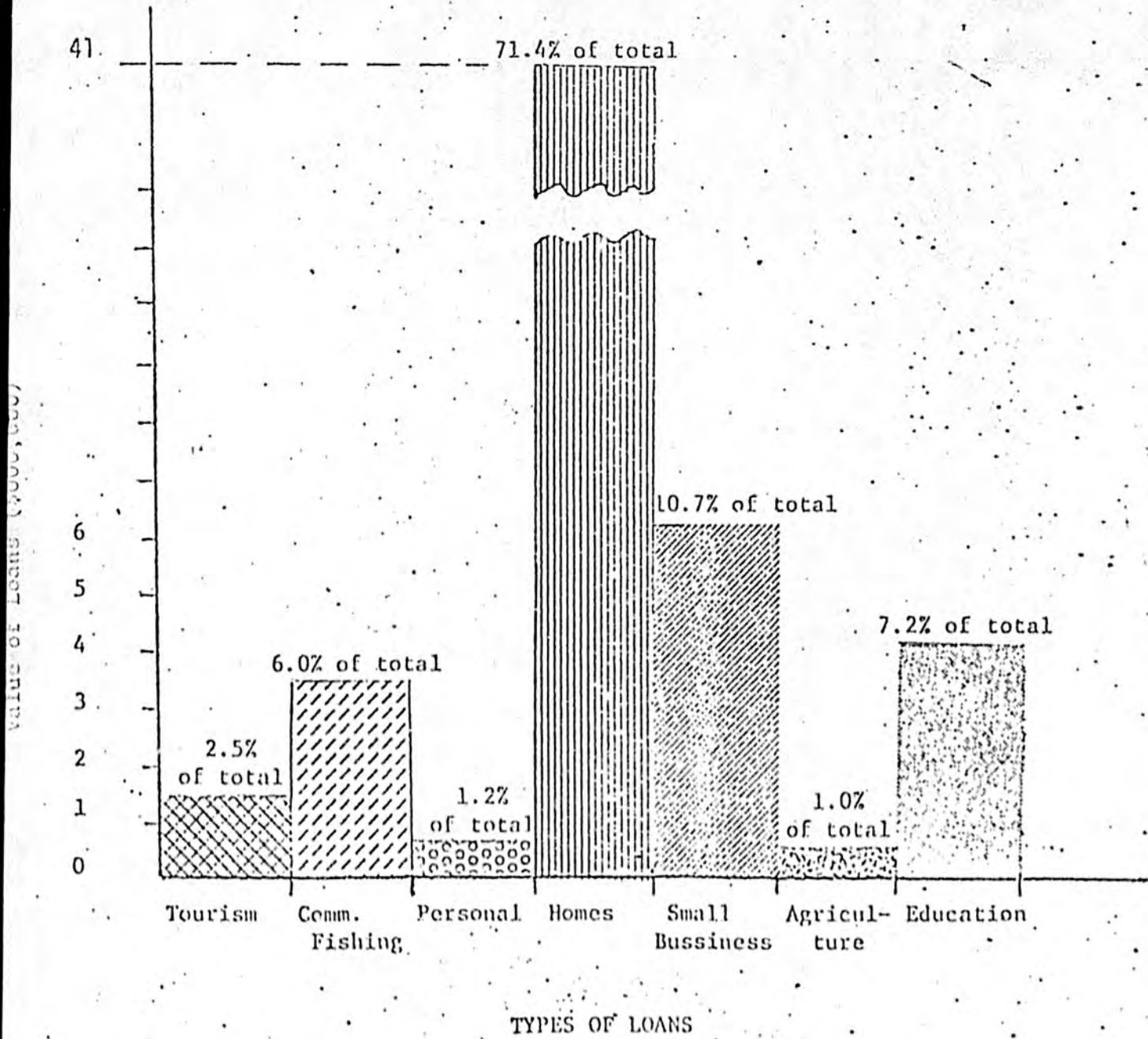
defines the duties and powers of the commissioner relative to each loan fund. Thus it is not unusual for program managers to confuse program activities (making loans) with what would seem to be the real program objectives, social or economic development. For example, some program managers argue that their objective is to make as many good loans as possible simply because the law compels them to do so. This is demonstrated on attachment C, which delineates the performance measures of the loan fund programs that were active in FY 76. These workload measures provide very little information with which to evaluate the extent to which each fund contributes to the development of Alaska or its citizens.

As an alternative measure of importance, it might seem that a review of the capitalization limits (total appropriated dollars) of each revolving fund would suggest the priority of each loan fund. However this is not the case with our revolving loan funds because they do not genuinely revolve, i.e., they are not self-supporting. Each revolving fund contains a basic appropriation. In addition to this, most funds have a "back door" financial agreement with the Department of Revenue. Through this arrangement, loan fund managers may sell virtually all of their loans (mortgages) to this Department. Hence loan fund managers and loan fund committee members in effect set the state's loan policy by deciding on the type, quality, and value of loans that are issued. The bar graph on the following page summarizes the result of loan fund activity in FY 76. Note that the value of housing loans made to veterans is roughly two and a half times the value of loans made to the tourist, fishing and small business industries.

The size and value of the loan programs have increased steadily since 1970. Still, there does not appear to be any legislative or administrative checks on the quality and/or volume of loans administered by the revolving funds. Attachment D contains a list of the value of outstanding loans and the holders of these loans, i.e., the revolving funds and the Treasury Department. It also identifies the capitalization limits (general appropriations made to each revolving fund) and the statutory limits placed on the value of loans sold to the state Treasury. At the present time only 4 out of 10 loan funds have limits placed on the total value of loans which could be sold to the Treasury.

Although the State does receive interest on these loans, these programs are not primarily intended to be income-producing assets. A good deal of these loans have been made to what banks would rate as high risk industries, e.g., commercial fishing and agriculture. Furthermore the rate of interest which the state charges its borrowers tends to be significantly lower than the interest rates of commercial banks for similar loans (see attachment E). It is generally argued that the state operates loan programs to enhance economic development through the provision of goods and services which otherwise would not be available in the private sector. Yet, there is virtually no concrete information to confirm that these programs have influenced development.

LOAN FUND ACTIVITY IN FY 76



In 1973 the consolidation of the various loan programs was a subject of issue analysis. It was thought that; "consolidation would lead to more uniform procedures, decision criteria, and result in clearer public understanding and less arbitrariness in granting loans." Managers of the loan programs resisted the consolidation, maintaining that it would: (1) raise operating costs without producing commensurate savings, and (2) undermine the unique services provided by each loan program. It appears that the bulk of the information presented to the Budget Review Committee was simply a compilation of memos from loan fund managers. Evidentially, this information was persuasive enough to cause the BRC to recommend against merger at that time.

Some of the factors which precipitated this examination in 1973 are germane to issue analysis today. For instance there are 10 active loan programs which often share common objectives, i.e., economic development, personal financial assistance, and education and social service developments. These programs are controlled by 5 independent management units. For example, the Developmental Loans budget request unit (BRU) envelopes six loan funds while each of the remaining four loan funds; Senior Citizen Housing Development, Student Aid, Veterans' Affairs, Agriculture, is a separate BRU.

Furthermore, there are very few uniform procedures, standard decision criteria, output measures etc. for each loan program. For example several loan funds have different definitions for the rate of delinquency, or for the factors which constitute a "good" or "bad" loan. Consequently it is extremely difficult to compare even the most basic loan fund activity.

The purpose of this memo has been to provide background on our loan fund programs. As the state continues to expand its loan programs, it would seem appropriate that the state do the following things:

1. devote some of its resources to the development of a solid policy concerning the objectives and the administration of loan fund programs.
2. develop a mechanism for evaluating the effectiveness (impact) of each loan fund program on the overall economic and social development in Alaska.
3. study the administrative efficiency of our loan fund programs.

JS/mjc
Attachments

ATTACHMENT A

<u>LOAN FUND</u>	<u>GOAL</u>	<u>OBJECTIVE</u>
Commercial Fishing	To maintain a reasonable standard of living in Alaska by developing the commercial fishing industry.	<ol style="list-style-type: none"> 1. To produce more fish 2. To increase fishing in undeveloped fisheries
Tourism	To maintain a reasonable standard of living in Alaska by developing the local tourist industry.	<ol style="list-style-type: none"> 1. To create new jobs
Agriculture	To improve the quality and nutritional value of food products grown in Alaska. To supply these food products at the lowest price by developing the Agriculture Industry.	<ol style="list-style-type: none"> 1. To assist farmers who cannot obtain loans at a reasonable interest rate in the private sector. 2. To improve farming efficiency and increase the quality of the product.
Veterans Affairs	To reward Veterans and Alaskan guardsmen for military service.	<ol style="list-style-type: none"> 1. To make loans to all veterans and guardsmen.
Small Business	To maintain a reasonable standard of living in Alaska by developing small businesses.	<ol style="list-style-type: none"> 1. To increase local bank participation in small business loans. 2. To provide information on the loan fund program.
Student Financial Aid Revolving Loan Fund	To assist students to secure a post secondary education and to encourage the students to live in Alaska after their schooling.	<ol style="list-style-type: none"> 1. To make loans to needy students 2. To collect loan repayments.
Child Care Facilities Revolving Loan Fund	No expressed goal or intent.	- not stated -
Fisheries Enhancement Loan Program	To produce fish for common property fisheries.	- not stated -
Water Resources Revolving Loan Fund	To assist the development of hydroelectric and water supply projects.	- not stated
Alaska Municipal Bond Bank Authority	To help municipalities market their bonds at a lower cost.	<ol style="list-style-type: none"> 1. To purchase \$10,000,000 in municipal bonds in FY 77.
Alaska State Development Corporation	To develop and stimulate the business prosperity and economic welfare of Alaska.	<ol style="list-style-type: none"> 1. To provide loans to businesses.
Small Business Development Corporation	To develop and stimulate the economic welfare in Alaska.	<ol style="list-style-type: none"> 1. To insure high risk development loans.
Senior Citizen Housing Development	To develop senior citizen housing	<ol style="list-style-type: none"> 1. To make grants or loans to municipalities or to corporations for the purpose of developing senior citizen housing.

LEGISLATIVE INTENTIONS

Commercial Fishing
Revolving Loan Fund

AS 16.10.300 -- to promote the development of a predominately resident fishery and continued maintenance of commercial fishing gear and vessels . . .

Tourism Revolving
Loan Fund

AS 45.090 -- No expressed intent.

Agriculture Revolving
Loan Fund

AS 3.10.010-060 . . . to promote the more rapid development of Agriculture as an industry throughout Alaska . . .

Veterans Affairs
Revolving Loan Fund

AS 26.15 & 010 - 070 -- No expressed intent.

Small Business Loans
Revolving Fund

AS 45.095 - 010 -- No expressed intent.

Student Financial Aid
Revolving Fund

AS 14.40.751 - 806 -- No expressed intent.

Child Care Facilities
Revolving Loan Fund

Senate Bill 753 -- No expressed intent.

Fisheries Enhancement
Loan Fund

AS 16.10.500 - 550 . . . To promote the enhancement of the State's fisheries . . .

Water Resources
Revolving Loan Fund

AS 45.86.010 - 050 . . . To develop and conserve in the public interest the water resources . . .

Senior Citizen Housing
Development.

HB 815 -- for developing senior citizen housing.

LOAN FUND PERFORMANCE MEASURES
FY 76

<u>LOAN FUND</u>	<u>MEASURE</u>	<u>PLAN</u>	<u>ACTUAL</u>
Commercial Fishing	No. of Salmon hatcheries contracted	3	1
	No. of fishing loan applications processed	120	143
	No. of fishing loans made	80	71
	% of total fishing loan assisting fisherman in new fisheries	8%	3% (2 of 71)
Tourism	No. of jobs created by tourism projects	150	70
	No. of tourist attractions financed	10	4
	No. of loan applications	9	9
	No. of loans made	4	4
Agriculture	No. of loan applications processed	120	74
	No. of loans made	46	51
	Value of loans issued	\$700,000	\$587,600
	No. clients/no. loans outstanding	134/235	127/222
	Value of outstanding loans supervised	\$4,400,000	\$4,311,500
	Delinquency rate (90 days) (Value deliq. loans x 100) (Value outstanding loans)	8%	16.4%
	No. clients in litigation/value loans in litigation 8/NA		14/\$506,028
Veteran's Affairs	No. loan applications processed	1800	1147
	No. loans made	1500	945
	Value of loans approved	55,000,000	45,159,275
Small Business	% of business loans involving local bank participation	6%	20% (7 of 34)
	No. of loan seminars held	12	8
	No. of loan applications processed	120	97
	No. of loans made	80	34
Student Financial Aid	No. loans made	2200	2087
	Value loans made	\$4,100,100	\$4,100,000
	No. student making payments	900	NA
	Value of collections	\$ 308,500	NA

<u>Loan Fund</u>		<u>Loan Fund</u>	<u>% of Loans Held By Revenue</u>	<u>Other</u>	<u>Statutory Limits on Loans Sold To Treasury</u>
Commercial Fishing	\$ 5,724,919	14%	86%		\$5,000,000
Tourism	8,611,947	2%	98%		no limit
Agriculture	4,311,495	83%	14%	3%	no limit
Veterans	112,316,584	7%	92%	1%	no limit
Small Business	6,160,805	5%	95%		no limit
Student Aid	<u>12,642,554</u>	<u>100%</u>	<u> </u>	<u> </u>	\$-0-
TOTALS	\$149,768,304	17.3%	82.1%	0.6%	
			(\$25,946,482)	(\$122,921,823)	(\$900,000)

<u>New Loan Funds in FY 77</u>	<u>Loan Fund Capitalization Limits</u>	<u>Limits on Loans Purchased By the Treasury Department</u>
Water Resources	\$2,500,000	Not Stated
Fisheries Enhancement		\$200,000,000
Child Care Facilities	\$ 50,000	\$ 300,000
Senior Citizen Housing Development	6,000,000	Not Stated

