

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 86/2

2154 FCC SB 666 (FILE 2: NOTEBOOK)

2154

III 32

Original sponsor: Rules/Governor

Offered: 3/17/82
Referred: Finance

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 694 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority; and providing for an effective date."

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

9 * Section 1. AS 39.25.120 is amended by adding a new paragraph to read:
10 (20) employees and agents, other than the executive secretary
11 and legal counsel, of the Alaska Municipal Bond Bank Authority.

12 * Sec. 2. AS 44.85.070 is amended to read:

13 Sec. 44.85.070. STAFF. The bond bank authority shall employ an
14 executive secretary who may with the approval of the bond bank authority
15 select and employ additional staff as necessary. Employees and agents of
16 the bond bank authority other than legal counsel and the executive sec-
17 retary are in the partially exempt [CLASSIFIED] service under AS 39.25.
18 In addition to its staff of regular employees, the bond bank authority
19 may contract for and engage the services of the bond counsel, consul-
20 tants, experts, and financial advisors the bond bank authority considers
21 necessary for the purpose of developing information, or conducting
22 studies, investigations, hearings or other proceedings.

23 * Sec. 3. AS 44.85.100(b) is amended to read:

24 (b) The bond bank authority shall include in the report required
25 by (a) of this section an estimate of the amount of revenue bonds of the
26 bond bank authority to be issued during the fiscal year following the
27 fiscal year in which the report is submitted [12-MONTH PERIOD]. The bond
28 bank authority may not issue revenue bonds, other than refunding bonds,
29 in excess of \$50,000,000 during any 12-month period beginning after

1 June 30, 1981, unless the legislature, by law, approves the estimate
2 required by this subsection for that 12-month period.

3 * Sec. 4. AS 44.85 is amended by adding a new section to read:

4 Sec. 44.85.165. MUNICIPAL BOND BANK REVOLVING LOAN FUND ESTAB-
5 LISHED. There is established in the Department of Revenue a municipal
6 bond bank revolving loan fund. The municipal bond bank revolving loan
7 fund consists of money appropriated to it by the legislature. Principal
8 payments on a loan made under this section shall be returned to the bond
9 bank revolving loan fund. Interest payments on a loan made under this
10 section shall be transferred to the general fund as provided by AS 37.-
11 10.050 - 37.10.060. The bond bank authority may make loans to munici-
12 palities from the municipal bond bank revolving loan fund. A loan made
13 under this section

14 (1) may be used only for

15 (A) expenditures authorized to be paid from revenues of
16 a municipal bond issue if the bonds have been authorized as re-
17 quired by law but have not been sold;

18 (B) expenditures authorized under a grant from the state
19 or federal government made after the grant is authorized but before
20 it is received; or

21 (C) expenditures authorized by a municipal governing
22 body in anticipation of tax revenues expected to be received during
23 the period of the loan;

24 (2) shall be for a period of one year or less;

25 (3) may not exceed an amount that, when added to the bor-
26 rower's outstanding aggregate municipal bond bank revolving loan fund
27 balance, totals \$1,000,000; and

28 (4) shall bear interest at a rate that is approved by the
29 bond bank authority by resolution and that is not less than the market

1 rate the authority would have to pay at the time of the loan for notes
2 issued for a similar purpose.

3 * Sec. 5. AS 44.85.180(c) is amended to read:

4 (c) Notwithstanding the provisions of (a) and (b) of this section,
5 the total amount of bond bank authority bonds and notes outstanding at
6 any one time, except bonds or notes issued to fund or refund bonds or
7 notes, may not exceed \$200,000,000 [\$150,000,000].

8 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
9 070(c).

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III #45

Offered: 4/19/82
Referred: Rules

Original sponsor: Kerttula by request

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 697 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Resources Corporation
7 in place of the Alaska Renewable Resources Corporation
8 (AS 37.12); and providing for an effective date."

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

10 * Section 1. AS 37.12.010 is amended to read:

11 Sec. 37.12.010. ALASKA [RENEWABLE] RESOURCES CORPORATION CREATED.
12 There is created the Alaska [RENEWABLE] Resources Corporation to carry
13 out the purposes of this chapter. The corporation is a public corpora-
14 tion of the state and an instrumentality of the state within the Depart-
15 ment of Commerce and Economic Development [REVENUE], but has a legal
16 existence independent of and separate from the state. The exercise by
17 the corporation of the powers conferred by this chapter ; considered an
18 essential function of the state.

19 * Sec. 2. AS 37.12.015 is repealed and reenacted to read:

20 Sec. 37.12.015. PURPOSES. The purposes of the corporation are to
21 (1) facilitate the rehabilitation, enhancement, and development
22 of the state's resources so as to strengthen and diversify the state
23 economy;

24 (2) provide development capital for the establishment and
25 expansion of small enterprises in resource industries in the state in
26 ways that enhance private capital investment; and

27 (3) strengthen and diversify the state's economy by the
28 establishment and expansion of small enterprises that are self-supporting
29 and that may

1 (A) develop underutilized state resources and reduce the
2 state's dependence on oil and gas;

3 (B) reduce the seasonality of employment in the state;

4 (C) offer employment opportunities for unemployed state
5 residents;

6 (D) provide additional tax revenues to the state govern-
7 ment and to local governments;

8 (E) increase exports from the state or reduce imports
9 into the state; or

10 (F) provide new products or services not previously
11 available in the state.

12 * Sec. 3. AS 37.12 is amended by adding a new section to read:

13 Sec. 37.12.022. DEVELOPMENT CAPITAL FUND. The development capital
14 fund is established in the corporation, consisting of money or assets
15 appropriated or transferred to the corporation, and payments of princi-
16 pal and interest on loans and equity investments made by the corporation.
17 The fund shall be used to finance projects that qualify for assistance
18 under this chapter, and to pay the operating expenses of the corporation.
19 If money remains in the development fund after financing projects that
20 qualify for assistance under this chapter and after paying the operating
21 expenses of the corporation, the money shall be invested by the corpora-
22 tion under AS 37.10.070(a).

23 * Sec. 4. AS 37.12.025 is amended to read:

24 Sec. 37.12.025. BOARD OF DIRECTORS [TRUSTEES]. A board of direc-
25 tors [TRUSTEES] of the corporation is established as its governing body.

26 * Sec. 5. AS 37.12.030 is repealed and reenacted to read:

27 Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board
28 consists of four members with business, lending, or investment experience
29 appointed by the governor and the commissioner of commerce and economic

1 development or his designee. The board shall annually elect a chairman
2 from among its members.

3 * Sec. 6. AS 37.12.035 is amended to read:

4 Sec. 37.12.035. TERM OF OFFICE. The members of the board [OF
5 TRUSTEES] shall be appointed for terms of four years, and they may be
6 reappointed. Terms of members appointed by the governor shall be stag-
7 gered. The governor shall immediately appoint a member to fill a vacancy
8 in the membership of the board for the unexpired term [THE INITIAL TERMS
9 SHALL BE ONE MEMBER SERVING FOR TWO YEARS, ONE MEMBER SERVING FOR THREE
10 YEARS, AND ONE MEMBER SERVING FOR FOUR YEARS].

11 * Sec. 7. AS 37.12.050 is amended to read:

12 Sec. 37.12.050. QUORUM AND TRANSACTION OF BUSINESS. (a) Three
13 [TWO] members of the board constitute a quorum for the transaction of
14 business and the exercise of the powers and duties of the board.

15 (b) The board may meet and transact business by electronic media
16 if (1) public notice of the time and locations where the meeting will
17 be held by electronic media has been given in the same manner as if the
18 meeting were held in a single location; (2) participants and members
19 of the public in attendance can hear and have the same right to partici-
20 rate in the meeting as if the meeting were conducted in person; and (3)
21 copies of pertinent reference materials, statutes, regulations, and
22 audio-visual materials are reasonably available to participants and to
23 the public. A meeting by electronic media as provided in this subsec-
24 tion has the same legal effect as a meeting in person.

25 * Sec. 8. AS 37.12.055 is repealed and reenacted to read:

26 Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the
27 board receive \$200 for each day spent on official business of the corpora-
28 tion, and are entitled to per diem and travel expenses authorized by
29 law for state boards and commissions under AS 39.20.180.

1 * Sec. 9. AS 37.12.060 is repealed and reenacted to read:

2 Sec. 37.12.060. EXECUTIVE DIRECTOR; STAFF. (a) The board shall
3 employ an executive director to administer the corporation in accordance
4 with this chapter, and to perform other duties that the board may pre-
5 scribe. The executive director serves at the pleasure of the board and
6 may not be a member of the board. The board determines the salary of
7 the executive director.