ATTACHMENT E

INTEREST SAVINGS -- DIFFERENCE BETWEEN ANNUAL INTEREST PAID TO LOAN FUNDS AND COMMERCIAL BANKS

Type of Loan	# of Loans in FY 76	Value of Loans Made in FY 76	Interest Rates		Approximate Interest paid to:		Increased Revenue Total Savings	Ave Ann Savin Lo
			State	Banks	State	Banks***		
TOURISM	4	\$1,400,000	8%	10½%	\$ 112,000	\$ 147,000	\$ 35,000	\$8.7
COMMERCIAL -- CFRLF	71	3,300,000	7%	11%	231,000	363,000	132,000	1.8
FISHING -- VRLF	2	98,000	7½%	11%	7,350	10,780	3,430	1.7
PERSONAL	88	749,429	7½%	10%	56,207	74,943	18,736	2
HOME & MULTI DWELLING UNITS	98 733	40,572,311	7½%	9 3/4%	3,042,923	3,955,800	912,877	1.1
SMALL BUSINESS -- SBRLF	34	2,400,000	8%	10½%	192,000	252,000	60,000	1.76
-- VRLF	57	3,739,534	7½%	10½%	280,465	392,651	112,186	1.96
AGRICULTURE	51	587,600	6%	11%	35,256	64,636	29,380	57
STUDENT *	2087	4,100,000	5%	7%	205,000	287,000	82,000	3

TOTAL LOAN FUND PROGRAM FY 1976-----\$1,385,609**

- * This is a deferred loan program whereby the payment of interest and principal may be postponed up to 5 years.
- ** It should be noted that if the state employed commercial rates of interest, it could increase its annual revenues by as much as \$1.39 million dollars. This figure is based on the assumption that there would not be a significant decline in the demand for state loans at commercial rates of interest.
- *** These interest rates were obtained from the loan department of Behrends Bank.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V, JUNEAU, AK. 99811]
(907) 465-3873



MEMBERS

REP. CLARK GRUENING, CHMN
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

October 3, 1977

Dear Mike,

Enclosed are all of the materials I have concerning the State's loan programs. Sorting out the relevant policy considerations from this jumble is not easy. I spoke with Terry over the weekend and we feel that as of now the RRDF should not seek to "fold in" the renewable resource-related loan programs. We will be able to fund them if our planning and evaluation process shows them to be desirable investment of the Fund, however. Nevertheless, the political, bureaucratic, strategic etc. realities lead us to feel that the RRDF will have enough on its hands to manage its funds wisely. Grand reorganization schemes over the Departments or the loan programs should be part of a "phase II," once we get what is spelled out in our interim report through the legislature. Of course, we remain open to House or Senate Permanent Fund Committee recommendations regarding the loan programs.

Yours,

A handwritten signature in cursive script, appearing to read "Tom".

Tom Singer

Agricultural Revolving Loan Fund

Statutory Authority: AS 03.10.020

Administrative Regulations: 11 AAC 39.010
11 AAC 39.030

Objective: "... to promote the more rapid development of agriculture as an industry throughout the State by means of long-term, low interest loans."

Eligibility: Alaskan resident farmers, homesteaders, or like partnerships and corporations. Prior experience in type of operation loan sought for; at least 2 years experience in Alaska for chattel loans, 3 years experience in Alaska for farm development loans.

Terms: No other financing available to borrower.

Loan Types: Short term: maximum \$25,000/max. 1 year term/
max. 6% interest.
Farm development: maximum \$200,000/ max. 30
year term/max. 6% interest.
Chattel: maximum \$100,000/max. 7 year term/
max. 6% interest.
Irrigation: no maximum stated/max. 10 year
term/max. 4% interest.

Board shall fix terms of repayment and set interest rates not to exceed those listed above.

Implementation: Money usually given directly to borrower. If bank work involved, bank disperses funds at no additional cost to borrower.

Fund limited to \$5,000,000. The Department of Revenue is required to purchase all loans.

Commercial Fishing Revolving Loan Fund

Statutory Authority: AS 16.10.300

Administrative Regulations: 3 AAC 80.100

Objective: ...to promote the development of a predominantly resident fishery and continued maintenance of commercial fishing gear and vessels throughout the State by means of long-term low interest loans.

Eligibility: Loans may be made for repair, upgrading or restoration of existing vessels and gear; purchase of entry permits, gear, and the construction and purchase of vessels. Applicant must be commercial fisherman; Alaskan resident for continuous 5 year period; holder of commercial fishing license for 3 year period.

Terms: Maximum \$150,000/max. 15 year term/max. 7% interest.
Loans secured by first lien and appropriate security agreements (except lien in favor of state is not required for loans guaranteed fully by federal government under Federal Shipping Financing Act). Loans may not exceed 75% of appraised value of collateral used to secure loans.

Fund limited to \$1,000,000

Fisheries Enhancement Loan Program

Statutory Authority: AS 16.10.500 - 550

Administrative Regulations: None

Objective: "...to promote the enhancement of the state's fisheries by means of long-term low interest loan for hatchery planning and construction."

Eligibility: Loans made to non-profit salmon hatchery permit holders; or qualified non-profit corporation or local non-profit corporation approved by qualified regional association for preconstruction activities necessary to obtain permit.

Terms: Maximum loan is 75% of total cost not to exceed \$300,000. for private non-profit corporation and \$3,000,000. for non-profit corporation established or approved by qualified regional association.
25 year term/max 8% interest
Loans secured by acceptable collateral.

Fund limited to \$200,000,000, total loanable each year set by legislature: \$3,000,000 in FY '77, \$10,000,000 in FY '78.
The Department of Revenue is required to purchase these amounts, and the ceiling goes to \$200,000,000 in FY '79.

) Tourism Revolving Loan Fund

Statutory Authority: AS 45.090

Administrative Regulations: 3 AAC 84.010
3 AAC 84.080

Objective: None stated

Eligibility: Funds to be used for construction of new facilities. Applicants may be any business involved in tourist industry in Alaska which shows potential for growth of business, increase in employment, or increase in services available to tourists.

Terms: State participation in loan not to exceed \$3 million and, if loan in excess of \$150,000, private financial institution must participate in not less than 20% of total loan amount. Loans made for up to 20 years at 8% interest on state's share. The participating financial institution shall administer the loan for a fee not to exceed one half of 1%.
Loan secured by acceptable collateral is not to exceed 75% of appraised value of collateral.

\$1,000,000 available at 2 1/2% from the sale of commercial paper.

Dept. of Revenue must purchase all ~~small~~ tourism loans.

Water Resources Revolving Loan Fund

Statutory Authority: AS 45.86.019 - .050

Administrative Regulations: None

Objective: ² "...to develop and conserve in the public interest the water resources of Alaska."

Eligibility: Public utilities that can demonstrate economic and technical feasibility of project. Emphasis on hydroelectric projects.

Terms: Loans at 6% interest and limited to 7 years or start of project construction, whichever is sooner.

Management: Commissioners of CRA, Commerce, Administration, and Revenue constitute the decision-making committee.
\$2,500,000 was appropriated last year.

IMPLIC. FOR FAILURE OF AK ST. DEV. CORP.

S.B. Dev. Corp. for P.F. [Signature]

TO: []

Ronald D. Lehr, Deputy Director
Division of Budget and Management
Office of the Governor

DATE : October 11, 1976

FROM: James Stey, Budget Analyst
Division of Budget and Management
Office of the Governor

SUBJECT: State Loan Programs

J. Stey

LACK OF FORT REVENUE

CALL PETER JEANIS 5-2510
Dir. of Bus. Loans

In FY 76 the State of Alaska loaned \$56.8 million dollars to its residents. Farmers, fishermen, and businessmen used twenty percent of this sum to develop their respective industries. Veterans borrowed seventy three percent of this total to finance personal expenditures and to build or buy new homes. Students used the remaining seven percent of the funds to attend vocational schools and universities. During the next ten to twenty years, the state shall receive roughly \$4.1 million dollars in annual interest payments on the value of loans issued in FY 76. Excluding the costs of delinquent notes, defaults and administrative expenses, this represents approximately a seven and a third percent return on the original investment. Some financial analysts estimate that the state could obtain a higher return on their reserve revenue by investing it in first class bonds and federal securities. This suggests that the State's loan programs are more than just another investment portfolio. The purpose of this memo is to provide a brief examination of these loan programs. Specific attention is given to the legislative intent administrative goals and the organization of these programs. Information concerning the value of outstanding loans, statutory loan limitations and program accomplishments is available in the attachments at the end of this memo.

The state maintained six revolving loan funds in FY 76: Small Business Development, Tourism, Commercial Fishing, Veteran's Affairs, Agriculture, and Student Financial Aid. In addition to these programs, four new loan funds (Water Resources, Fisheries Enhancement, Senior Citizen Housing Development, Child Care Facilities) were established and funded for operations in FY 77. The Alaska State Development Corporation, and the Small Business Development Corporation maintain revolving loan funds. However, today these loan funds are inactive. The Power Project Development Loan Fund is also a new loan fund in FY 77. It is administered by the Power Development Authority. However, those loan funds whose operations are outside the control of line agencies are not a subject of this memo. Attachment A lists the goals and objectives, as defined by program managers, of these ten loan fund programs. In several instances these goals and objectives are quite broad and fail to identify the ultimate aims (end products) of the given program. Generally, program managers are more concerned about the manner and not the reasons for operating their loan programs. The legislative intent pertinent to each loan fund underscores the significance of function over purpose. Only five of the ten loan fund legislative acts state the intentions (goals) of the established fund. (see Attachment B) However, each act precisely

fd

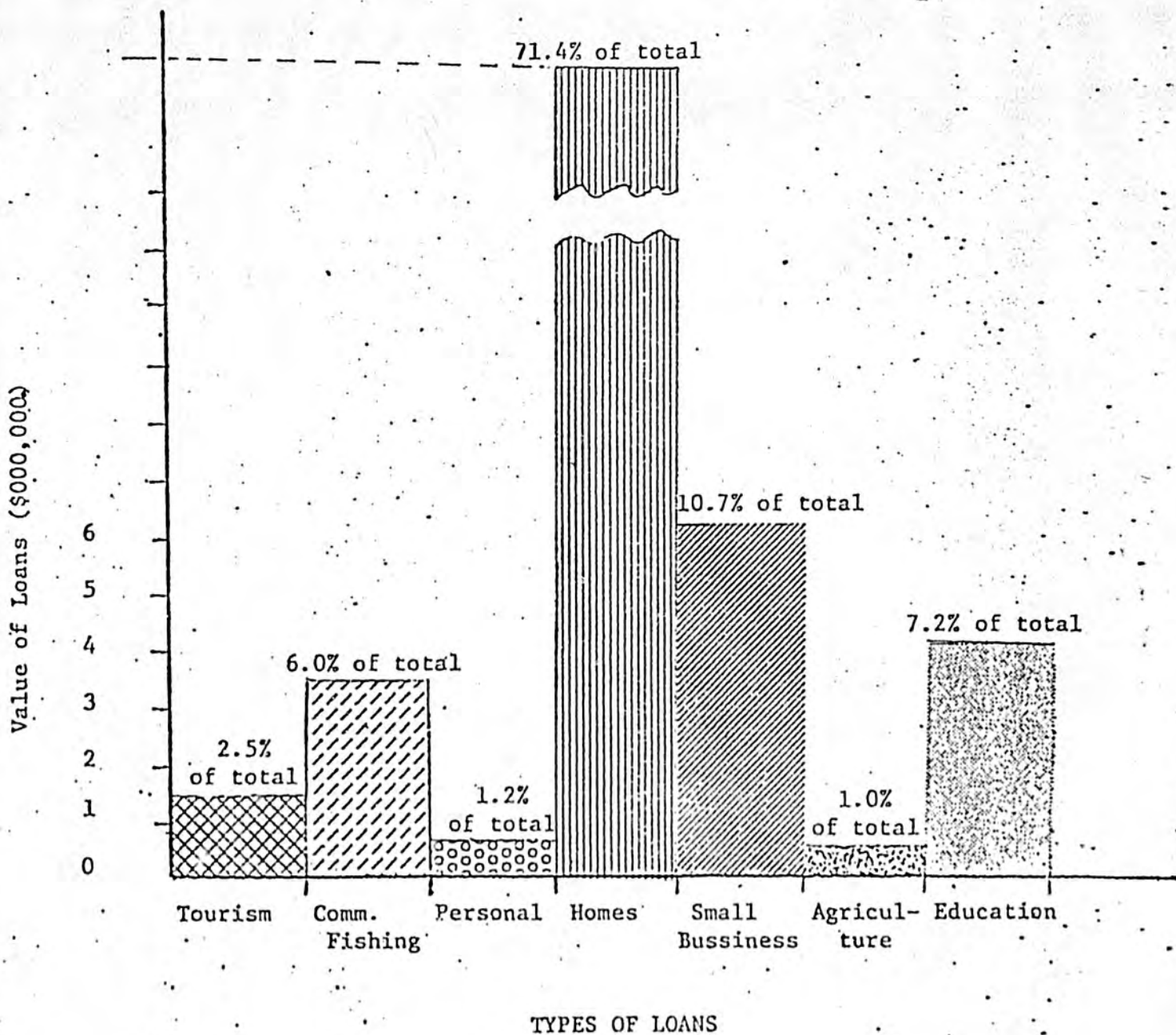
defines the duties and powers of the commissioner relative to each loan fund. Thus it is not unusual for program managers to confuse program activities (making loans) with what would seem to be the real program objectives, social or economic development. For example, some program managers argue that their objective is to make as many good loans as possible simply because the law compels them to do so. This is demonstrated on attachment C, which delineates the performance measures of the loan fund programs that were active in FY 76. These workload measures provide very little information with which to evaluate the extent to which each fund contributes to the development of Alaska or its citizens.