8 (b) The executive director may, with the approval of the board,
9 select and employ staff. The executive director and staff are in the
10 exempt service under AS 39.25.

11 * Sec. 10. AS 37.12.065(a) is amended to read:

12 (a) Members of the board [OF TRUSTEES] are subject to the pro-
13 visions of AS 39.50.

14 * Sec. 11. AS 37.12.070(11) is repealed and reenacted to read:

15 (11) invest in projects that are economically viable and are
16 or are expected to become income-producing by buying stock or other
17 equity, by purchasing secured and unsecured debt of any priority, and
18 debt with flexible repayment schedules and royalty and profit sharing
19 agreements, but investments may not be made at below market rates;

20 * Sec. 12. AS 37.12.075 is repealed and reenacted to read:

21 Sec. 37.12.075. DUTIES. In carrying out the purposes of this
22 chapter the board shall

23 (1) provide financial assistance for resource projects that
24 the board finds will accomplish the purposes of the corporation as set
25 out in AS 37.12.015;

26 (2) keep minutes of each meeting of the board and send a
27 certified copy of the minutes to the governor and the Legislative Budget
28 and Audit Committee;

29 (3) annually prepare long-range operating and financial plans

1 and the budget for the next fiscal year;

2 (4) monitor approved projects for compliance with this chapter
3 and provide operational and performance evaluations of projects receiving
4 financial assistance;

5 (5) before an investment is made in a resource project by the
6 corporation, prepare written findings on the project that include a
7 consideration of the expectation of return from the project and the risk
8 involved in undertaking the project.

9 * Sec. 13. AS 37.12.080(a)(2) is amended to read:

10 (2) use the financial mechanism most appropriate to the
11 conditions of the applicant and the proposed resource project and which
12 will most effectively utilize the funds available; [GRANTS MAY BE MADE
13 BY THE BOARD OF UP TO 90 PERCENT OF THE TOTAL PROJECT COSTS FOR THE
14 FOLLOWING PURPOSES:

15 (A) PROJECTS FOR THE APPLIED RESEARCH AND DEVELOPMENT OF
16 PRODUCTS, TECHNOLOGIES, OR INNOVATIONS FOR THE REHABILITATION,
17 ENHANCEMENT, OR DEVELOPMENT OF THE STATE'S RENEWABLE RESOURCES;

18 (B) PROJECTS FOR THE DEMONSTRATION, ON A ONE-TIME BASIS,
19 OF THE ECONOMIC OR TECHNICAL FEASIBILITY OF A NEW PRODUCT, MARKET,
20 OR TECHNOLOGY INVOLVING A RENEWABLE RESOURCE; OR

21 (C) PROJECTS FOR THE REHABILITATION, ENHANCEMENT, OR
22 DEVELOPMENT OF A COMMON-PROPERTY RESOURCE WHERE THE BENEFITS FROM
23 THE PROJECT CANNOT BE CAPTURED BY ANY SINGLE ECONOMIC UNIT;]

24 * Sec. 14. AS 37.12.080(a) is amended by adding a new paragraph to read:

25 (5) require that if the corporation makes an equity invest-
26 ment it agrees to start divesting itself of the shares held within 10
27 years or before the end of the term of the loan, whichever occurs first.

28 * Sec. 15. AS 37.12.080(b)(1) is amended to read:

29 (1) invest or otherwise provide assistance of more than five

1 percent of the resources of the corporation or \$500,000 [\$1,500,000],
2 whichever is less, in a single project or applicant [UNLESS THE LEGISLA-
3 TURE HAS APPROVED THE INVESTMENT BY CONCURRENT RESOLUTION];

4 * Sec. 16. AS 37.12.080(b)(2) is repealed and reenacted to read:

5 (2) invest in or finance

6 (A) more than 49 percent of the combined equity and debt
7 obligation of an applicant;

8 (B) more than 49 percent of the voting shares of a re-
9 source project; or

10 (C) more than 70 percent of the cost of a resource
11 project;

12 * Sec. 17. AS 37.12.080(b)(3) is amended to read:

13 (3) make a loan for a period in excess of 30 years [UNLESS
14 THE LEGISLATURE HAS APPROVED THE LOAN BY CONCURRENT RESOLUTION];

15 * Sec. 18. AS 37.12.080(b)(5) is amended to read:

16 (5) provide funds to any state agency [UNLESS THAT EXPENDI-
17 TURE IS INCLUDED IN THE CORPORATION'S ANNUAL BUDGET];

18 * Sec. 19. AS 37.12.080(b)(6) is amended to read:

19 (6) make [ALLOCATE TO] grants [MORE THAN 10 PERCENT OF THE
20 ANNUAL APPROPRIATION OF THE CORPORATION].

21 * Sec. 20. AS 37.12.080(b) is amended by adding a new paragraph to read:

22 (7) make loans to provide short-term working capital.

23 * Sec. 21. AS 37.12.090 is repealed and reenacted to read:

24 Sec. 37.12.090. REPORTS AND PUBLICATIONS. (a) The corporation
25 shall publish an annual report by January 10 of each year for distribu-
26 tion to the governor, the legislature, and the public. The report shall
27 be written in easily understandable language, shall consider the assigned
28 duties of the corporation, and shall include

29 (1) a financial statement audited by an independent outside

1 auditor;

2 (2) a statement of the corporation's investments under this
3 chapter including an appraisal of the investments at market value;

4 (3) a description of corporation investment activity during
5 the period covered by the report;

6 (4) a comparison of the corporation's performance with the
7 goals of the corporation;

8 (5) an overall financial plan describing the anticipated risk
9 and return on investment in the different categories of investment
10 undertaken;

11 (6) a summary of employment provided and of wages and state
12 and local taxes paid by resource projects invested in or assisted by the
13 corporation; and

14 (7) any other information the members of the board believe
15 would be of interest to the governor, the legislature, and the public.

16 (b) The annual income statement and balance sheet of the corp ora-
17 tion shall be published in at least one newspaper in each judicial
18 district.

19 (c) The corporation may publish other relevant reports.

20 * Sec. 22. AS 37.12.095 is repealed and reenacted to read:

21 Sec. 37.12.095. OPERATING BUDGET. The operating budget of the
22 corporation is subject to the Executive Budget Act (AS 37.07).

23 * Sec. 23. AS 37.12.125(2) is amended to read:

24 (2) "board" means the Board of Directors [TRUSTEES] of the
25 Alaska [RENEWABLE] Resources Corporation;

26 * Sec. 24. AS 37.12.125(3) is amended to read:

27 (3) "corporation" means the Alaska [RENEWABLE] Resources
28 Corporation;

29 * Sec. 25. AS 37.12.125(4) is amended to read:

1 (4) "project" means products, markets, innovation, or tech-
2 nological developments for the rehabilitation, enhancement, or develop-
3 ment of [RENEWABLE] resources and includes applied research for those
4 products, markets, or technological developments;

5 * Sec. 26. AS 37.12.125(5) is repealed and reenacted to read:

6 (5) "rehabilitation, enhancement and development" means an
7 activity that leads to an increase in the quality or productivity of a
8 resource, and to an increase in the benefits derived from the resource
9 for citizens of the state;

10 * Sec. 27. AS 37.12.125(6) is repealed and reenacted to read:

11 (6) "resource" includes, but is not limited to fisheries,
12 agriculture, forest products, renewable energy, tourism, mining, basic
13 manufacturing and other industrial development; "resource" does not
14 include real estate development or retail sales or services.

15 * Sec. 28. AS 37.12.125 is amended by adding a new paragraph to read:

16 (7) "small enterprise" means a business enterprise with gross
17 sales revenue of \$10,000,000 or less for its annual reporting period
18 ending immediately before an application to the corporation for financial
19 assistance; a new business enterprise that has not completed an annual
20 reporting period before an application but that anticipates sales revenue
21 of \$10,000,000 or less in its first annual reporting period is a "small
22 enterprise".