As an alternative measure of importance, it might seem that a review of the capitalization limits (total appropriated dollars) of each revolving fund would suggest the priority of each loan fund. However this is not the case with our revolving loan funds because they do not genuinely revolve, i.e., they are not self-supporting. Each revolving fund contains a basic appropriation. In addition to this, most funds have a "back door" financial agreement with the Department of Revenue. Through this arrangement, loan fund managers may sell virtually all of their loans (mortgages) to this Department. Hence loan fund managers and loan fund committee members in effect set the state's loan policy by deciding on the type, quality, and value of loans that are issued. The bar graph on the following page summarizes the result of loan fund activity in FY 76. Note that the value of housing loans made to veterans is roughly two and a half times the value of loans made to the tourist, fishing and small business industries.

The size and value of the loan programs have increased steadily since 1970. Still, there does not appear to be any legislative or administrative checks on the quality and/or volume of loans administered by the revolving funds. Attachment D contains a list of the value of outstanding loans and the holders of these loans, i.e., the revolving funds and the Treasury Department. It also identifies the capitalization limits (general appropriations made to each revolving fund) and the statutory limits placed on the value of loans sold to the state Treasury. At the present time only 4 out of 10 loan funds have limits placed on the total value of loans which could be sold to the Treasury.

Although the State does receive interest on these loans, these programs are not primarily intended to be income-producing assets. A good deal of these loans have been made to what banks would rate as high risk industries, e.g., commercial fishing and agriculture. Furthermore the rate of interest which the state charges its borrowers tends to be significantly lower than the interest rates of commercial banks for similar loans (see attachment E). It is generally argued that the state operates loan programs to enhance economic development through the provision of goods and services which otherwise would not be available in the private sector. Yet, there is virtually no concrete information to confirm that these programs have influenced development.

LOAN FUND ACTIVITY IN FY 76



In 1973 the consolidation of the various loan programs was a subject of issue analysis. It was thought that; "consolidation would lead to more uniform procedures, decision criteria, and result in clearer public understanding and less arbitrariness in granting loans." Managers of the loan programs resisted the consolidation, maintaining that it would: (1) raise operating costs without producing commensurate savings, and (2) undermine the unique services provided by each loan program. It appears that the bulk of the information presented to the Budget Review Committee was simply a compilation of memos from loan fund managers. Evidently, this information was persuasive enough to cause the BRC to recommend against merger at that time.

Some of the factors which precipitated this examination in 1973 are germane to issue analysis today. For instance there are 10 active loan programs which often share common objectives, i.e., economic development, personal financial assistance, and education and social service developments. These programs are controlled by 5 independent management units. For example, the Developmental Loans budget request unit (BRU) envelopes six loan funds while each of the remaining four loan funds; Senior Citizen Housing Development, Student Aid, Veterans' Affairs, Agriculture, is a separate BRU.

Furthermore, there are very few uniform procedures, standard decision criteria, output measures etc. for each loan program. For example several loan funds have different definitions for the rate of delinquency, or for the factors which constitute a "good" or "bad" loan. Consequently it is extremely difficult to compare even the most basic loan fund activity.

The purpose of this memo has been to provide background on our loan fund programs. As the state continues to expand its loan programs, it would seem appropriate that the state do the following things:

1. devote some of its resources to the development of a solid policy concerning the objectives and the administration of loan fund programs.
2. develop a mechanism for evaluating the effectiveness (impact) of each loan fund program on the overall economic and social development in Alaska.
3. study the administrative efficiency of our loan fund programs.

JS/mjc
Attachments

ATTACHMENT A.

<u>LOAN FUND</u>	<u>GOAL</u>	<u>OBJECTIVE</u>
Commercial Fishing	To maintain a reasonable standard of living in Alaska by developing the commercial fishing industry.	<ol style="list-style-type: none"> 1. To produce more fish 2. To increase fishing in undeveloped fisheries
Tourism	To maintain a reasonable standard of living in Alaska by developing the local tourist industry.	<ol style="list-style-type: none"> 1. To create new jobs
Agriculture	To improve the quality and nutritional value of food products grown in Alaska. To supply these food products at the lowest price by developing the Agriculture Industry.	<ol style="list-style-type: none"> 1. To assist farmers who cannot obtain loans at a reasonable interest rate in the private sector. 2. To improve farming efficiency and increase the quality of the product.
Veterans Affairs	To reward Veterans and Alaskan guardsmen for military service.	<ol style="list-style-type: none"> 1. To make loans to all veterans and guardsmen.
Small Business	To maintain a reasonable standard of living in Alaska by developing small businesses.	<ol style="list-style-type: none"> 1. To increase local bank participation in small business loans. 2. To provide information on the loan fund program.
Student Financial Aid Revolving Loan Fund	To assist students to secure a post secondary education and to encourage the students to live in Alaska after their schooling.	<ol style="list-style-type: none"> 1. To make loans to needy students 2. To collect loan repayments.
Child Care Facilities Revolving Loan Fund	No expressed goal or intent.	- not stated -
Fisheries Enhancement Loan Program	To produce fish for common property fisheries.	- not stated -
Water Resources Revolving Loan Fund	To assist the development of hydroelectric and water supply projects.	- not stated
Alaska Municipal Bond Bank Authority	To help municipalities market their bonds at a lower Cost.	<ol style="list-style-type: none"> 1. To purchase \$10,000,000 in municipal bonds in FY 77.
Alaska State Development Corporation	To develop and stimulate the business prosperity and economic welfare of Alaska.	<ol style="list-style-type: none"> 1. To provide loans to businesses.
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Revolving Loan Fund

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Senior Citizen Housing
Development . .

HB 815 -- for developing senior citizen housing.

ATTACHMENT C.

LOAN FUND PERFORMANCE MEASURES
FY 76

<u>LOAN FUND</u>	<u>MEASURE</u>	<u>PLAN</u>	<u>ACTUAL</u>
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	No. of loans made	46	51
	Value of loans issued	\$700,000	\$587,600
	No. clients/no. loans outstanding	134/235	127/222
	Value of outstanding loans supervised	\$4,400,000	\$4,311,500
	Delinquency rate (90 days) (Value deliq. loans x 100) (Value outstanding loans)	8%	16.4%
	No. clients in litigation/value loans in litigation 8/NA		14/\$506,028
<u>Veteran's Affairs</u>	No. loan applications processed	1800	1147
	No. loans made	1500	945
	Value of loans approved	55,000,000	45,159,275
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	No. of loan seminars held	12	8
	No. of loan applications processed	120	97
	No. of loans made	80	34
<u>Student Financial Aid</u>	No. loans made.	2200	2087
	Value loans made	\$4,100,100	\$4,100,000
	No. student making payments	900	NA
	Value of collections	\$ 308,500	NA

ATTACHMENT D

HOLDERS OF STATE LOANS

<u>Loan Fund</u>		<u>Loan Fund</u>	<u>% of Loans Held By Revenue</u>	<u>Other</u>	<u>Statutory Limits on Loans Sold To Treasury</u>
Commercial Fishing	\$ 5,724,919	14%	86%		\$5,000,000
Tourism	8,611,947	2%	98%		no limit
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			(\$25,946,482)	(\$122,921,823)	(\$900,000)

<u>New Loan Funds in FY 77</u>	<u>Loan Fund Capitalization Limits</u>	<u>Limits on Loans Purchased By the Treasury Department</u>
Water Resources	\$2,500,000	Not Stated
Fisheries Enhancement		\$200,000,000
Child Care Facilities	\$ 50,000	\$ 300,000
Senior Citizen Housing Development	6,000,000	Not Stated

ATTACHMENT E

INTEREST SAVINGS -- DIFFERENCE BETWEEN ANNUAL INTEREST PAID TO LOAN FUNDS AND COMMERCIAL BANKS

Type of Loan	% of Loans in FY 76	Value of Loans Made in FY 76	Interest Rates		Approximate Interest paid to:		Increased Revenue Total Savings	Average Annual Savings per Loan
			State	Banks	State	Banks***		
TOURISM	4	\$1,400,000	8%	10½%	\$ 112,000	\$ 147,000	\$ 35,000	\$8,750
COMMERCIAL -- CBRLF	71	3,300,000	7%	11%	231,000	363,000	132,000	1,860
FISHING -- VRLF	2	98,000	7½%	11%	7,350	10,780	3,430	1,715
PERSONAL	88	749,429	7½%	10%	56,207	74,943	18,736	212
HOME & MULTI DWELLING UNITS	98	40,572,311	7½%	9 3/4%	3,042,923	3,955,800	912,877	1,144
SMALL BUSINESS -- SBRLF	34	2,400,000	8%	10½%	192,000	252,000	60,000	1,765
-- VRLF	57	3,739,534	7½%	10½%	280,465	392,651	112,186	1,968
AGRICULTURE	51	587,600	6%	11%	35,256	64,636	29,380	576
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TOTAL LOAN FUND PROGRAM FY 1976-----\$1,385,609**

* This is a deferred loan program whereby the payment of interest and principal may be postponed up to 5 years.

** It should be noted that if the state employed commercial rates of interest, it could increase its annual revenues by as much as \$1.39 million dollars. This figure is based on the assumption that there would not be a significant decline in the demand for state loans at commercial rates of interest.

*** These interest rates were obtained from the loan department of Behrends Bank.

Loans Approved Since 1972
(as of March 15, 1977)

<u>Loan Program</u>	<u>Number of Loans</u>	<u>Amount</u>
→ Small Business	192	\$11,695,575
→ Water Resources	1	450,000
→ Child Care	2	14,250
→ Tourism	35	14,328,150
→ Commercial Fishing	271	11,446,445
→ Fisheries Enhancement	1	1,000,000

Outstanding Portfolio Total
(as of March 2, 1977)

<u>Loan Program</u>	<u>Number of Loans</u>	<u>Amount</u>
→ Small Business	129	\$ 7,365,036
→ Commercial Fishing	184	7,082,941
→ Tourism	24	9,501,768
→ Water Resources	1	450,000
→ Child Care	2	14,250
→ Fisheries Enhancement*		
Alaska State Development Corp.	14	2,042,541
Small Business Development Corp.	20	389,913
TOTALS	374	\$26,846,449

Commitment for \$1,000,000 funds are not disbursed.

Districts on 17136 Blue Book

Commercial Fishing

Small Business

Tourism

District	Granted	#	Denied	#	Granted	#	Denied	#	Granted	#	Denied	#
1	\$ 1,133,039	29	\$ 468,100	11	\$ 1,164,350	16	\$ 295,000	5	\$ 751,600	2	\$ 916,000	2
2	1,611,968	40	655,017	15	265,000	3	63,500	3	345,000	3		
3	1,250,261	27	36,000	2	886,000	16	141,000	6	1,752,000	3		
4	2,059,532	57	1,074,750	24	3,389,050	58	1,173,500	25	2,795,600	5	1,000,000	1
5	2,792,845	60	564,877	19	298,000	7	232,000	4	2,028,000	3	2,414,225	4
6					253,400	5	100,000	1	199,000	2		
7-12	732,000	18	417,745	8	3,952,060	54	2,333,448	46	6,071,327	11	2,226,500	11
13	4,873,618	50	296,400	11	2,261,718	34	1,749,500	21	160,000	1	449,153	5
14	2,072,750	29	265,100	6	326,500	8	105,000	3				
15	674,175	14	82,500	1	100,000	1	57,000	1				
16	100,900	4	45,000	3	75,000	1	100,000	1	254,950	2		
17					83,000	3	10,000	1	1,000,000	1		
18					10,000	1						
19					25,000	3	160,000	2	115,000	2	185,000	3
20	11,250	1	46,000	1	2,206,700	30	440,750	8	3,472,000	6	1,561,900	4
21					20,000	1			1,000,000	1		
22					120,000	2						
Battle			98,147	1	23,000	1			532,000	3		
TOTAL	\$ 17,312,068	329	\$ 4,049,636	102	\$ 15,458,778	244	\$ 6,960,698	127	\$ 20,476,447	45	\$ 8,752,778	30

District	Fisheries Enhancement				Child Care				Water Resources			
	Granted	#	Denied	#	Granted	#	Denied	#	Granted	#	Denied	#
1									\$ 420,000	1		
2	\$ 15,000	1							1,210,000	2		
5	1,600,000	3										
7-12					\$ 14,250	2	\$ 20,000	2				
14									420,000	1		
TOTAL	\$1,615,000	4			\$ 14,250	2	\$ 20,000	2	\$ 2,050,000	4		

628 loans approved totalling \$ 56,926,543

261 loans denied totalling 19,783,112

889 total loan applicants \$ 76,709,655 total dollars requested*

* This figure is a rough estimate as some individuals actually requested a greater or lesser amount than was granted. All the above data was received from the Division of Loans, Department of Commerce and Economic Development on September 28, 1977.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

ALASKA UTILITIES ASSOCIATION

2700 E. Tudor Road • Anchorage, Alaska • Phone 277-6591

ROBERT B. SMITH
President

NORMAN C. BANFIELD
First Vice President

WILLIAM CORBUS
Second Vice President

THOMAS M. PEETZ
Secretary-Treasurer

April 1, 1977

*The Honorable Clark Gruening
House Finance Committee
State Capitol Building
Juneau, AK 99811*

HB - 356

Re: An Act to the water resources
revolving loan fund *corresp*

Dear Representative Gruening;

We feel that the utilization of state revenues available from non-renewable resource development and placed in the "permanent fund" can be used by public utilities to the benefit of the Alaska population. The existing bill makes loan funds available for electric and water utilities only. Our recommendation would be that all public utilities as defined in AS 42.05.701(2)(A) and (C) be eligible to obtain financing under this proposal.

Of paramount importance is that the legislature recognize utilities for what they really are--cost plus contractors. If the state can assist in making funds available at reasonable rates, the ratepayer who is also the Alaska taxpayer will be the one who ultimately benefits.