23 * Sec. 29. AS 24.20.201(a)(9) is amended to read:

24 (9) hold public hearings on the confirmation of the members
25 of the Board of Trustees of the Alaska Permanent Fund Corporation [, AND
26 THE MEMBERS OF THE BOARD OF TRUSTEES OF THE ALASKA RENEWABLE RESOURCES
27 CORPORATION];

28 * Sec. 30. AS 24.20.206(1) is amended to read:

29 (1) report to the legislature its recommendations relating to

1 the confirmation of appointees to the Board of Trustees of the Alaska
2 Permanent Fund Corporation [AND THE BOARD OF TRUSTEES OF THE ALASKA
3 RENEWABLE RESOURCES CORPORATION];

4 * Sec. 31. AS 44.66.010(a)(7) is amended to read:

5 (7) Alaska [RENEWABLE] Resources Corporation (AS 37.12.010) --
6 June 30, 1992 [1982];

7 * Sec. 32. AS 46.12.120(4) is amended to read:

8 (4) in developing its programs, consult with the Alaska
9 Council on Science and Technology, the Alaska Power Authority, the
10 Alaska [RENEWABLE] Resources Corporation, the division of energy and
11 power development of the Department of Commerce and Economic Develop-
12 ment, the Department of Natural Resources, and the University of Alaska;
13 the board shall meet with responsible officials and representatives of
14 these organizations and agencies at least twice each year;

15 * Sec. 33. The following laws are repealed: AS 37.12.020, 37.12.040,
16 37.12.070(12), and (14), 37.12.080(a)(1)(D), (a)(1)(G) and (a)(3), 37.12.-
17 085(2), and 37.12.115.

18 * Sec. 34. The initial terms of members of the Board of Directors of the
19 Alaska Resources Corporation appointed by the governor under AS 37.12.030 as
20 amended in sec. 3 of this Act shall be one member serving one year, one
21 member serving two years, one member serving three years, and one member
22 serving four years. Initial members of the Board of Directors of the Alaska
23 Resources Corporation shall be appointed within 30 days from the effective
24 date of this Act. The Board of Trustees of the Alaska Renewable Resources
25 Corporation serves as an interim Board of Directors of the Alaska Resources
26 Corporation until the initial Board of Directors of the Alaska Resources
27 Corporation is appointed by the governor. The Board of Trustees of the
28 Alaska Renewable Resources Corporation is dissolved on appointment of the
29 initial Board of Directors of the Alaska Resources Corporation.

1 * Sec. 35. The Alaska Renewable Resources Corporation is dissolved on the
2 effective date of this Act.

3 * Sec. 36. All appropriations, records, equipment, and other assets,
4 liabilities, and obligations of the Alaska Renewable Resources Corporation
5 are transferred to the Alaska Resources Corporation on the effective date of
6 this Act.

7 * Sec. 37. Employees of the Alaska Renewable Resources Corporation become
8 employees of the Alaska Resources Corporation on the effective date of this
9 Act.

10 * Sec. 38. The limitation on financial assistance in AS 37.12.080(b)(1)
11 and (2) as amended in secs. 15 and 16 of this Act applies to financial assis-
12 tance provided or commitments made under AS 37.12 after the effective date of
13 this Act.

14 * Sec. 39. This Act takes effect immediately in accordance with AS 01.10.-
15 070(c).

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III #45

LEGISLATIVE SUMMARY

Senator Arliss Sturgulewski

CSSB 697 "An Act establishing the Alaska Resources Corporation in place (Finance) of the Alaska Renewable Resources Corporation (AS 37.12)"

- Sec. 1 Changes the name by deleting the word renewable. Moves the Corporation from the Department of Revenue to Commerce and Economic Development.
- Sec. 2 Purposes are to facilitate the rehabilitation, enhancement and development of the state's resources to strengthen the state's economy.
- Sec. 3 A capital fund is established, consisting of transfers and appropriations and payments on loans. The fund will pay ARC operating expenses, will finance new projects and can be invested.
- Sec. 4 Changes from a board of trustees to a board of directors.
- Sec. 5 Board of directors will consist of 4 members with business or investment experience appointed by the governor, as well as the Commissioner of Commerce and Economic Development. The board annually elects a chair.
- Sec. 6 Terms of the board members shall be for 4 years with the terms staggered. Adds language that the governor shall appoint a member to fill unexpired terms. Deletes the language of one member serves 2 years, one member serves 3 years, and one member serves 4 years.
- Sec. 7 Changes the quorum from 2 members to 3 and allows for electronic meetings.
- Sec. 8 Members receive no salary but they are entitled to per diem and travel expenses and \$200 per business day honorarium.
- Sec. 9 The board shall employ an executive director who may, with board approval, have additional staff. All are in the exempt service.
- Sec. 10 Deletes the words "of trustees."
- Sec. 11 The board shall invest in economically viable projects by equity or debt investments at market rates.
- Sec. 12 Duties: financial assistance for projects that will accomplish the purposes of the Corporation; promote the use of state's resources in the state and development of import substitution and export markets; prepare long range operating

and financial plans and a budget; monitor projects and provide operational and performance evaluations; and evaluate individual projects.

- Sec. 13 Deletes the words "renewable resource." Deletes the provisions that: grants may be made for up to 90% of the projects costs for the purposes of: (1) applied research and development of products, technologies, for the rehabilitation, enhancement, or development of renewable resources; (2) demonstration, one-time basis, economic or technical feasibility of new products, market, or technology involving renewable resources; or (3) rehabilitation, enhancement, or development of a common-property resource where the benefit from the project cannot be captured by any single economic unit.
- Sec. 14 Adds a new section requiring the Corporation to begin divesting equity investments with 10 years or the term of the loan, whichever occurs first.
- Sec. 15 The board may not invest in one project more than 5% of the Corporation's assets or \$500,000 whichever is less.
- Sec. 16 The board may not invest in more than 49% of the combined equity and debt of an applicant and may not own more than 49% of the voting shares and may not finance more than 70% of the cost of the project.
- Sec. 17 Loans may not exceed 30 years.
- Sec. 18 Funds may not be provided to state agencies.
- Sec. 19 No grants can be made.
- Sec. 20 No loans can be made for short term working capital.
- Sec. 21 Specifies reports and publications required of the board: financial statements, investment appraisal, performance report, overall financial plan. Annual income statement and balance sheet shall be published in at least one newspaper in each judicial district.
- Sec. 22 The operating budget of the Corporation is subject to the Executive Budget Act.
- Sec. 23 Changes the definition of board by deleting the word "trustees" and replacing it with "directors."
- Sec. 24 Deleting the word "renewable."
- Sec. 25 Changes the definition of project by deleting the word "renewable."

- Sec. 26 Defines "rehabilitation, enhancement and development."
- Sec. 27 Changes the definition of "resource" by deleting the word "renewable." With a new definition of resource as including but not limited to fisheries, agriculture, forest products, renewable energy, tourism and mining, but excluding real estate, retail sales or services.
- Sec. 28 "Small enterprise" is defined as a business with actual or anticipated gross sales revenues of \$10 million or less.
- Sec. 29 Deletes the provision that the Legislative Budget and Audit Committee hold confirmation hearings on the members.
- Sec. 30 Deletes the provision that the Legislative Budget and Audit Committee make recommendations regarding the confirmation of the appointees to the board.
- Sec. 31 Deletes the word "renewable" from the name of the Corporation.
- Sec. 32 Deletes "renewable" from the Corporation name.
- Sec. 33 Repeals 37.12.020 allocating 5% of mineral sales, leases and bonuses to the Corporation and requiring 50% of receipts be deposited in the renewable resource investment fund.

Repeals 37.12.040 Removal and vacancies. The governor may remove a member with the consent of a majority of the legislature in joint session. Provisions of time and when the legislature is not in session. A vacancy does not impair a quorum.

Repeals 37.12.070(12) Powers of the board: provide grants for projects having broad public application which do not have direct income-producing potential.

Repeals 37.12.070(14) Powers of the board: deposit or invest surplus funds through Treasury Division.

Repeals 37.12.080(a)(1)(D) Specifying a minimum time of project in Alaska (instead, all projects are required to have an Alaskan site).

Repeals 37.12.080(a)(1)(G) Requiring the board to resolve resource use conflicts.

Repeals 37.12.080(a)(3) Requiring consideration of local preferences and priorities.

Repeals 37.12.085(2) Eligibility for financial assistance: state residency for 3 years or majority Alaskan ownership.

Repeals 37.12.115 Provision of technical assistance, including preinvestment advances.

- Sec. 34 Initial terms of the board shall be one member serving 1 year, one member serving 2 years, one member serving 3 years and one member serving 4 years. The board shall be appointed within 30 days. Trustees serve as an interim board until appointees serve.
- Sec. 35 Terminates the present Alaska Renewable Resources Corporation on the effective date of this Act.
- Sec. 36 Transfers all records, appropriations, equipment and other assets or liabilities to the Alaska Resources Corporation on the effective date.
- Sec. 37 Employees are transferred on the effective date.
- Sec. 38 Limitations on financial assistance applies only to commitments made after the effective date of the Act. [This provides the new Corporation with the ability to handle the on-going needs and assistance requirements of the existing portfolio.]
- Sec. 39 Immediate effective date.

Amendment III 52
by the Conference Committee on HCSSB f 66(Fin) am H
Adopted May 10, 1982

Passed
5/10

Page 4, line 17:

After "seasons" insert "or for adverse market conditions for Alaskan products"

Page 17, after line 21:

Insert a new section to read:

* Sec. . AS 44.81.210(a)(3) is amended to read:

(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons, or for adverse market conditions for Alaskan products;

* Add a new section to AS 44.47.420(b):

(3) by delivering to the director a copy of a letter of intent signed by an authorized representative of the Department of Natural Resources which shows that the title to a homesite will be transferred from the State to the borrower if the borrower fulfills the requirements of AS 38.08.060.

* Amend AS 44.47.430 (b) to read:

(b) The director may withdraw money from the restricted title loss reserve account in an amount equal to the loss to the division on a nonconforming housing mortgage loan originated or purchased in whole or in part by the division if marketable title to the real property used to secure the loan was shown in accordance with AS 44.47.420(b 2 or (b) (3) . Money withdrawn from the restricted title loss reserve account under this section shall be deposited in the nonconforming housing loan fund.

Failed

Amendment #53 (B)
by the Conference Committee on HCSSB 666(Fin) am H
Adopted May 10, 1982

Page 15, after line 16, insert the following:

"(4) originate a direct loan for nonconforming or rural housing or purchase or participate in the purchase of a nonconforming or rural housing mortgage loan, other than a loan for the repair, remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower has an outstanding housing loan made under a state loan program that bears interest at a rate that was less than the prevailing market interest rate for similar housing loans at the time the loan was made."

Page 17, after line 5, insert the following:

"(c) The principal amount of loans made for non-owner occupied housing under this section may not exceed 20 percent of the total principal amount of loans made for nonconforming and rural housing under AS 44.47.360 - 44.47.560."

Page 17, line 6:

Delete "(c)" and insert "(d)"

Page 17, line 12, delete "." and insert the following:

"; the director may modify this definition if the director determines that there is a special need for non-owner occupied housing and that a

change in the definition is necessary to enable the division to meet that need."

~~ITEM (2)~~
III 54

PROPOSED AMENDMENT TO SMALL BUSINESS LOAN ACT

Sec. AS 45.95.020 (a) is amended to read:

AS 45.95.020. SMALL BUSINESS LOANS. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire real or tangible personal property and provide working capital for [FINANCE OR REFINANCE OR EQUIP] businesses with 10 or fewer employees, excluding [INCLUDING] farming, mining and fishing, not exceeding \$100,000 [\$500,000]. The loans shall be secured by acceptable collateral and may not exceed 75 percent of the fair market value [APPRAISED] value of the collateral offered as security. The rate of interest may not exceed twelve and one-half [nine and one-half] percent a year on the unpaid balance. For the purposes of this subsection, business equipment includes [A] but is not limited to, [FARMING EQUIPMENT AND] fire protection systems approved under AS 18.70.081.

Sec. AS 45.95.020 (c) is repealed.

Effect of amendments. — The 1979 amendment in subsection (b), substituted "commissioner of commerce and economic development" for "commissioner of commerce" and "Department of Commerce and Economic Development" for "Department of Commerce" in the first sentence and "may purchase" for "shall purchase" in the second sentence.

The 1980 amendment repealed

subsection (b), which read: "The commissioner of commerce and economic development may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce and Economic Development as security for loans made under this chapter. The Department of Revenue may purchase the mortgages and notes offered."

Chapter 95. Small Business Loans.

Section

- 10. Powers and duties of Department of Commerce and Economic Development in general
- 20. Small business loans
- 30. Sale or transfer of preferred commercial paper
- 40. Sale or transfer of mortgages and notes

Section

- 50. Power of commissioner to assign and sell mortgages
- 60. Creation of fund
- 70. Eligibility for loans
- 80. Definitions

Sec. 45.95.010. Powers and duties of Department of Commerce and Economic Development in general. (a) The Department of Commerce and Economic Development shall formulate general policies and adopt regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

(c) The department shall

(1) cooperate with the state and its political subdivisions and agencies;

(2) adopt regulations necessary for the conduct of its business and for carrying out the provisions of this chapter, and make necessary regulations to maintain such standards;

(3) require bonds and undertakings from persons employed by it as shall in its judgment be necessary, and pay the premiums on them;

(4) establish such regional and local offices and such advisory groups as may be necessary or considered expedient to carry out or assist in carrying out its duties and authority. (§ 8 ch 109 SLA 1971; am § 109 ch 218 SLA 1976)

Effect of amendment. — The 1976 amendment substituted "Department of Commerce and Economic Development" for "Department of Commerce" in subsection (a).

Sec. 45.95.020. Small business loans. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire, finance or refinance or equip businesses, including farming, mining and fishing, not exceeding \$500,000. The loans shall be secured by acceptable collateral and may not exceed 75 percent of

the appraised value of the collateral offered as security. The rate of interest may not exceed nine and one-half percent a year on the unpaid balance. For the purposes of this subsection business equipment includes a but is not limited to, farming equipment and fire protection systems approved under AS 18.70.081.

(b) Repealed by § 14 ch 122 SLA 1980.

(c) No loans authorized by this section may be made unless the commissioner is satisfied that no money is available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section.

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the small business revolving loan fund. Each voucher shall be approved by the commissioner or any bonded deputy authorized to act as a certifying officer. Upon repayment of loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business revolving loan fund.

(e) The commissioner may not disqualify an applicant for, or prejudice an applicant's privilege to receive, a loan to purchase and install a fire protection system solely because of a loan already made to the applicant under this chapter. (§ 8 ch 109 SLA 1971; am § 1 ch 103 SLA 1974; am § 110 ch 218 SLA 1976; am § 6 ch 139 SLA 1977; am § 25 ch 72 SLA 1979; am §§ 6, 7 ch 45 SLA 1980; am § 14 ch 122 SLA 1980)

Effect of amendments. — The 1976 amendment deleted "of commerce" following "commissioner" in the first sentence of subsection (a), in the first and third sentences of former subsection (b), in subsection (c), and in the second sentence of subsection (d).

The 1977 amendment substituted "\$300,000" for "\$100,000" at the end of the first sentence of subsection (a).

The 1979 amendment, in subsection (a), substituted "\$500,000" for "\$300,000" at the end of the first sentence and "nine and one-half per cent" for "eight per cent" in the third sentence.

The first 1980 amendment added fire protection systems approved under AS 18.70.081 to subsection (a) of AS 45.95.020 to insure that such systems were eligible for loans under AS 45.95. As enacted, that amendment inserted "fire protection systems approved under AS 18.70.081" preceding "mining and fishing" in the first

sentence of subsection (a). The section has been rearranged by the revisor of statutes pursuant to AS 01.05.031 in the interest of clarity.

The second 1980 amendment repealed subsection (b), which read: "The commissioner may enter into agreements with private banks, other lending institutions and individuals for the purpose of guaranteeing loans made to qualified applicants. The guarantees may not exceed 90 per cent of the amount loaned and the loans shall be secured in the same manner provided for direct loans under this section. A loan made under this subsection and guaranteed by the commissioner and the state shall bear an interest rate not exceeding eight per cent a year on the unpaid balance."

Editor's note. — Section 1, ch. 139, SLA 1977, provides: "INTENT. It is the intent of the legislature to foster an awareness of the need to preserve our

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
HOUSING ASSISTANCE DIVISION

HCSSB 666 (Fin) am H
April 21, 1982

This review of the above referenced bill reflects the comments of Department of Community and Regional Affairs on those portions of the legislation affecting this department. The items referenced are based on the agenda #1 of the FCC for Tuesday, April 20.

Question 3. Shall the Housing Development Revolving Loan Fund and the Senior Citizen Housing Development Fund be combined and made a grant program.

Response:

AS 18.54

#3) Legislature should repeal AS 18.54.020, 030, 040 and 060. AS 18.54.050 should be incorporated into AS 18.54.070 and transferred to Title 44 to conform with other Statutes of the Department and Division of Housing Assistance. AS 18.54.070 should also be amended to make the program a grant program. DCRA concurs that an amendment as described in SB 311 successfully accomplishes the repeal of the referenced statutes, and reiterates its position that the appropriate sections be transferred to Title 44 for conformity with other statutes affecting the department's division of housing assistance.