We find that the interest range being offered in the bill (not less than 3% or more than 5%) is extremely generous. The utilities are familiar with having to pay the market interest rate for their money and are prepared to continue to do so, if this low rate of return on state money is object to.

In summary, we feel a bill offering state monies to certain types of utilities should be expanded to all state regulated utilities. The money made available under a revolving loan concept would enable the rapidly expanding utilities in the state to finance their needed expansion and upgrading with a loan whose term approximate the life of the assets being equipped. The money is obtained in Alaska and spent in Alaska for Alaskans. Any reduction in the interest rate over that currently being paid by the utilities will reduce their revenue requirements, thereby providing for lower rates which impact the Alaskan ratepayer.

If you desire further information, please feel free to contact me.

Sincerely,



Robert B. Smith
President

Introduced: 3/16/77
Referred: Commerce and
Finance

BY GARDINER, DUNCAN, ELIASON,
FREEMAN, HAUGEN, MILLER,
SNIDER, AND SPECKING

1 IN THE HOUSE

2 HOUSE BILL NO. 356

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the water resources revolving loan
7 fund."

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

9 * Section 1. AS 45.36.010 is amended to read:

10 Sec. 45.36.010. FUND ESTABLISHED. There is established as a
11 separate fund the water resources revolving loan fund. Loans from this
12 fund are to be used to develop and conserve in the public interest the
13 water resources of Alaska, using state revenues from nonrenewable re-
14 source [MINERAL] development.

15 * Sec. 2. AS 45.36.020 is repealed and re-enacted to read:

16 Sec. 45.36.020. FUND UTILIZATION. (a) Loans from the fund shall
17 be for a term not to exceed 50 years, and the rate of interest shall be
18 not less than three nor more than five per cent per year on the unpaid
19 balance. The repayment schedule shall be as determined by the depart-
20 ment. Repayment of a loan shall commence at the date of commercial
21 operation of the project or 10 years from the date the loan is granted,
22 whichever is sooner.

23 (b) The loans may be used for capital construction projects, for
24 hydroelectric generation and potable water supply including surface
25 storage and groundwater sources and transmission of water from surface
26 storage to the existing distribution system, and development of hydro-
27 electric generating facilities including transmission of power to the
28 load center. Loans may be made to applicants for new or existing pro-
29 jects including feasibility and preconstruction engineering studies,

1 expenses incurred in securing necessary permits and licenses, design of
2 the project and construction of capital improvements. Existing hydro-
3 electric and water supply projects may be expanded or rehabilitated with
4 loan funds under this chapter if the rehabilitation and expansion is a
5 capital improvement project.

6 (c) Loans shall be repaid to the fund by the borrower from revenue
7 derived from the sale of electric power or water.

8 * Sec. 3. AS 45.36.040(b) and (c) are repealed and re-enacted to read:

9 (b) There is created within the department the Water Resources
10 Revolving Loan Fund Committee chaired by the commissioner or his deputy,
11 and including as members the director of the division of energy and
12 power development and the director of the division of business loans.
13 The committee shall review all applications referred to it for approval
14 by the department.

15 (c) The department shall establish a priority list for the ap-
16 proval of project applications based upon a determination of which
17 projects will better serve the interests of the state. An applicant may
18 appeal the level of priority assigned to his application by requesting a
19 review of the list of priorities by the committee. The committee, upon
20 sufficient notice and a public hearing, may change an assigned priority.
21 Applications not approved due to a lack of funds will retain the
22 priority assigned and may be held for reconsideration.

23 * Sec. 4. AS 45.36.040 is amended by adding a new subsection to read:

24 (d) If the committee finds that preconstruction feasibility and
25 engineering studies establish that a project is not feasible from either
26 a technical, economic or financial viewpoint, the department may waive
27 repayment of loans granted to conduct the studies.

28 * Sec. 5. AS 45.36.050 is amended to read:

29 Sec. 45.36.050. ELIGIBILITY FOR PROJECT LOANS. A public utility
HB 356

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is an eligible borrower for a project loan under this chapter if

(1) it is a public utility as defined in AS 42.05.701(2)(A), and (C);

(2) the utility can demonstrate in its loan application that the project is economically and technically [AND] feasible and, taking into account the low interest on loans under this chapter, is the most economical means of furnishing the proposed service.

* Sec. 6. AS 45.86 is amended by adding a new section to read:

Sec. 45.86.060. DEFINITIONS. In this chapter,

(1) "commissioner" means the commissioner of the Department of Commerce and Economic Development;

(2) "department" means the Department of Commerce and Economic Development.

TO:

Ronald D. Lehr, Deputy Director
Division of Budget and Management
Office of the Governor

DATE :

October 11, 1976

FROM: James Stey, Budget Analyst
Division of Budget and Management
Office of the Governor

SUBJECT: State Loan Programs

J. Stey

In FY 76 the State of Alaska loaned \$56.8 million dollars to its residents. Farmers, fishermen, and businessmen used twenty percent of this sum to develop their respective industries. Veterans borrowed seventy three percent of this total to finance personal expenditures and to build or buy new homes. Students used the remaining seven percent of the funds to attend vocational schools and universities. During the next ten to twenty years, the state shall receive roughly \$4.1 million dollars in annual interest payments on the value of loans issued in FY 76. Excluding the costs of delinquent notes, defaults and administrative expenses, this represents approximately a seven and a third percent return on the original investment. Some financial analysts estimate that the state could obtain a higher return on their reserve revenue by investing it in first class bonds and federal securities. This suggests that the State's loan programs are more than just another investment portfolio. The purpose of this memo is to provide a brief examination of these loan programs. Specific attention is given to the legislative intent administrative goals and the organization of these programs. Information concerning the value of outstanding loans, statutory loan limitations and program accomplishments is available in the attachments at the end of this memo.

The state maintained six revolving loan funds in FY 76: Small Business Development, Tourism, Commercial Fishing, Veteran's Affairs, Agriculture, and Student Financial Aid. In addition to these programs, four new loan funds (Water Resources, Fisheries Enhancement, Senior Citizen Housing Development, Child Care Facilities) were established and funded for operations in FY 77. The Alaska State Development Corporation, and the Small Business Development Corporation maintain revolving loan funds. However, today these loan funds are inactive. The Power Project Development Loan Fund is also a new loan fund in FY 77. It is administered by the Power Development Authority. However, those loan funds whose operations are outside the control of line agencies are not a subject of this memo. Attachment A lists the goals and objectives, as defined by program managers, of these ten loan fund programs. In several instances these goals and objectives are quite broad and fail to identify the ultimate aims (end products) of the given program. Generally, program managers are more concerned about the manner and not the reasons for operating their loan programs. The legislative intent pertinent to each loan fund underscores the significance of function over purpose. Only five of the ten loan fund legislative acts state the intentions (goals) of the established fund. (see Attachment B) However, each act precisely

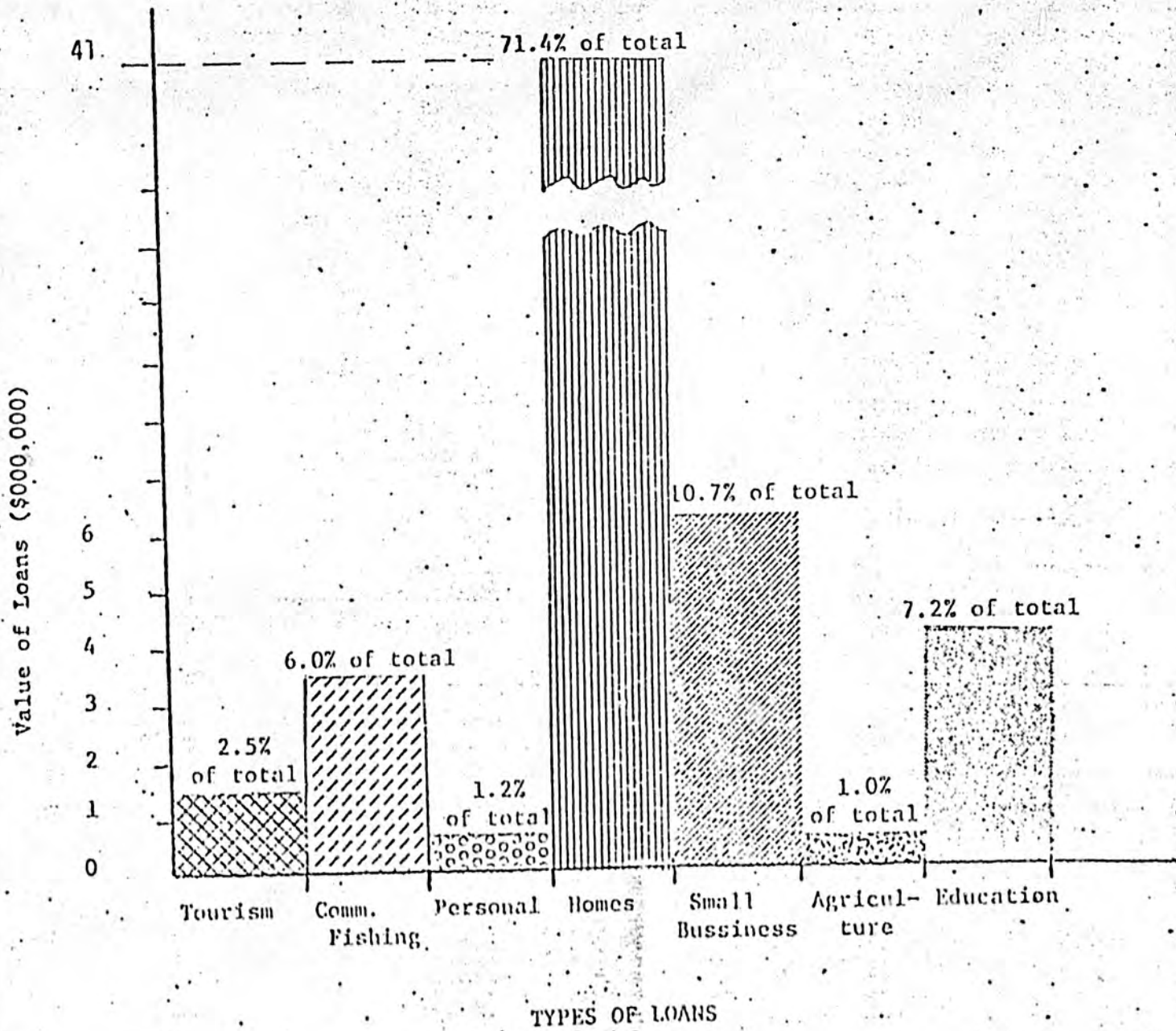
defines the duties and powers of the commissioner relative to each loan fund. Thus it is not unusual for program managers to confuse program activities (making loans) with what would seem to be the real program objectives, social or economic development. For example, some program managers argue that their objective is to make as many good loans as possible simply because the law compels them to do so. This is demonstrated on attachment C, which delineates the performance measures of the loan fund programs that were active in FY 76. These workload measures provide very little information with which to evaluate the extent to which each fund contributes to the development of Alaska or its citizens.

As an alternative measure of importance, it might seem that a review of the capitalization limits (total appropriated dollars) of each revolving fund would suggest the priority of each loan fund. However this is not the case with our revolving loan funds because they do not genuinely revolve, i.e., they are not self-supporting. Each revolving fund contains a basic appropriation. In addition to this, most funds have a "back door" financial agreement with the Department of Revenue. Through this arrangement, loan fund managers may sell virtually all of their loans (mortgages) to this Department. Hence loan fund managers and loan fund committee members in effect set the state's loan policy by deciding on the type, quality, and value of loans that are issued. The bar graph on the following page summarizes the result of loan fund activity in FY 76. Note that the value of housing loans made to veterans is roughly two and a half times the value of loans made to the tourist, fishing and small business industries.

The size and value of the loan programs have increased steadily since 1970. Still, there does not appear to be any legislative or administrative checks on the quality and/or volume of loans administered by the revolving funds. Attachment D contains a list of the value of outstanding loans and the holders of these loans, i.e., the revolving funds and the Treasury Department. It also identifies the capitalization limits (general appropriations made to each revolving fund) and the statutory limits placed on the value of loans sold to the state Treasury. At the present time only 4 out of 10 loan funds have limits placed on the total value of loans which could be sold to the Treasury.

Although the State does receive interest on these loans, these programs are not primarily intended to be income-producing assets. A good deal of these loans have been made to what banks would rate as high risk industries, e.g., commercial fishing and agriculture. Furthermore the rate of interest which the state charges its borrowers tends to be significantly lower than the interest rates of commercial banks for similar loans (see attachment E). It is generally argued that the state operates loan programs to enhance economic development through the provision of goods and services which otherwise would not be available in the private sector. Yet, there is virtually no concrete information to confirm that these programs have influenced development.

LOAN FUND ACTIVITY IN FY 76



In 1973 the consolidation of the various loan programs was a subject of issue analysis. It was thought that; "consolidation would lead to more uniform procedures, decision criteria, and result in clearer public understanding and less arbitrariness in granting loans." Managers of the loan programs resisted the consolidation, maintaining that it would: (1) raise operating costs without producing commensurate savings, and (2) undermine the unique services provided by each loan program. It appears that the bulk of the information presented to the Budget Review Committee was simply a compilation of memos from loan fund managers. Evidentially, this information was persuasive enough to cause the BRC to recommend against merger at that time.

Some of the factors which precipitated this examination in 1973 are germane to issue analysis today. For instance there are 10 active loan programs which often share common objectives, i.e., economic development, personal financial assistance, and education and social service developments. These programs are controlled by 5 independent management units. For example, the Developmental Loans budget request unit (BRU) envelopes six loan funds while each of the remaining four loan funds; Senior Citizen Housing Development, Student Aid, Veterans' Affairs, Agriculture, is a separate BRU.