Question 5: Shall the interest rate on loans made by Native Regional Housing Authorities be modified?

Response: #5) The department concurs with the action of the FCC of 4/20 which set the interest rate on these loans at a fixed amount of 10 1/2% for rural loans, and 12 3/8 for urban/suburban loans.

Question 19: Shall the interest rate for rural housing loans be set at AHFC ratchet rate?

Response: #19) The department advocates that rural housing loans services be consistent and supports the interest rate amounts discussed in question 5 above.

C&RA
provided by
MEEKINS

Question 20: Shall the language in Sections 31-35 of the bill be modified to truly accomplish the transfer of the rural housing programs from AHFC to the Department of Community and Regional Affairs?

Response:

#20) Language in sections 31-35 of the bill appear to accomplish the entire transfer except for one item. The department proposes the following amendment

Amend AS 44.47.410(b) and (c).

(b) the Director may execute services agreements with private lending institutions or regional native housing authorities established pursuant to AS 18.55.996 to service loans originated by the Division or loans originated pursuant to AS 18.55.997.

(c) Under the servicing agreement, the private financial institution or regional native housing authority shall administer the loan and may charge the division a negotiated origination or servicing fee on the division's share of the loan. When appropriate, the private financial institution or regional native housing authority shall administer the loan and may charge the borrower a reasonable originator fee not to exceed one percent.

These amendments to AS 44.47.410(b) and (c) are necessary to allow regional housing authorities to participate in the rural program as envisioned in the amendments contained in Section 15 of SB 666.

Question 21: Shall language in Section 39 of the bill relating to non-owner occupied housing be modified?

Response:

#21) The concern here is that the AHFC Non-Owner occupied program being transferred to HAD under this bill may duplicate the AIDA multi-family program enacted in Section

41 of SB 666. This will not be the case since the HAD program is limited to rural areas of the State as defined in Section 40 of the bill. Another concern is that the Non-Owner Occupied program is limited by SB 666 to no more than 8 units per program, may not be non-conforming and can never be occupied by the owner. All of these conditions should be flexible in the rural areas. It is suggested that a new sentence be added on page 17 after line 12 to read:

"The director may modify portions of this definition upon demonstration of special need for non-owner occupied housing."

Some examples of flexible needs would be teacher housing units or small planned unit developments.

Question 22: Shall language in Section 49 of the bill relating to effective dates be modified?

Response:

#22) Section 49 should be modified to agree with whatever decision is reached on the interest rate question. (See question #5.)

Question 23: Shall Regional Housing Authorities perform the loan function for rural housing in places where the Department of Community and Regional Affairs have no loan offices?

Response:

#23) The Regional Housing Authorities currently perform the loan function for the AHFC rural program. If that program is transferred to HAD, there is a question as to whether or not they should continue to perform that function if a HAD loan office is in the same region. The department proposes that in those regions where a HAD field office exists, there is no need for a regional housing authority to participate in the program.

Question 30: Shall the temperate social activities revolving loan fund (AS 47.320-50) be repealed?

Response: #30) The temperate social activities revolving loan fund was created by the Legislature in 1978. It has never been funded and there have been no requests for funding to date.

Thank you for this opportunity to comment.

BACKGROUND



ALASKA STATE LEGISLATURE
SENATE BANKING COMMITTEE
POUGH V, JUNEAU 99811

Analysis of House CS for Senate Bill No. 666 (Finance) am H: the Loans Bill

- Sections 1-7: Alaska Agricultural Loan Act
- Sections 8-14: Commercial Fishing Loan Act
- Section 15: Regional Native Housing Authorities
- Sections 16-25: Alaska Housing Finance Corporation
- Section 26: Mining Loan Fund
- Section 27: Historical Districts
- Section 28: Child Care Facility Revolving Loan Fund
- Sections 29-40: Division of Housing Assistance
- Section 41: Alaska Industrial Development Authority
- Sections 42-45: Alternative Technology and Energy Revolving Loan Fund
- Section 46: Residential Energy Conservation Fund
- Section 47: Historical District Revolving Loan Fund
- Section 48: Repealers
- Sections 49-50: Effective Dates

Sections 1-7: Amend the Alaska Agricultural Loan Act to: (1) allow loans to be made for the purpose of clearing land; (2) provide that short-term loans for the purpose of farm product processing may be made for \$500,000 or less; (3) adjust the delinquency penalties and schedule; (4) increase the maximum principal amount that can be lent without board approval; and (5) provide that board meetings are exempt from certain public meeting requirements.

Sections 8-14: Substantially rewrite the Commercial Fishing Loan Act to (1) establish different loan terms for borrowing for different purposes; (2) provide for outreach in rural areas; (3) decrease loan amounts; (4) increase interest rates; (5) disallow loans for the purpose of refinancing; (6) increase loan-to-value for certain loans for the purchase of entry permits; and (7) provide for guarantors.

Section 15: Amends statutes relating to Regional Native Housing Authorities to (1) acknowledge the transfer of the rural programs from AHFC to the Division of Housing Assistance and (2) redefine "rural".

Sections 16-25: Amend AHFC statutes to (1) allow for international borrowing; (2) provide for the financing of triplexes and four-plexes; (3) specify the interest rate for these loans; (4) provide for the issuance of bonds for housing for qualified veterans under the Ullman Bill provisions; (5) skirt the usury law; (6) provide for interest rate commitments at certain fees; and (7) provide for cooperation with the State Bond Committee in the issuance of vets bonds secured with the State's General Obligation.

Section 26: Amends language in the Mining Loan Fund to specify that it is a revolving fund.

Section 27: Amends historical districts law to provide that a municipality may have more than one historical district.

Section 28: Increases the maximum term for loans made under the Child Care Facility Revolving Loan Fund.

Sections 29-40: Amend statutes relating to the Division of Housing Assistance to: (1) provide for the transfer of the rural programs from AHFC; and (2) redefine the meaning of "rural".

Section 41: Amends AIDA legislation to allow the corporation to purchase loans made for the construction of multi-family housing at certain terms and with a certain interest rate.

Sections 42-45: Amend the Alternative Technology and Energy Revolving Loan Fund to: (1) increase the maximum loan amounts; (2) increase the interest rate for loans of a certain type and size; and (3) disallow loans for the purchase of wood stoves.

Section 46: Waives the audit requirement under the Residential Energy Conservation Fund.

Section 47: Increase maximum loan amounts for loans made under the Historical District Revolving Loan Fund.

Section 48: Repeals laws in the Alaska Agricultural Loan Act and the Commercial Fishing Loan Act.

Sections 49-50: Provide for the effective dates for certain parts of the legislation dealing with the Division of Housing Assistance, and an immediate effective date for everything else.

AGRICULTURE

A. S. 3. 10

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MEMORANDUM

State of Alaska

TO: The Honorable Russ Meekins
Chairman
Sub-committee on Loan Funds

DATE: March 4, 1982

FILE NO:

TELEPHONE NO:

FROM: John W. *Jack* Katz
Commissioner
Department of Natural Resources

SUBJECT: ARLF

I have attached our recommendations for certain statutory changes with respect to the Agricultural Revolving Loan Fund as requested by the Sub-committee in the February 17 hearing.

I have also attached the status information on the ARLF requested by the Committee.

If you have any questions, please do not hesitate to call.

Attachments

Proposed Amendments for Ag Revolving Loan Fund Act:

Section 03.10.020 is amended to read:

The department may (1) make loans to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders, for clearing land for agricultural purposes, for development of farms, storage and processing of farm produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;

Section 03.10.030(a) and (b) are repealed and reenacted to read:

Section 03.10.030. Limitation on Loans. (a) Farm development, chattel and irrigation loans may be for terms as determined by the commissioner, except that the total of these loans may not exceed \$1,000,000 per borrower. The mortgage which secures the farm development loan may be of any priority if the total indebtedness on real estate, including the secured farm development loan, does not exceed \$500,000. A loan, whether farm development, chattel or irrigation, which, if granted, would raise the existing indebtedness on the real estate above \$500,000 or a loan on real estate which has a prior existing indebtedness of \$500,000 or more, may be made only if all prior mortgages agree to subordinate their mortgages to that of the State for the amount of the loans which exceed the \$500,000 indebtedness limit on the real estate. All farm development, chattel and irrigation loans shall be secured by a real estate or chattel mortgage, or both.

(Three options for AS 03.10.030(b) are listed on page 3.)

Section 03.10.030(c) is amended to read:

(c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes, except that the limit for short term processing loans may not exceed \$500,000.

Section 03.10.030(d) is repealed and reenacted to read:

(d) A clearing loan may not exceed \$400,000 per farm, nor bear interest exceeding 8%, nor run longer than 30 years.

Section 03.10.030(e) is amended to read:

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th [15th] day after the date specified for payment in the loan agreement

or unless it is received by the department on or before the 30th [15th] day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may [SHALL] assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven per cent of the delinquent payment, but in no case will the combined delinquency and loan interest exceed 15%.

Section 03.10.050 is amended to read:

Administration of fund. (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$50,000 [\$25,000] may be made by the commissioner without the approval of a majority of the board.

A new sub-section is added to AS 44.62.310 to read:

(6) meetings of loan boards to act on applications for loans.

Options for AS 03.10.030 (b)

Options 1 and 2 propose formula approaches to an escalated interest rate. In a competitive situation, either of these options may jeopardize established enterprises by providing lower interest rates only to new borrowers.

Option 1

(b) Farm development, chattel or irrigation loans may not run longer than 30 years, nor bear an initial interest rate of less than 6%. The Department shall, by regulation, adopt a schedule of escalating interest rates for borrowers, to result in a gradual increase in the interest rate for new loans to old borrowers, until that rate reaches the commercially available rate.

Option 2

(b) Farm development, chattel or irrigation loans may not run longer than 30 years. A sliding interest scale for loans shall be as follows:

For new borrowers and those having borrowed for less than 5 years from the ARLF the interest shall be 6%. For each year exceeding 5 years, the interest rate for new loans shall increase by 1% per year. For the purposes of this section, all borrowers are considered new borrowers at the time of adoption of this section.

Option 3

Option 3 authorizes the flexibility to escalate interest rates on any loan over the period of the loan or on subsequent loans by a former borrower. This option establishes the objectives for an escalated interest rate and places the responsibility on the department to impose interest rates within the parameters of those objectives.

(b) Farm development, chattel or irrigation loans may not run longer than 30 years, nor bear an interest rate of less than 8% or to exceed the commercial rate [10%].

The director shall establish interest rates by regulation which

- encourage agricultural development;
- discourage continued dependency of non-viable agricultural enterprises on artificially low interest rates; and
- do not disadvantage incumbent enterprises.

The Department recommends Option 3.

ARLF Status Sheet

Losses since 1954 = 202,271.33 or .006 of Total

Attached sheet lists, as of January 31, 1982, loans made and delinquencies. The delinquency rate shown is computed on the actual dollar amount of the loan delinquent over 15 days.

If the active delinquency rate is computed by considering the entire loan delinquent if any portion of a payment is delinquent, the following rates are obtained:

	Amount Delinquent	% of area	% of Total
Matanuska area	686,570	7.15	2.36
Delta area	2,490,839	15.44	8.58
Tanana area	175,055	13.33	.60
Kenai area	98,273	5.12	.33
Other areas	- 0 -	- 0 -	- 0 -
Totals	3,420,741		11.78
Total litigation	1,017,163		<u>1.81</u>
			13.59

BREAKDOWN OF LOANS MADE

	<u># of Loans</u>	<u># of Borrowers</u>	<u>\$ Value this category</u>
0 - \$ 20,000	217	89	\$ 805,949
20 - 50,000	152	45	1,151,835
50 - 100,000	97	31	1,735,462
100 - 250,000	51	34	4,052,316
250 - 500,000	21	24	10,295,068
+ 500,000	5	16	10,998,386

AREA/LOANS	%	FUNDS LOANED	LOAN BALANCE	ACCRUED INTEREST	DELINQUENCIES - OVER 15 DAYS		
					AMOUNT	% OF AREA	% OF TOTAL
//							
SKA AREA							
ve -		74 Borrowers, 151 Loans	9,597,287.77	140,790.73	106,682.65	1.08	.35
ation -		8 Borrowers, 11 Loans	308,476.15	32,609.81	101,352.72	1.02	.35
Totals		82 Borrowers, 162 Loans	9,905,763.92	173,400.54	208,035.37	2.10	.69
AREA							
ve -		70 Borrowers, 220 Loans	15,622,545.38	747,206.09	1,310,918.35	8.31	4.36
ation -		5 Borrowers, 8 Loans	150,282.00	18,438.13	73,155.23	.46	.24
Totals		75 Borrowers, 228 Loans	15,772,827.38	765,644.22	1,384,073.58	8.77	4.60
AREA							
ve -		32 Borrowers, 61 Loans	1,313,680.57	28,263.06	69,545.99	4.67	.23
ation -		2 Borrowers, 8 Loans	174,651.35	7,277.58	69,627.85	4.68	.23
Totals		34 Borrowers, 69 Loans	1,488,331.92	35,540.64	139,173.84	9.35	.46
AREA							
ve -		32 Borrowers, 49 Loans	1,919,279.74	22,938.42	39,637.18	2.02	.13
ation -		1 Borrower, 3 Loans	46,678.10	4,562.61	31,433.03	1.60	.10
Totals		33 Borrowers, 52 Loans	1,965,957.84	27,501.03	71,070.21	3.62	.23
REAS							
ve -		12 Borrowers, 20 Loans	586,223.05	6,338.30	.00	.00	.00
ation -		1 Borrower, 6 Loans	337,075.44	70,252.25	270,856.38	29.34	.90
Totals		13 Borrowers, 26 Loans	923,298.49	76,590.55	270,856.38	29.34	.90
ALAS							
ve -		*218 Borrowers, 501 Loans	29,039,016.51	945,536.60	1,526,784.17	5.07	
ation -		17 Borrowers, 36 Loans	1,017,163.04	133,140.38	546,425.21	1.81	
Totals		235 Borrowers, 537 Loans	30,056,179.55	1,078,676.98	2,073,209.38	16.88	

* Borrowers have loans in another area

AREA/LOANS	% OF FUNDS LOANED	LOAN BALANCE	ACCRUED INTEREST	DELINQUENCIES - OVER 70 DAYS	
				AMOUNT	% OF AREA % 0
//					
SKA AREA					
ve - 74 Borrowers, 151 Loans		9,597,287.77	140,790.73	106,682.65	1.08
gation - 8 Borrowers, 11 Loans		308,476.15	32,609.81	101,352.72	1.02
Totals 82 Borrowers, 162 Loans	32.96	9,905,763.92	173,400.54	208,035.37	2.10
AREA					
ve - 70 Borrowers, 220 Loans		15,622,545.38	747,206.09	1,310,918.35	8.31
gation - 5 Borrowers, 8 Loans		150,282.00	18,438.13	73,155.23	.46
Totals 75 Borrowers, 228 Loans	52.48	15,772,827.38	765,644.22	1,384,073.58	8.77
AREA					
ve - 32 Borrowers, 61 Loans		1,313,680.57	28,263.06	69,545.99	4.67
gation - 2 Borrowers, 8 Loans		174,651.35	7,277.58	69,627.85	4.68
Totals 34 Borrowers, 69 Loans	4.95	1,488,331.92	35,540.64	139,173.84	9.35
AREA					
ve - 32 Borrowers, 49 Loans		1,919,279.74	22,938.42	39,637.18	2.02
gation - 1 Borrower, 3 Loans		46,678.10	4,562.61	31,433.03	1.60
Totals 33 Borrowers, 52 Loans	6.54	1,965,957.84	27,501.03	71,070.21	3.62
AREAS					
ve - 12 Borrowers, 20 Loans		586,223.05	6,338.30	.00	.00
gation - 1 Borrower, 6 Loans		337,075.44	70,252.25	270,856.38	29.34
Totals 13 Borrowers, 26 Loans	3.07	923,298.49	76,590.55	270,856.38	29.34
ve - *218 Borrowers, 501 Loans		29,039,016.51	945,536.60	1,526,784.17	5.
gation - 17 Borrowers, 36 Loans		1,017,163.04	133,140.38	546,425.21	1.
TOTALS 235 Borrowers, 537 Loans	100.00	30,056,179.55	1,078,676.98	2,073,209.38	16.