Furthermore, there are very few uniform procedures, standard decision criteria, output measures etc. for each loan program. For example several loan funds have different definitions for the rate of delinquency, or for the factors which constitute a "good" or "bad" loan. Consequently it is extremely difficult to compare even the most basic loan fund activity.

The purpose of this memo has been to provide background on our loan fund programs. As the state continues to expand its loan programs, it would seem appropriate that the state do the following things:

1. devote some of its resources to the development of a solid policy concerning the objectives and the administration of loan fund programs.
2. develop a mechanism for evaluating the effectiveness (impact) of each loan fund program on the overall economic and social development in Alaska.
3. study the administrative efficiency of our loan fund programs.

JS/mjc
Attachments

ATTACHMENT A

<u>LOAN FUND</u>	<u>GOAL</u>	<u>OBJECTIVE</u>
Commercial Fishing	To maintain a reasonable standard of living in Alaska by developing the commercial fishing industry.	<ol style="list-style-type: none"> 1. To produce more fish 2. To increase fishing in undeveloped fisheries
Tourism	To maintain a reasonable standard of living in Alaska by developing the local tourist industry.	<ol style="list-style-type: none"> 1. To create new jobs
Agriculture	To improve the quality and nutritional value of food products grown in Alaska. To supply these food products at the lowest price by developing the Agriculture Industry.	<ol style="list-style-type: none"> 1. To assist farmers who cannot obtain loans at a reasonable interest rate in the private sector. 2. To improve farming efficiency and increase the quality of the product.
Veterans Affairs	To reward Veterans and Alaskan guardsmen for military service.	<ol style="list-style-type: none"> 1. To make loans to all veterans and guardsmen.
Small Business	To maintain a reasonable standard of living in Alaska by developing small businesses.	<ol style="list-style-type: none"> 1. To increase local bank participation in small business loans. 2. To provide information on the loan fund program.
Student Financial Aid Revolving Loan Fund	To assist students to secure a post secondary education and to encourage the students to live in Alaska after their schooling.	<ol style="list-style-type: none"> 1. To make loans to needy students 2. To collect loan repayments.
Child Care Facilities Revolving Loan Fund	No expressed goal or intent.	- not stated -
Fisheries Enhancement Loan Program	To produce fish for common property fisheries.	- not stated -
Water Resources Revolving Loan Fund	To assist the development of hydroelectric and water supply projects.	- not stated
Alaska Municipal Bond Bank Authority	To help municipalities market their bonds at a lower cost.	<ol style="list-style-type: none"> 1. To purchase \$10,000,000 in municipal bonds in FY 77.
Alaska State Development Corporation	To develop and stimulate the business prosperity and economic welfare of Alaska.	<ol style="list-style-type: none"> 1. To provide loans to businesses.
Small Business Development Corporation	To develop and stimulate the economic welfare in Alaska.	<ol style="list-style-type: none"> 1. To insure high risk development loans.
Senior Citizen Housing Development	To develop senior citizen housing	<ol style="list-style-type: none"> 1. To make grants or loans to municipalities or to corporations for the purpose of developing senior citizen housing.

ATTACHMENT B

LEGISLATIVE INTENTIONS

Commercial Fishing Revolving Loan Fund	AS 16.10.300 -- to promote the development of a predominately resident fishery and continued maintenance of commercial fishing gear and vessels . . .
Tourism Revolving Loan Fund	AS 45.090 -- No expressed intent.
Agriculture Revolving Loan Fund	AS 3.10.010-060 . . . to promote the more rapid development of Agriculture as an industry throughout Alaska . . .
Veterans Affairs Revolving Loan Fund	AS 26.15 & 010 - 070 -- No expressed intent.
Small Business Loans Revolving Fund	AS 45.095 - 010 -- No expressed intent.
Student Financial Aid Revolving Fund	AS 14.40.751 - 806 -- No expressed intent.
Child Care Facilities Revolving Loan Fund	Senate Bill 753 -- No expressed intent.
Fisheries Enhancement Loan Fund	AS 16.10.500 - 550 . . . To promote the enhancement of the State's fisheries . . .
Water Resources Revolving Loan Fund	AS 45.86.010 - 050 . . . To develop and conserve in the public interest the water resources . . .
Senior Citizen Housing Development..	HB 815 -- for developing senior citizen housing.

ATTACHMENT C.

LOAN FUND PERFORMANCE MEASURES
FY 76

<u>LOAN FUND</u>	<u>MEASURE</u>	<u>PLAN</u>	<u>ACTUAL</u>
Commercial Fishing	No. of Salmon hatcheries contracted	3	1
	No. of fishing loan applications processed	120	143
	No. of fishing loans made	80	71
	% of total fishing loan assisting fisherman in new fisheries	8%	3% (2 of 71)
Tourism	No. of jobs created by tourism projects	150	70
	No. of tourist attractions financed	10	4
	No. of loan applications	9	9
	No. of loans made	4	4
Agriculture	No. of loan applications processed	120	74
	No. of loans made	46	51
	Value of loans issued	\$700,000	\$587,600
	No. clients/no. loans outstanding	134/235	127/222
	Value of outstanding loans supervised	\$4,400,000	\$4,311,500
	Delinquency rate (90 days) (Value deliq. loans x 100) (Value outstanding loans)	8%	16.4%
	No. clients in litigation/value loans in litigation 8/NA		14/\$506,028
Veteran's Affairs	No. loan applications processed	1800	1147
	No. loans made	1500	945
	Value of loans approved	55,000,000	45,159,275
Small Business	% of business loans involving local bank participation	6%	20% (7 of 34)
	No. of loan seminars held	12	8
	No. of loan applications processed	120	97
	No. of loans made	80	34
Student Financial Aid	No. loans made	2200	2087
	Value loans made	\$4,100,100	\$4,100,000
	No. student making payments	900	NA
	Value of collections	\$ 308,500	NA

ATTACHMENT D

HOLDERS OF STATE LOANS

<u>Loan Fund</u>		<u>Loan Fund</u>	<u>% of Loans Held By Revenue</u>	<u>Other</u>	<u>Statutory Limits on Loans Sold To Treasury</u>
Commercial Fishing	\$ 5,724,919	14%	86%		\$5,000,000
Tourism	8,611,947	2%	98%		no limit
Agriculture	4,311,495	83%	14%	3%	no limit
Veterans	112,316,584	7%	92%	1%	no limit
Small Business	6,160,805	5%	95%		no limit
Student Aid	<u>12,642,554</u>	<u>100%</u>	<u>—</u>	<u>—</u>	\$-0-
TOTALS	\$149,768,304	17.3%	82.1%	0.6%	
			(\$25,946,482)	(\$122,921,823)	(\$900,000)

<u>New Loan Funds in FY 77</u>	<u>Loan Fund Capitalization Limits</u>	<u>Limits on Loans Purchased By the Treasury Department</u>
Water Resources	\$2,500,000	Not Stated
Fisheries Enhancement		\$200,000,000
Child Care Facilities	\$ 50,000	\$ 300,000
Senior Citizen Housing Development	6,000,000	Not Stated

ATTACHMENT E

INTEREST SAVINGS -- DIFFERENCE BETWEEN ANNUAL INTEREST PAID TO LOAN FUNDS AND COMMERCIAL BANKS

Type of Loan	# of Loans in FY 76	Value of Loans Made in FY 76	Interest Rates		Approximate Interest paid to:		Increased Revenue Total Savings	Average Annual Savings per Loan
			State	Banks	State	Banks***		
TOURISM	4	\$1,400,000	8%	10½%	\$ 112,000	\$ 147,000	\$ 35,000	\$8,750
COMMERCIAL -- CFRLF	71	3,300,000	7%	11%	231,000	363,000	132,000	1,860
FISHING -- VRLF	2	98,000	7½%	11%	7,350	10,780	3,430	1,715
PERSONAL	88	749,429	7½%	10%	56,207	74,943	18,736	212
HOME & MULTI DWELLING UNITS	98	40,572,311	7½%	9 3/4%	3,042,923	3,955,800	912,877	1,144
SMALL BUSINESS -- SBRLF	34	2,400,000	8%	10½%	192,000	252,000	60,000	1,765
-- VRLF	57	3,739,534	7½%	10½%	280,465	392,651	112,186	1,968
AGRICULTURE	51	587,600	6%	11%	35,256	64,636	29,380	576
STUDENT *	2087	4,100,000	5%	7%	205,000	287,000	82,000	39

TOTAL LOAN FUND PROGRAM FY 1976-----\$1,385,609**

* This is a deferred loan program whereby the payment of interest and principal may be postponed up to 5 years.

** It should be noted that if the state employed commercial rates of interest, it could increase its annual revenues by as much as \$1.39 million dollars. This figure is based on the assumption that there would not be a significant decline in the demand for state loans at commercial rates of interest.

*** These interest rates were obtained from the loan department of Behrens Bank.

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

TO: [The Honorable Clark Gruening
Chairman
Alaska Permanent Fund Committee

DATE: March 17, 1977

FILE NO:

TELEPHONE NO:

FROM: H. Phillip Hubbard
Commissioner

SUBJECT: State Loan Programs

The following is in reply to your request for information on the State loan programs administered by this department.

Purposes: The purpose of each loan program varies with the specific applicable statute. With a possible exception of the Veterans' program, most loan programs were conceived to fill a void in the private money market where the private financial structure of the State would not, or could not, meet the needs of the people. Most of the programs were directed to the enhancement of small entrepreneurs and/or expansion of certain developmental industries or business. A couple of them had the enhancement of social benefits as their goal. Generally, the interest rate charged is lower than that rate charged by banks, and loans are usually considered to be a "higher risk" nature than that normally undertaken by private banks.

Division of Veterans' Affairs

The division administers the World War II Veterans Revolving Loan Fund, providing eligible veterans with home, multiple dwelling, business and personal loans.

<u>Loan Type</u>	<u>Interest Rate</u>	<u>Maximum Dollar Amount</u>	<u>Participation Requirement</u>	<u>Maximum Term</u>
1. Farm & Home	7.5%	\$55,000	10%	30 years
2. Multiple Dwelling	7.5%	\$80,000	25%	25 years
3. Business Loans	7.5%	\$100,000	25%	15 years
4. Personal Loan	7.5%	\$10,000		5 years

Qualified veterans may apply for more than one type of loan, but the aggregate amount may not exceed a total of \$100,000 at any one time.

The program has been in existence since the early part of 1946. As of January 20, 1977, the loan portfolio consisted of 3500 loans at a dollar figure of \$130 million. These figures do not include 100 approved construction loans in the amount of \$5,126,200.00.

<u>Year</u>	<u>Loans Made</u>	<u>No. of Loans</u>	<u>Amount</u>
7/1/76-1/20/77	669	3500	\$130,000,000.00
7/1/75-7/1/76	1,056	2927	105,922,158.00
7/1/74-7/1/75	1,164	2158	67,786,057.00
7/1/73-7/1/74	469	1377	32,744,181.00
7/1/72-7/1/73	318	1165	24,794,410.00
7/1/71-7/1/72	303	1000	17,560,007.00
7/1/70-7/1/71	177	939	11,376,613.00
7/1/69-7/1/70	111	848	9,034,584.00
7/1/68-7/1/69	83	851	8,416,525.00
7/1/67-7/1/68	71	858	8,239,461.00
7/1/66-7/1/67	74	867	8,205,162.00
7/1/65-7/1/66	203	905	8,367,265.00
7/1/64-7/1/65	180	888	7,081,414.00
7/1/63-7/1/64	149	869	6,519,411.00
7/1/62-7/1/63	208	900	6,440,093.00
7/1/61-7/1/62	173	851	5,671,835.00
7/1/60-7/1/61	197	858	5,422,954.00
7/1/59-7/1/60	215	840	4,983,995.00

The above figures do not include 100 approved construction loans in the amount of \$5,126,200.00.

Funding for the program is via a revolving loan account whereby the Department of Revenue is required to purchase the mortgages. Administrative costs are offset by a service fee of .5% on each loan.

Division of Business Loans

The primary goal of the Division of Business Loans is to provide Alaskans with the goods and service necessary to maintain a reasonable standard of living through long-term, low-interest loans to the local small businesses and commercial fishermen providing the goods and services.

Types of Loans:

- (1) The Small Business Revolving Loan Fund enables the division to make loans to small businesses in order to acquire, finance or refinance, or equip businesses, including mining, fishing, and farming equipment. Loans under this program must be secured by acceptable collateral and may not exceed \$100,000 per borrower.
- (2) The Commercial Fishing Revolving Loan Fund enables the division to make loans to individual commercial fishermen for the repair, restoration or upgrading of existing vessels and gear, the purchase of limited entry permits, and the construction or purchase of fishing vessels. Loans must be secured by a first lien and are limited to \$100,000 per borrower.
- (3) The Tourism Revolving Loan Fund enables the division to make loans for the development of tourist related facilities. Under this program the division is authorized to make direct loans up to \$150,000 and participation loans up to \$1,000,000.

- (4) Fisheries Enhancement Loan Program, providing loans up to \$3 million for construction of hatcheries.
- (5) Child Care Revolving Loan Fund, providing loans of up to \$10,000 to enable child care centers to comply with licensing standards.
- (6) Water Resources Revolving Loan Fund, providing loans for seven community hydroelectric projects, specified by legislative intent. They are Petersburg, Petersburg/Wrangell, Sitka, Ketchikan, Kodiak, Anchorage, and Cordova.
- (7) Alaska State Development Corporation's activities have been limited to portfolio maintenance due to available funds being too limited to allow for further lending. Federal rulings make it unlikely that a new bond issue will be made. The corporation will dissolve in 1983.
- (8) The Small Business Development Corporation grants loans in participation with the Federal Small Business Administration under "502" program. These are high risk development loans and the S.B.D.C. portion is five percent of the total loan.

Loans Approved Since 1972
(as of March 15, 1977)

<u>Loan Program</u>	<u>Number of Loans</u>	<u>Amount</u>
Small Business	192	\$11,695,575
Water Resources	1	450,000
Child Care	2	14,250
Tourism	35	14,328,150
Commercial Fishing	271	11,446,445
Fisheries Enhancement	1	1,000,000

Outstanding Portfolio Total
(as of March 2, 1977)

<u>Loan Program</u>	<u>Number of Loans</u>	<u>Amount</u>
Small Business	129	\$ 7,365,036
Commercial Fishing	184	7,082,941
Tourism	24	9,501,768
Water Resources	1	450,000
Child Care	2	14,250
Fisheries Enhancement*		
Alaska State Development	14	2,042,541
Small Business Development Corp.	20	389,913
TOTALS	374	\$26,846,449

Commitment for \$1,000,000 funds are not disbursed.

Funding: Department of Revenue is required to purchase all small business and tourism loans and \$9 million in commercial fishing loans. After July 1, 1977, Revenue will be required to purchase all commercial fishing loans.

Revenue is required to purchase \$3 million in fisheries enhancement loans this fiscal year and \$9 million the following fiscal year. The ceiling will go up to \$200 million in FY 79.

Fifty thousand dollars (\$50,000) was appropriated for the child care program. Revenue is required to purchase \$200,000.

A \$2,500,000 appropriation was passed last year for the water resources loan fund.

Alaska Housing Finance Corporation

The Alaska Housing Finance Corporation is a tax-exempt public corporation and governmental instrumentality created by the Alaska Legislature to assist in the financing, development, sale and rental of dwelling units for persons of lower and moderate income and for persons in remote, underdeveloped or blighted areas of the State.

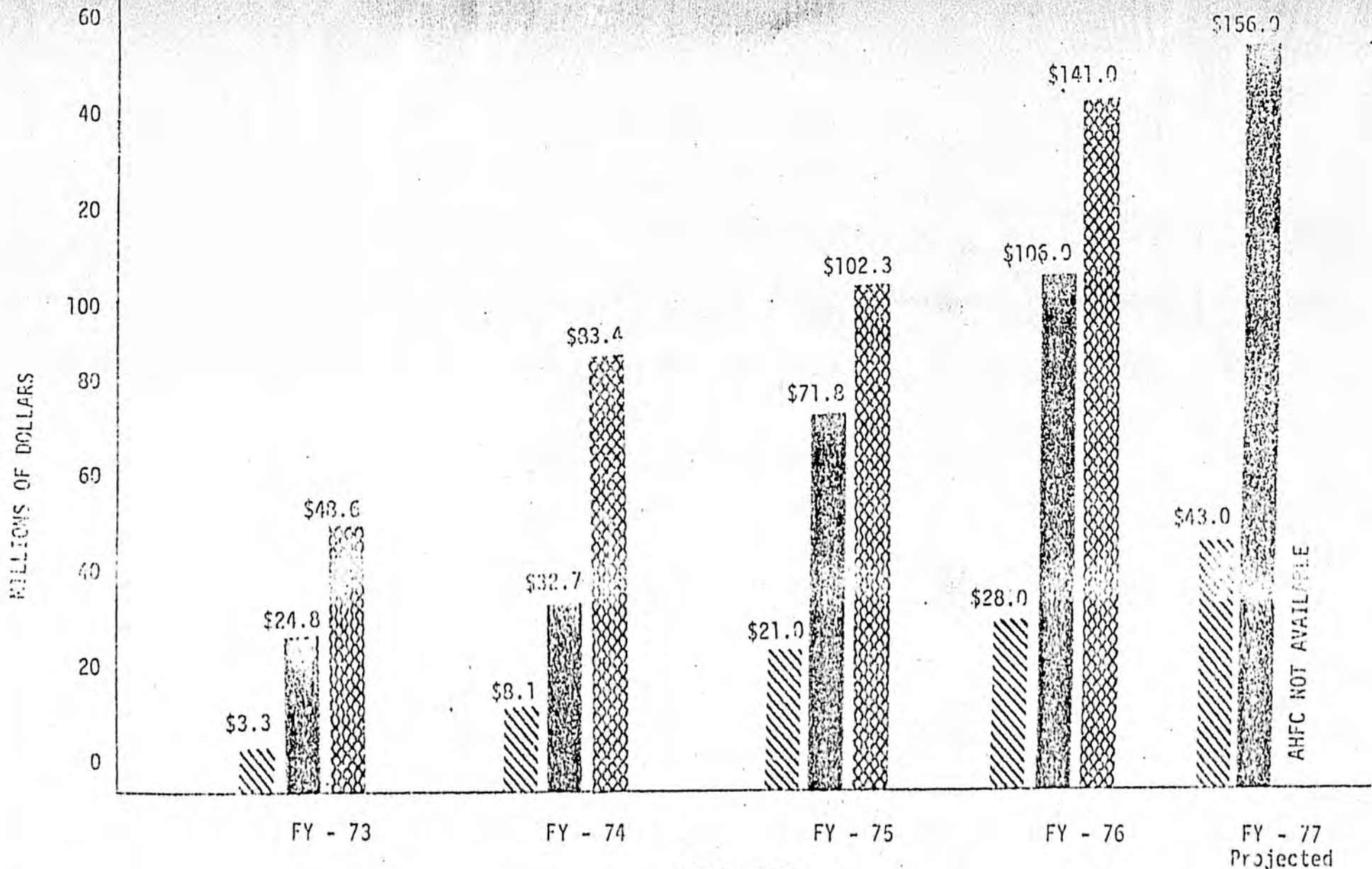
The Corporation's activities principally involve the purchase of mortgage loans on single family dwellings.

AHFC's principal funds are derived from the sale of tax-exempt bonds to private investors. Most of these funds are used to purchase FHA and VA insured mortgages from commercial banks, savings and loan associations, and mortgage bankers.

All operating costs of the agency are derived from revenue of portfolio investments.

The attached charts show graphic comparisons between the various programs and years. Please note, however, that the figures for Business Loans only include small business, tourism and commercial fishing loans.

TOTAL DOLLAR VOLUME OF LOAN PORTFOLIO



FISCAL YEAR

LEGEND

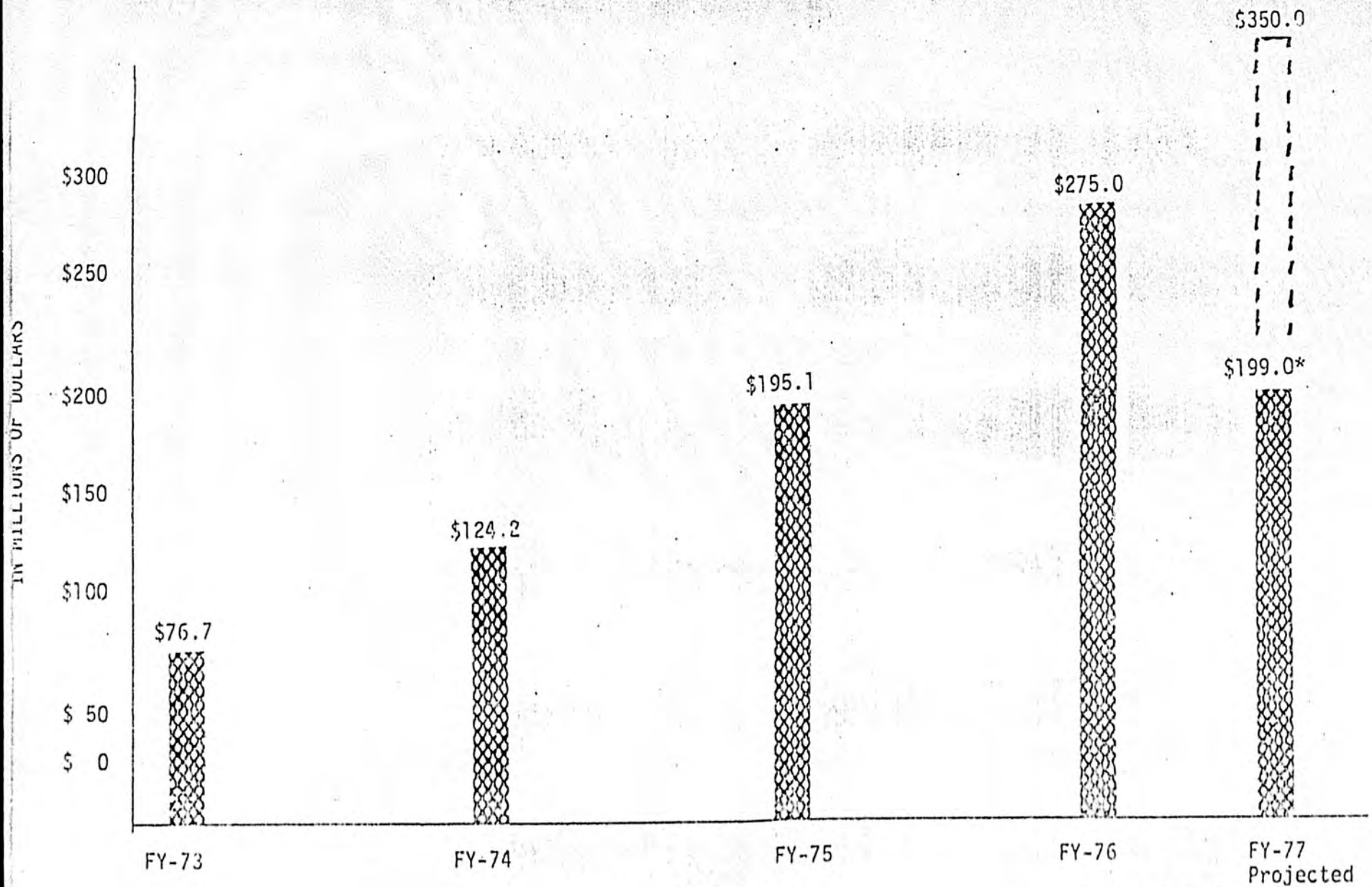
Business Loans

Veteran Loans

Alaska Housing Finance Corp.



TOTAL DOLLAR VOLUME OF LOAN PORTFOLIO



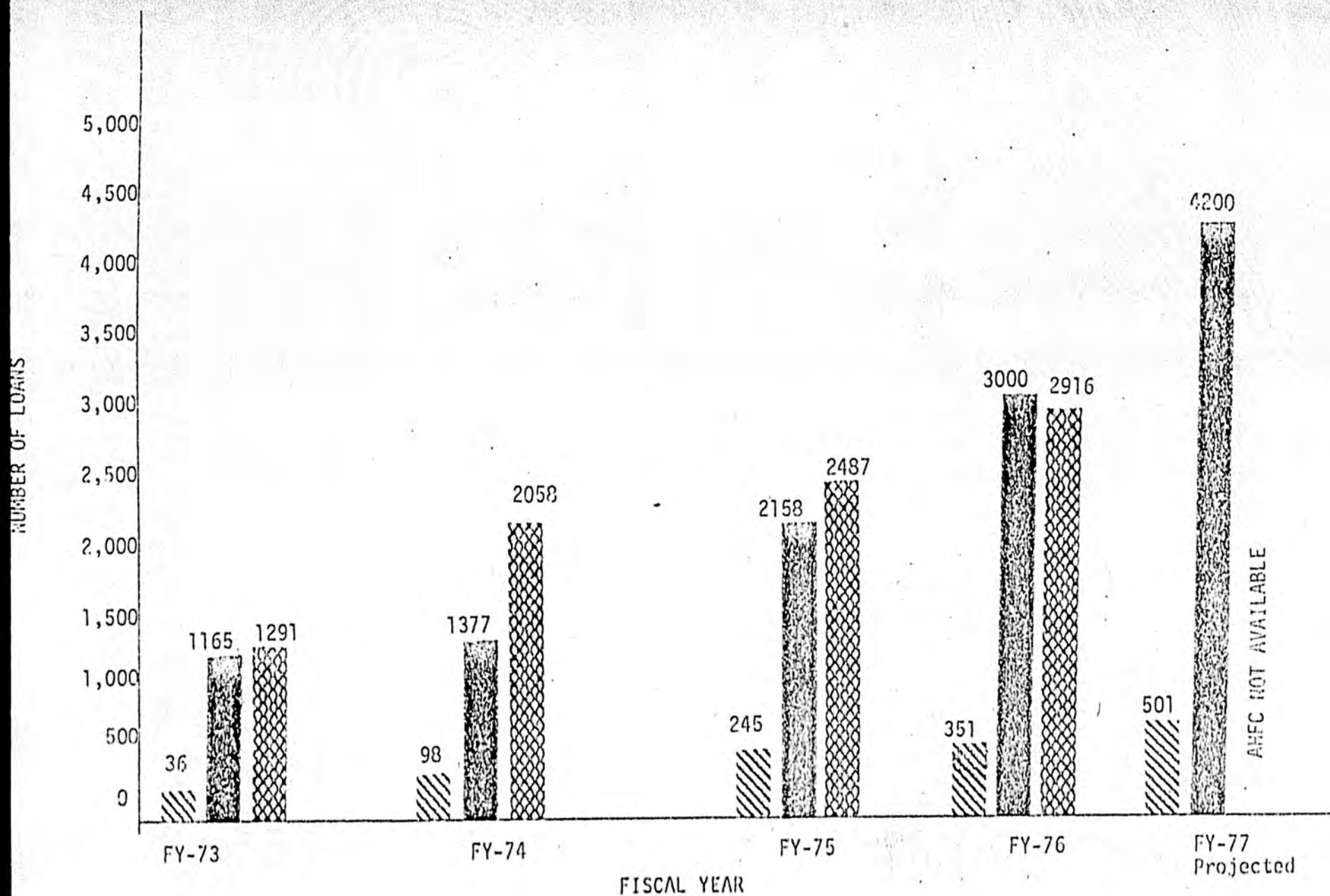
FISCAL YEAR

- LEGEND
- Business Loans
 - Veteran Loans
 - Alaska Housing Finance Corp

* Does not include Alaska Housing Finance Corporation

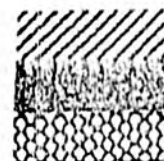
CHART 1

TOTAL NUMBER OF LOANS



LEGEND

- Business Loans
- Veteran Loan
- Alaska Housing Finance Corp



file 15
state loan funds

ALASKA STATE LOAN FUNDS

37.11 Renewable Resources Development Fund
37.11 Renewable Resources Permanent Fund
37.11 Economic Disaster Impact Fund
44.33 Child Care Facility Revolving Loan Fund
16.05 Commercial Fishing Revolving Loan Fund
41.22 Outdoor Recreational, Open Space and Historic Properties
Development Fund
35.10 Public Facility Planning Fund
45.90 Tourism Revolving Fund
23.15 Vocational Rehabilitation Small Business Enterprises
Revolving Fund
45.86 Water Resources Revolving Loan Fund
41.30 Area Development Revolving Fund
18.55 Alaska State Housing Authority Revolving Fund
18.56 Housing Development Fund
~~03.15 Agricultural Pest and Disease Control Fund~~ *Repealed*
41.05 Mineral Resources Revolving Fund
45.95 Small Business Revolving Loan Fund
26.15 Alaska World War II Veterans Revolving Fund
16.10 Commercial Fishing Loan Act
14.40 Scholarship Revolving Fund
14.40 Memorial Scholarship Revolving Loan Fund
03.10 Agricultural Revolving Loan Fund
44.19 Disaster Relief Fund

Alaska Power Authority
Municipal Bond Bank Authority
Small Business Development Authority
Alaska Industrial Development Authority
State Development Corporation
Alaska Toll Bridge Authority

Other Funds for Investment:

General Fund (surplus)
Retirement Funds
Permanent Fund

Note: The Department of Commerce & Economic Development and the Department of Revenue are currently preparing a brief description of all loan funds and surplus funds for the Committee. These should be available by Monday, March 21.