* Borrowers have loans in another area

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DIVISION OF BUSINESS LOANS

Loan Type	Maximum Loan	Interest Rate	Maximum Term
Commercial Fishing	\$ 500,000	9.5%	15 years
Fisheries Enhancement	6,000,000	9.5%	30 years
Child Care Facilities	50,000	7.0%	10 years
Residential Care Facilities	20,000	7.0%	10 years
Alternative Technology	10,000	9.5%	20 years
Alternative Energy Systems	10,000	9.0%	20 years
Residential Energy Conservation	5,000	9.0%	10 years
Bulk Fuel	50,000	Changes	1 year
Mining	5,000,000	10.0%	15 years
Fishermen's Mortgage and Note	100,000	10.5%	15 years
Historical District	100,000	7.5%	30 years

Note: Small Business and Tourism loans are now handled by the Alaska Industrial Development Authority (AIDA) and Commercial Fishing loans by the Alaska Commercial Fishing and Agriculture Bank (CFAB) and AIDA.

USES OF LOANS:

Commercial Fishing To purchase limited entry permits. (Loans for the purchase of vessels and gear are handled by AIDA and CFAB.)

Eligibility: Five year State resident, one year fishing experience.

Fisheries Enhancement To plan, construct and operate hatchery facilities. (If request is for more than \$1,000,000, the applicant must be a qualified regional association.)

Eligibility: Qualified regional associations or private nonprofit corporations approved by a regional association.

Child Care Facilities To construct, renovate, or equip child care facilities in order to obtain or renew a license for the facility.

Eligibility: The applicant submits to the department a plan for the use of the loan funds which is approved by the commissioner.

Residential Care Facilities To construct, renovate or equip residential care facilities in order to obtain a license. (A residential care facility is a foster home, group home or institution which provides 24-hour nonmedical care for dependent adults.)

Eligibility: Residential care facility which can be licensed when the improvements made with the loan funds are completed.

Alternative Technology
and Energy Systems

To develop means of energy production utilizing energy sources other than fossil or nuclear fuel; the purchase, construction and installation of an alternate energy system which is likely to result in energy conservation or energy cost savings; the development and implementation of methods of waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, less costly, and less energy intensive than methods presently utilized.

Eligibility: Project must be in Alaska.

Residential Energy
Conservation

To purchase, construct, and install energy conservation improvements in residential buildings.

Eligibility: Project approved by certified energy auditor.

Bulk Fuel

To assist communities in purchasing bulk fuel.

Eligibility: Organized municipality or unincorporated village with a population under 2,000, or individual endorsed by the municipality.

Mining

To underwrite advanced mineral exploration, development or mining in Alaska.

Eligibility: Resident individuals, corporations, and partnerships which have five years' mining or prospecting experience in Alaska.

Fishermen's Mortgage
and Note

To purchase from private financial institutions mortgages and notes made to repair, restore or upgrade existing vessels and gear, purchase entry permits and gear, construct or purchase a vessel.

Eligibility: State resident for five years, not eligible for any other state or federal loan program for same purpose, has no occupational opportunities other than commercial fishing and is economically dependent on commercial fishing.

Historical District

For the restoration, improvement, rehabilitation or maintenance of a historical structure.

Eligibility: Structure must be within a historical district established by the Historic Sites Advisory Committee.

STATISTICS ON COMMERCE LOAN PROGRAMS

	Small Business	Commercial Fish	Tourism	Child Care	Fish Enhancement	Water Resource	Historical District	Alternative Energy	Residential Energy	Mining	Bulk Fuel	Fish Mortgage & Note	TOTAL**
Total No. Loans Committed FY '72-82	1,342	1,978	59	15	51	5	8	1,080	457	21	17	5	5,038
Total Dollar Amount Committed FY '72-82	202,325,306	114,046,668	29,874,673	253,167	14,502,562	2,500,000	417,750	4,814,346	1,717,036	14,839,284	606,000	236,527	386,133,319
Total No. Loans Committed FY '81	302	435	4	1	22	-0-	-0-	442	158	15	1	-0-	1,380
Total Dollar Amount Committed FY '81	46,961,591	21,205,619	4,318,825	9,000	4,733,474	-0-	-0-	2,243,251	601,884	9,935,281	50,000	-0-	90,058,928
Total No. Loans Committed FY '82	-0-	97	-0-	3	9	-0-	2	637	299	6	16	5	1,074
Total Dollar Amount Committed FY '82	-0-	4,812,366	-0-	110,167	2,783,730	-0-	125,000	2,570,814	1,126,879	4,904,000	556,000	236,527	17,225,483
FY '82 Appropriation**	-0-	4,500,000	-0-	180,000	8,000,000	-0-	200,000	*4,250,000	*4,250,000	30,000,000	1,000,000	1,800,000	54,180,000
Disbursements (No. of Loans)*** Through 1/31/82	-0-	97	-0-	3	8	-0-	2	651	310	6	16	5	1,098
Disbursements (Dollars) Through 1/31/82	-0-	4,686,082	-0-	110,167	2,783,730	-0-	125,000	2,552,696	1,115,877	4,939,000	539,386	236,527	17,088,465
Appropriations Not Disbursed Available for Loans FY '82	-0-	-0-	-0-	69,833	5,216,270	-0-	75,000	1,697,304	3,134,123	25,061,000	460,614	1,563,473	37,277,617
Total No. Outstanding Loans	661	1,557	18	8	36	1	4	920	394	9	-0-	-0-	3,608
Total Dollar Amount Loans Outstanding	74,310,000	78,380,000	4,400,000	90,000	14,040,000	910,000	260,000	3,935,000	1,419,000	8,560,000	-0-	-0-	186,304,000
No. of Applications Received FY '82	7	177	1	3	10	-0-	2	704	324	12	12	17	1,269

* An additional 2,500,000 was appropriated for the energy programs in rural areas.

** 120,000 was appropriated to the residential care program. No applications have ever been received.

*** This figure includes loans closed, loans in the process of closing and partial disbursements on construction loans.

The FY '81 appropriation to the Division of Business Loans was \$93,900,000. This amount was allocated between the programs to meet the demand for loans in specific areas.

DIVISION OF VETERANS' AFFAIRS
MONTHLY ACTIVITY REPORT

MONTH ENDING January, 1982

12/31/81

	Beginning Balance		Payoffs		Net Adjustments		Transfers/Deletes		Principal Payments	Plus New Loans		Ending Balance	
	No.	Amount	No.	Amount			No.	Amount				No.	Amount
Veterans'	167	6,941,251.71	1	98.50	-	3.87		-105,636.89	17,792.46	(1)	65,500.00	167	6,883,219.99
Treasury	2502	109,057,102.84	18	315,069.47	+	1,713.66		- 53,500.00	401,463.20		-0-	2484	108,288,783.83
AHFC	2146	114,084,082.91	8	378,982.76		-142,895.31		+ 68,863.20	95,996.38		-0-	2138	113,535,071.66
Total	4815	230,082,437.46	27	694,150.73		-141,185.52		- 90,273.69	515,252.04	(1)	65,500.00	4788	228,707,075.48

INCOME SUMMARY

Alaska Housing Finance Corp.

Department of Revenue

TOTAL INCOME TO VETERANS' FUND

1. Interest	619,620.38	610,301.33 -
Less Service Fee	<u>41,333.24</u>	<u>40,772.85</u>
Total Interest	578,287.14	569,528.48
2. Principal Payments	95,996.38	401,463.20
Payoffs	<u>378,982.76</u>	<u>315,069.47</u>
Net Adjustments	<u>142,895.31</u>	<u>1,713.66</u>
Total Principal	617,874.45	718,246.33
	<u>1,196,161.59</u>	<u>1,287,774.81</u>

1. Interest - V.A.	37,068.48
Service Fee - Treas.	<u>41,333.24</u>
Service Fee - AHFC	<u>40,772.85</u>
2. Principal Payments	17,792.46
Payoffs	98.50
Net Adjustments	3.87
Late Charges	<u>10,524.02</u>
Total Principal	147,593.42

LITIGATION

	Beginning Balance		New Accounts		Less Repossessed/ Judgement		Plus Debits	Less Credits	Taken out of Fore- closure/Repossessed		Ending Balance	
	No.	Amount	No.	Amount	No.	Amount			No.	Amount	No.	Amount
Foreclosure												
Non-F/C												
Active	21	1,085,242.18	5	278,682.23			1,489.83	4,395.16	2	76,400.05	24	1,284,619.03
Total												

Judgement	3	93,533.90				275.00			3	93,808.90
Repossessed	6	593,058.61				4,060.21	1,450.00		6	595,668.82

Assumptions	Approved	Disapproved	Extensions	Approved	Disapproved
Beginning	140	1	Beginning	46	14
This Month	<u>7</u>	<u>0</u>	This Month	<u>0</u>	<u>0</u>
Ending	<u>147</u>	<u>1</u>	Ending	<u>46</u>	<u>14</u>