(list may not be complete)

MEMORANDUM

DEPARTMENT OF COMMERCE

TO: Jim Rhodes
Legislative Finance

DATE : April 7, 1975

FROM:  Lois J. Cook
Administrative Officer
Department of Commerce

SUBJECT: Loan Programs within
Department of Commerce

As requested by phone today, following is a brief description of the loan programs administered by the Department of Commerce:

1. Veterans' Loan Program (AS 26.15.010-170).
 - A. Personal Loans not to exceed \$10,000 for educational, domestic, remote area housing and other personal purposes.
 - B. Farm and Home Loans not to exceed \$55,000 to purchase, remodel, repair, build, furnish, refinance or equip. homes or farms in the state.
 - C. Business Loans not to exceed \$100,000 may be made to acquire, finance or refinance business, including farming.
 - D. Multiple Dwelling Loans not to exceed \$80,000 may be made to purchase, remodel, repair, build, furnish, refinance or equip.
2. Tourism Loans (AS 45.90.010-040). Loans may be made to a business directly involved in the tourist industry. State participation may not be more than \$1,000,000 and interest rate may not exceed 8%. A loan of \$150,000 or more must be participated in by a financial institution in an amount not less than 20% of the amount of the loan, and the participating financial institution must service the loan.
3. Small Business Loans (AS 45.95.010-070). Business loans may be made, not to exceed \$100,000, to acquire, finance or refinance or equip businesses, including farming equipment, mining and fishing. Interest rate may not exceed 8%.
4. Commercial Fishing Loans (AS 16.10.300-370). A commercial fishing loan may not exceed \$100,000. A loan may not run longer than 15 years or bear interest exceeding 7%. Loans may be made to individual commercial fishermen who have been state residents for a continuous period of five years and have had a commercial fishing license for three years for the repair, restoration or upgrading of existing vessels and gear and for the purchase of entry permits and gear and the construction and purchase of vessels.

LOAN FUNDS

\$\$

44.33.240 CHILD CARE FACILITY REVOLVING LOAN FUND 1976

admin Commerce & Econ Development
for construction, renovation & equipping of child care facilities
purp to enable ccf to comply w/appropriate licensing standars
term 6 % interest. 10 year max repayment
elig plan for use; will help license; cert of need; not over \$10000 outstanding

45.85.010 REAL ESTATE SURETY FUND 1974

admin special acct in general fund
comp payments by licensed real estate brokers. fund may not exceed \$300,000. amounts over \$250,000 may be appropriated for real estate educational purposes
inc bookers pay bond fee \$125.
out judgement of fraud, etc
max maximum liability % \$50,000

45.90.010 TOURISM REVOLVING FUND

admin Commerce
for loans to business ~~directly~~ directly involved in tourist indus
term not to exceed 20 years
limit state participation limited to \$1,000,000 in loan to business
loan secured by acceptable collateral, 75% of appraised value of collateral
interest not over 8%; loan of \$150,000 or more participated in by financial institution (20% or more)

45.95.010 SMALL BUSINESS LOANS

Admin Commerce & Economic Devt
for loans to acquire, finance or revinance or equip businesses, incl/ farming eqpt, mining & fishing nto to exceed ~~\$2000~~ \$100,000. Secured by collatera 75 %. Interest not to ~~x~~ exceed 8%
also may make agreements to guarantees to 90 % of amount loaned by private institution
elig person has good ~~char~~ character, financial responsibility sufficient collateral & knowledge of Ak economic conditions; resident; business has potential for growth, repayment, & loan will create more jobs & additional services

SEE ALSO 44,60 SMALL BUSINESS DEVELOPMENT AUTHORITY
SEE ALSO 44.61 ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

35.10.130 PUBLIC FACILITY PLANNING FUND

admin Dept of Admin, Div Budget & mgmt
fund capital fund consists of appropriations by legislature, money reimbursed from g.o. bonds & rev bonds, and money reimbursed from appropriations for projects
avail for expenditures, on a reimbursable basis, working capital for facility program planning & procurement planning

41.30.101 AREA REDEVELOPMENT REVOLVING FUND

ADMIN by board of directors of Alaska State Development Corp
loans cooperate w/ political subdiv, communities, area dev't organizations, indstries, etc. for financing project
~~limit~~ in redevelopment area for industrial or comm'l usage under federal law or fed area redevelopment assistance
limit 1. redev project approved by BoD; more than temporary alleviation of unemployment. asss assurance of repayment; not more than 10 % of cost, or more than \$50,000
interest at least 4 %; Total fund under \$2,000,000
commis of rev may invest surplus; repayment to gen'l fund.

FUNDS

Abandoned Motor Vehicle Fund 28.11.110
w/ Public Safety
consists of \$ from sale of abandoned
M.V.

proceeds to dept & municip for
services rendered

Vocational Rehabilitation Small Business
Enterprise Revolving Fund

23.15.130 created in Treasury, admin by director
of voc. rehab
consists of ~~net~~ net proceeds from
vending facilities in public bldgs
used to aid licensees in operating
vending machine facilities

23.30.040 Second Injury Fund
admin by comm of labor
employer pays 8% of comp if employee
is perm partial disable
(unless \$200,000 in fund)
if death, employer pays \$10,000

26.15.010 AK WW II Veterans Act
admin Commerce
loans 1) personal for educ, domestic, remote area
family housing, other personal - \$10,000
secured; under 8%
2) farm & home loans under \$55,000 to
purchase, remodel, repair, build, furnish, refinance
or equip homes or farms - Not to
exceed 90% of appraised value. Interest
not to exceed Fed Vets Admin loan
3) business not to exceed \$100,000
to finance or refinance business, incl ^{mining} fishing
not farming. Applicant ~~must~~ have 3yrs experience.

not exceed
75% of
security. Interest
EVA

Vets

4) Mult dwelling not exceed \$80,000
75% appraised. Rate FVA
No loans if available from private at
comparable rate.
No indiv (mult loans) over \$100,000
\$1,200,000 approp to fund
Elig: 90 day service in US armed forces
1917-1918, 1940 - Vietnam
Res before service

10.10.010 Business & Industrial Development Corp Act?

14.40.280 Special Trust Fund in Revenue for
gifts to Univ

14.40.751 Scholarship ~~to~~ Revolving Fund
for scholarship loans. ~~Fee~~ Repayments go
to new loans. {tuition grant fund surplus
goes to scholarship loan fund}
Admin by AK Comm on Postsecondary Education
Loans not to exceed \$2,500 / year undergrad
\$5,000 / year grad
loan: full student, in good standing
not more than 6 years
accredited univ. No security
5% interest
Repayment starts in 1 year; 6 years
to pay (+ 5 if nec)
Portion in grant: 2-3 yr res 10%
3-4 20
4-5 30
5- 40
student: resident, enrolled; financial need.

14.40.870

Memorial Scholarship Rev Loan Fund

to pay tribute to great Alaskans

- 1) Michael Murphy - ~~law enforcement~~ ~~corrections~~ ~~entertainment~~
- 2) Carroll "Butch" Swartz - ~~engineering~~ ^{crim justice}
- 3) Harvey Golub - engineering
- 4) Robert L Thomas - educ/public admin

Loan to 2500, 5,000 under/grad

Non interest bearing. $\frac{1}{5}$ forgiveness
if career in related field.

funded by voluntary contrib by state
empl (from annual leave)
+ private sources

18.55.56

Housing

44.19

Disaster Relief

FUNDS

- ~~(H&C) Child care facility revolving loan fund 44.53~~
- ~~OTG Coastal protection fund~~
- ~~Commercial fishing 16.05.720~~
- ~~Renewable Resources development fund 37.11~~
- ~~Economic disaster impact fund 37.11.100~~
- ~~Housing development revolving loan fund~~
- ~~Abandoned motor vehicle fund 28.11.110~~
- NR Renewable Resources Funds 37.11
- Parkland Outdoor recreational, open space & historic properties development fund 41.22
- ~~Public facility planning fund 35.10.135~~
- ~~Real estate surety fund 44.85~~
- Tourist Tourism Revolving Fund 44.70
- ~~Relief small business enterprises revolving fund 25.15.70~~
- Water Resources revolving loan fund 45.86
- ~~Second Injury fund 23.30.000~~
- ~~Area Development Revolving fund 41.30.055~~
- ~~Buildings **Repealed** 8.60.070~~
- ~~Pioneers Homes Trust Funds 47.060~~
- ~~Disaster Relief Fund yes → 44.19 ✓~~
- ~~Employment Security Admin. fund~~
- Alaska state housing authority, revolving fund 18.53 ✓
- Housing development Fund 18.56 ✓
- ~~Hinterland bridge authority 44.57.190~~
- Agricultural pest & disease control fund 0.15 Agriculture
- Mineral Resources Revolving fund 27.07 = 41.05 = Loans & Advances
- Small Business Revolving loan fund 45.95
- ~~Historic WWII veterans revolving fund 24.15~~
- Commercial fishing loans 16.10
- State Development Corp 44.59
- Industrial Development Authority 44.61

~~Airports loans 02.15~~



Water supply & sewerage 46.03

~~Scholarship loans 14.40~~



Small loans 06.20

Small Business Dev't Corp 44.60

~~State Dev't Corp 10.10.20~~



Agricultural Revolving loan fund 03.10

AK Power Authority

Rev
Munic Bond bank Authority

Comm
Small Bus Dev't Authority
AK Industrial Dev't Authority
State Dev't Corp

Highways
AK Toll Bridge Authority

More to come long term portfolio in Ak & out
small business short-term

Retirement
gen'l
permanent

RESULTS OF CHAMBER QUESTIONNAIRE

- 1) Do you own or manage or have you owned or managed a business in Alaska?
99 respondents own or have owned or managed businesses in Alaska
2 respondents do not own or manage Alaska businesses
- 2) Of those respondents who answered "yes" to Question 1, the breakdown of business follows:
17 retail
39 services
3 lumber
4 wholesale trade
3 manufacturing
10 construction
10 transportation
3 fishing and/or processing
1 agricultural products
7 banks
2 other
- 3) Of those respondents answering "no" to Question 1:
2 have not considered entering business
- 4) Have you ever applied for a bank loan for home construction or small business?
84 Yes
17 No
- 5) If you answered "yes" to Question 4, was the loan denied or granted?
78 Granted
6 Denied for the following reasons
2 inadequate security
1 long term loans not available
2 other

Results of Chamber Questionnaire
Page 2

- 6) Was bank consideration of your application satisfactory or unsatisfactory?

77 respondents felt bank consideration was satisfactory

7 respondents felt bank consideration was unsatisfactory

Additional comments on bank service:

7 very satisfactory

1 satisfactory

3 terms too short

4 appraisals too conservative

1 no established credit

3 other

- 7) Have you ever attempted to get business loans from sources other than commercial banks?

39 respondents have attempted to get business loans from other sources

62 respondents have not sought loans outside banking institutions

The following lenders were commonly approached:

2 no response

16 state loan

8 federal loan

3 credit union

3 friends or family

7 other

- 8) Do you think small business credit is adequately available to Alaska businesses?

51 respondents thought credit adequately available

41 respondents do not believe credit adequately available

Additional comments:

3 inadequate in rural areas

5 available credit is short term only

Results of Chamber Questionnaire

Page 3

8) continued

4 not enough competition among banks

8 Alaska banks unable to finance many projects

19 other

9) Which types of credit do you think are insufficiently available?

33 no response

22 housing

46 venture

23 expansion

16 research

27 development

2 other

10) With which of the following state loan programs are you familiar?

28 no response

49 veterans

48 small business

6 child care

14 agriculture

17 Alaska State Development Corporation

7 senior citizen housing

18 Small Business Development Corporation

18 commercial fishing

6 water resources

36 tourism

6 fisheries enhancement

23 Alaska Housing Finance Corporation

18 student financial aid

11) Additional comments on state loan programs offered by respondents

34 no comment

14 adequate

5 excessive red tape

7 inadequate funding

11 inadequate servicing

3 inadequate programs

8 inadequate limits

5 more responsive to venture and development loans

10 inadequate other

12) With which of the federal loan programs are you familiar?

30 no response

43 housing loans

10 agricultural loans

1 natural resources loans

6 environmental quality loans

50 business loans

31 disaster loans

6 employment training loans

4 other

13) Respondents comments on impressions of the federal loan programs.

43 no comment

13 adequate

22 excessive red tape

1 inadequate funding

7 inadequate services

3 inadequate programs

2 inadequate limits

14) Respondents gave the following percentile (averaged) recommendations for investment of Permanent Fund capital:

- 43.0% high grade stocks, bonds, and federal paper
- 9.0% new loan programs
- 12.5% housing loans
- 11.0% expand existing state loans
- 10.5% community development
- 8.0% technological development loans (energy - methods of construction)
- 6.0% other

The following comments were returned regarding Permanent Fund investment alternatives:

- 81 no further response
- 7 loans based on competent management
- 8 state development is first priority
- 2 investments must be insulated from political considerations
- 1 loans funded from income or profit of Permanent Fund investments
- 2 invest in large corporations operating in Alaska

TOTAL NUMBER OF RESPONDENTS: 101

Federal Loan Programs

Veterans -

No direct loans since 1972.

98% loans within 50 miles Anchorage, Fairbanks, Juneau

G.I. loans made: to buy, build, improve home/mobile home/condominium
to refinance existing home loan

Interest rate: 8.5% (varies, but this is present figure)

Terms: Up to 30 years and 32 days under law-(20 yrs and 32 days for mobile homes)

Amount: No max amount, however, cannot exceed the sales price or appraised value

Guaranteed loans: 1974 1975 1976

(not inc, mobile homes)

1,014 - \$46,255,970 850 - \$43,939,221 892 - \$51,730,575

Farmers Home Administration (most loans are guaranteed or insured loans)

1976 212,103

Rural Housing

Interest Rate: none given

Max Term: 3 yrs

Amount: 100% of FmHA appraised value of site (improvement/construction)

Security: mortgage on site

No. 255 Amt. \$10,520,000

Rental Housing

Interest Rate: none given

Max Term: 50 yrs. senior citizen
40 yrs other

Amount: 100% development costs to non-profit organization or state/public agency
95% other

Security: Generally 1st mortgage No. 3 Amt. \$ 3,448,000 (105 units)

Industrial & Business Guarantees

Interest Rate: consistent with market rate

Max Term:

Amount: up to 90% lenders loss

Security: No. 1 Amt. \$ 792,000

Community Water & Sewer/Community Facilities - public entities/ nonprofit corp.

Interest Rate; 5%

Max Term: 40 yrs

Amount:

Security: bonds or notes pledging taxes, assessments, or revenues
mortgage when state law permits

	No.	Amt.
Water & Sewer	5	\$1,208,000
Facilities	1	400,000

Development Grants

No. 2 Amt. \$135,000

Youth Loans (to rural youth for establishing and operating income producing projects that will provide, practical business experience)

No. 1 Amt. \$ 400.

Federal Loan Programs

Bureau of Indian Affairs

Indian Business Development Program (Grants)
Max Grant: \$50,000

Loan Guaranty Program

Interest Rate: determined by Secretary of the Treasurer
Max Term: 30 yrs
Amount: 90% of unpaid principal and interest, not to exceed \$100,000.
Security: Appropriate

Indian Revolving Loan Fund - Direct Loans to organizations and individuals

Interest Rate: determined by Secretary of the Treasurer
Max Term: 30 yrs
Amount: not given
Security: Appropriate

Small Business Administration

SBA administers 19 different type of loans but due to sporadic funding they are not all active at any given time - most are generally inactive. Following is a list of the types of loans possible under SBA.

Loan Guarantees

Interest Rate: presently 9.5%
Max Term:
Amount: 90% guaranteed with max of \$350,000 (\$500,000 under special conditions
Security:

Business Loans

Generally, as with all SBA loans, attempt to get bank participation and will guarantee up to 90% of loan. If lending institution cannot provide any funds, SBA will consider lending entire amount if funds are available for business construction, expansion or conversion; purchase of machinery, equipment, facilities, supplies or materials; working capital.

Direct and Immediate Participation Loans

SBA can make a direct loan up to \$100,000. In participating loans, SBA's share carries interest of 5.5%. SBA's share in participation loans cannot exceed \$150,000 at this time.

Pool Loans

Loans to corporations formed and capitalized by groups of small business companies for purchasing raw materials, equipment, inventory or supplies to use in individual businesses. Also loans may be made to obtain the benefits of research & development or to develop facilities of same.

Interest Rate: 5%
Max Term: 10 yrs (construction loans may have max maturity of 20 yrs)
Amount: \$250,000 for each pool member (may participate with bank for same)

Economic Opportunity Loans

Made to disadvantaged business person with capability and desire to own their own business.

Federal Loan Programs

Small Business Administration

Economic Opportunity Loans (continued)

This program provides financial and managerial assistance.

Interest Rate; not given

Max Term: 15 yrs

Amount: \$50,000

Security: money or assets invested in business

Handicapped Assistance Loans

2 types: Hal-1 and Hal-2

Hal-1 to nonprofit organizations employing handicapped individuals

Interest Rate: 3%

Max Term:

Amount:

Hal-2 to small business concerns owned or to be owned by handicapped individuals

Interest Rate: 3%

Max Term:

Amount:

Development Company Loans

2 types of loans: State Development Companies and Local Development Companies

State Development Companies - authorized by State Legislature to assist the growth and development of business concerns, including small businesses in its area.

Interest Rate: variable

Max Term: 20 years

Amount: equal to total outstanding borrowing from all other sources

Local Development Companies - local citizens who have joined together forming LDC to assist in economic growth of community by promoting and assisting the development of small business concerns in the area.

Interest Rate:

Max Term: long term, not specified

Amount: \$350,000 for each identifiable small business to be assisted for as long as 25 years

Participation: with banks, insurance companies, pension fund groups, other agencies, State authorities, commissions and others, when making loans to LDC's.

Disaster Loans

Variety of types as follows:

Physical Damage Loans - loans with bank or on its own

Interest Rate: lower than banks in bank participation loan.

Max Term: 30 yrs

Amount: \$ 50,000 for homes

10,000 for furniture and fixtures

55,000 repair or replacement of homes and household goods

Economic Injury Loans - to small businesses hit by major or natural disasters

Interest Rate: determined by Secretary of Treasury

Max Term:

Amount:

Federal Loan Programs

Small Business Administration

Disaster Loans (continued)

Product Disasters - to small firms suffering injury because products is diseased, etc. from either natural or undetermined causes.

Interest Rate: determined by Secretary of Treasury

Max Term:

Amount:

Displaced Business Loans - eligible for SBA loans to relocate or re-establish

Interest Rate: established yearly according to statutory formula

Max Term:

Amount:

Consumer Protection Loans - firm must make changes to meet requirements of new Act.

Interest Rate:

Max Term:

Amount:

Occupational Safety and Health - small firms changing to meet Federal standards of same

Interest Rate:

Max Term:

Amount:

Strategic Arms Economic Injury Loans - loans to firms suffering from reduction of federal support

Base Closing Economic Injury Loans - due to closing of military installation

Interest Rate: established annually

Max Term: 30 years

Amount: \$500,000

Regulatory Disaster Loans - requirements imposed by any Federal Law

Interest Rate: established annually

Max Term: 30 years

Amount: \$500,000

SBA keeps no records of amounts of money dispensed by loan type, year, or area. The over-all figures for Alaska are:

No. 2,656 Total Outstanding Principal Balances of \$141.7 million

Name/Type	Amount	Int. Rate	Terms	General Information
Veterans Loans GI-homes/condo's Mobile homes	no max amount \$ 27,500	8.5% 8.5%	30yr/32dys 20 yrs	No direct loans since 1972. 98% loans within Fbks, Anch, Jun. Int. rate variable-current one cited
Farmers Home Admin. Rural housing Rental housing Ind. & Bus. Guarantee Comm. water & sewer, comm facilities Youth Loans	100% FHA appraised value of cite *100% dev costs + 95% dev costs 90% lenders loss	# 5%	3 yrs 50yr/sen citizen 40yr/other 40 yrs	Int. rate variable *nonprofit organiz, public agency +other #consistent with market rates °only to public entities/non-profit corporations *to rural youth for establishing and operating income producing projects/business experience
Bureau of Indian Affairs Ind. Bus. Dev. Grant Loan Guaranty Revolving Loan Fund	\$ 50,000 90%;max \$100,000.		30 yrs 30 yrs	Int. rate determined by Sec/Treasury
Small Business Admin. Loan Guarantees Business Loans Direct Loans Participation Loans (w/financial instit.) Pool Loans Economic Opp. Loans Handicapped Assist. Devel. Co. Loans State Dev. Co. Local Dev. Co. Disaster Loans Physical Damage Economic Injury Product Disaster Displaced Business Consumer Protection Occupational Safety Strategic Arms Economic Injury Base Closing Economic Injury Regulatory Disaster	90%;max \$350,000 \$100,000 150,000 \$250,000 per/member 50,000 =to total outstanding borrowings \$350,000 per/business \$ 55,000.	9.5% 5.5% 5% 3%	10-20 yrs 15 yrs 20 yrs 25 yrs 30 yrs	SBA administers 19 different type of loans but due to sporadic funding, they are not all active at any given time - most are generally inactive. Interest rates are variable and determined by the Sec/Treasury. SBA loans frequently given with bank participation. If banks are unwilling to participate, SBA will consider loaning entire amount if funds are available

DIVISION OF BUSINESS LOANS

SMALL BUSINESS REVOLVING LOAN FUND

June 30, 1977

Assets

Cash in Treasury		\$ 152,670
Loans Receivable	\$8,296,811	
Less loans assigned to Treasury Division	<u>(7,781,222)</u>	<u>515,589</u>
		<u>\$ 668,259</u>

Liabilities

Borrower's Tax & Insurance Payable to Treasury Division	\$ 19,775	
Interest	7,633	
Principal	<u>10,274</u>	\$ 37,682
Appropriation		460,000

Retained Earnings:

Interest Income:

Prior years		\$ 67,907	
Total in FY 77	\$516,413		
Trans. to Treas.	<u>(487,189)</u>	<u>29,224</u>	97,131

Service Fees:

Prior Years	42,403		
FY 77	<u>31,043</u>	<u>73,446</u>	\$ 170,577
			<u>\$668,259</u>

DIVISION OF BUSINESS LOANS

COMMERCIAL FISHING REVOLVING LOAN FUND

June 30, 1977

Assets

Cash in Treasury		\$	85,256
Loans Receivable	\$9,313,137		
Less loans assigned to Treasury Division	(8,249,815)		1,063,322
Short Term Notes			<u>14,848</u>
			<u>\$1,163,426</u>

Liabilities

Borrower's Tax & Insurance	\$	394	
Payable to Treasury Division			
Interest		33	
Principal		<u>185</u>	\$ 612
Appropriation			<u>1,000,000</u>

Retained Earnings:

Interest Income:

Prior years		\$ 74,422	
Total in FY 77	\$357,878		
Trans. to Treas.	(305,201)	<u>52,677</u>	127,099

Service Fees:

Prior Years		12,242	
FY 77		<u>23,473</u>	<u>35,715</u>
			<u>162,814</u>
			<u>\$1,163,426</u>

DIVISION OF BUSINESS LOANS

TOURISM REVOLVING LOAN FUND

June 30, 1977

Assets

Cash In Treasury		\$ 274,154
Loans Receivable	\$9,418,375	
Less loans assigned to Treasury Division	(8,457,760)	<u>960,615</u>
		<u>\$1,234,769</u>

Liabilities

Borrower's Tax & Insurance Payable to Treasury Division	\$ 3,026	
Interest	1,053	
Principal	<u>6</u>	\$ 4,085
Appropriation		1,000,000

Retained Earnings:

Interest Income:

Prior years		\$137,102	
Total in FY 77	\$707,738		
Trans. to Treas.	(659,399)	<u>48,339</u>	185,441

Service Fees:

Prior Years		22,296	
FY 77		<u>22,947</u>	<u>45,243</u>
			<u>230,684</u>
			<u>\$1,234,769</u>

LOANS OUTSTANDING

June 30, 1977

	<u>No. of Loans</u>	<u>Original Amount</u>	<u>Outstanding at 6/30/77</u>
Small Business Loans	145	\$10,214,168	\$8,296,189
Commercial Fishing Loans	233	10,743,957	9,313,137
Tourism	24	10,076,750	9,418,375
Child Care	1	10,000	9,691
Fisheries Enhancement	1	1,400,000	1,400,000
Water Resources	1	450,000	450,000
	<u>405</u>	<u>\$32,894,875</u>	<u>\$28,887,392</u>

STATEMENT OF OPERATIONS

(FY 1977)

	<u>Original Balance</u>	<u>Remaining Balance</u>
Appropriation:		
Personal Services	\$283,072	\$17,627
Travel	24,400	7,864
Contractual Services	50,300	4,469
Commodities	4,000	1,618
Equipment	4,800	(845)
Office Rent	20,900	38
TOTAL	<u>\$387,472</u>	<u>\$30,771</u>
RETURN TO GENERAL REVENUE		

DIVISION OF BUSINESS LOANS

OTHER LOAN PROGRAMS

June 30, 1977

CHILD CARE FACILITY LOAN PROGRAM

Assets

Cash in Treasury	\$40,557
Loans Receivable	<u>9,691</u>
	<u>\$50,248</u>

Liabilities

Appropriation	\$50,000
Retained Interest	<u>248</u>
	<u>\$50,248</u>

WATER RESOURCES LOAN PROGRAM

Assets

Cash in Treasury	\$2,050,000
Loans Receivable	<u>450,000</u>
	<u>\$2,500,000</u>

Liabilities

Appropriation	<u>\$2,500,000</u>
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