JV assumptions: 52-220-4936-6 Fischback \$63,815.64 53-210-1213-3 Simmons \$64,294.80

ALLOCATION OF PRINCIPAL AND INTEREST BY LOAN FUND

Fund Title		Statutes	Position
Small Business	Int	AS 45.95.020(d) states payments are to be deposited in the Small Business Revolving Loan Fund	Loan Fund
	Prin		Loan Fund
Commercial Fishing	Int	No specific language, however, AS 16.10.339 refers to the "Commercial Fishing Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Tourism	Int	No specific language, however AS 45.90.010 creates the "Tourism Revolving Fund"	Loan Fund
	Prin		Loan Fund
Historical District	Int	No specific language, however, AS 45.98.010 creates a "Historical District Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Alternative Technology	Int	Principal & interest to go to fund per AS 45.88.030(d). Sec. AS 45.88.010 title refers to termination of fund on 6/30/84	Loan Fund
	Prin		Loan Fund
Child Care	Int	Principal and interest to go to fund per AS 44.33.255(c).	Loan Fund
	Prin		Loan Fund
Residential Care	Int	Principal and interest to go to fund per AS 44.33.350(d).	Loan Fund
	Prin		Loan Fund
Water Resources	Int	No specific language, however, AS 45.86.010 creates the "Water Resources Revolving Loan Fund."*	Loan Fund
	Prin		Loan Fund
Mining	Int	Principal and interest to go to general fund per AS 27.09.040(e).	Gen. Fund
	Prin		Gen. Fund
Bulk Fuel	Int	Interest not specifically mentioned AS 45.87.020(c) states repayments of principal to "Bulk Fuel Revolving Loan Fund."	Gen. Fund
	Prin		Loan Fund
Residential Energy	Int	AS 45.89.040(h) "amounts repaid shall be deposited to the "Residential Energy Conservation Fund."	Unclear
	Prin		Loan Fund
Fisherman's Mortgage & Note	Int	Not specifically addressed in the statutes.	Pending
	Prin		Pending
Fisheries Enhancement	Int	No specific language, however, AS 16.10.505 creates a revolving fund known as the Fisheries Enhancement Revolving Loan Fund.	Loan Fund
	Prin		Loan Fund
WWII Veterans	Int	AS 26.15.040 states payments of principal and interest go to the "WWII Fund."	Loan Fund
	Prin		Loan Fund

*All but one loan was forgiven by the Legislature in 1981 as a grant.

ALLOCATION OF PRINCIPAL AND INTEREST BY LOAN FUND

Fund Title		Statutes	Position
Small Business	Int	AS 45.95.020(d) states payments are to be deposited in the Small Business Revolving Loan Fund	Loan Fund
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	Prin		Loan Fund
Tourism	Int	No specific language, however AS 45.90.010 creates the "Tourism Revolving Fund"	Loan Fund
	Prin		Loan Fund
Historical District	Int	No specific language, however, AS 45.98.010 creates a "Historical District Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Alternative Technology	Int	Principal & interest to go to fund per AS 45.88.030(d). Sec. AS 45.88.010 title refers to termination of fund on 6/30/84	Loan Fund
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	Prin		Loan Fund
Mining	Int	Principal and interest to go to general fund per AS 27.09.040(e).	Gen. Fund
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Residential Energy	Int	AS 45.89.040(h) "amounts repaid shall be deposited to the "Residential Energy Conservation Fund."	Unclear
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	Prin		Loan Fund
WWII Veterans	Int	AS 26.15.040 states payments of principal and interest go to the "WWII Fund."	Loan Fund
	Prin		Loan Fund

*All but one loan was forgiven by the Legislature in 1981 as a grant.

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

The Division of Business Loans
A Draft Discussion Paper Prepared June 23, 1981

Section I: Introduction

The purpose of this paper is to describe the loan programs that are part of the Division of Business Loans. The Division has undergone significant changes recently. Prior to FY 81, loans were made under prepurchase agreements with the Department of Revenue. Since then, direct appropriations are made to the Division. More importantly, the lending responsibility in some areas (small business, tourism, and commercial fishing) is being ended as of July 1, 1981. Lending in those areas will be part of AIDA. Thus, the Division will look quite different in the future from the way it looked in the past. To a large extent, it will be a source for lending for social purposes, such as child and residential care, and historical districts. But, in the last ten years, the Division has loaned \$345.5 million to 3,255 borrowers.

The second section is a description of the loan programs. Table I summarizes the loans that have been available and the current terms of the loans. Table II shows the loans made in each program from its inception through February 28, 1981. The table also shows the appropriation for FY 81 and the estimate for FY 82. A casual glance at this table shows the dramatic change that will take place in the Division when the lending authority changes in July. Following these tables, there is a written description of each of the loan programs. The description covers the purpose of the loans, terms, and eligibility requirements.

Section III contains an analysis of the employment impact and financial return to the State with a focus on small business loans. It is seen that a lack of data places a severe limitation on any serious evaluation of the programs. Further, there is a pressing need to get the Division to set long-term objectives and to show how their activity meets those objectives. Otherwise, one is left to conclude that the only objective is to make loans. In effect, the conclusion in that section is a plea for more relevant data. To the extent data have not been collected in the past, such a change would assist future evaluation of the Division rather than clarify the impact of past activity.

Section II: The Loan Programs

In this section, the loan programs of the Division are listed and described. Table I lists the types and terms of the loans, while Table II provides the historical lending activity of each program. Following the tables, there is a short written description of each loan program.

TABLE I

Division of Business Loans Types and Terms of Loans

<u>Type of Loan</u>	<u>Maximum Loan</u>	<u>Interest Rate</u>	<u>Maximum Term</u>
Small Business ^a	\$500,000	9.5%	15 yrs.
Tourism ^a	3,000,000	9.5%	20 yrs.
Commercial Fishing ^b	500,000	9.5%	15 yrs.
Fisheries Enhancement	6,000,000	9.5%	30 yrs.
Fisherman's Mtge & Note	200,000	10.5%	15 yrs.
Mining	5,000,000	10.0%	15 yrs.
Child Care Facilities	30,000	7.0%	10 yrs.
Residential Care Facilities	20,000	7.0%	10 yrs.
Residential Energy Conservation	5,000	5.0%	10 yrs.
Alternative Energy System	10,000	5.0%	20 yrs.
Bulk Fuel	50,000	variable	1 yr.
Historical District	100,000	7.5%	30 yrs.

^aTransferred to AIDA as of 7/1/81.

^bTransferred to AIDA as of 7/1/81 with the exception of loans for limited entry permits on which the above terms apply.

TABLE II

Division of Business Loans
Approved Loans (FY 72-FY 80)
and Appropriations (FY 81-FY 82)
(000's)

FY	Small Business ^b		Comm'l Fishing ^c		Tourism ^b		Fisheries Enhance		Hist. Dist.	
		\$	#	\$	#	\$	#	\$	#	\$
1972	1	188.0	-	-	-	-	-	-	-	-
1973	14	547.9	2	11.5	7	2,251.2	-	-	-	-
1974	34	1,539.0	25	1,041.9	7	1,960.1	-	-	-	-
1975	50	3,325.5	62	2,418.6	10	5,245.0	-	-	-	-
1976	33	2,509.6	75	3,190.2	4	2,187.9	-	-	-	-
1977	61	4,511.0	136	6,228.8	6	1,659.0	3	965.0	-	-
1978	138	22,369.1	234	13,044.3	3	4,194.0	2	2,865.0	-	-
1979	237	42,096.4	357	29,733.6	8	4,230.5	4	945.7	1	78.8
1980	470	78,531.2	555	32,548.1	10	3,828.2	11	2,210.2	2	214.0
Subtotal	1,040	155,567.7	1,446	88,217.1	55	25,555.8	20	6,985.9	3	292.8
1981 ^a	254	39,198.0	253	16,549.7	2	203.3	8	2,994.2	-	-0-
Total	1,294	194,756.7	1,699	104,766.8	57	25,759.1	28	9,980.1	3	292.8
1981 ^d	NA	47,500.0	NA	21,000.0	NA	1,500.0	NA	6,000.0	-	-0-
1982	-	-0-	NA	4,500.0	-	-0-	NA	12,000.0	NA	800.0

TABLE II (cont.)

FY	Child Care <u>Facilities</u>		Residential Care <u>Facilities</u>		Residential Energy <u>Conservation</u>		Alternative <u>Technology</u>		<u>Mining</u>	
	#	\$	#	\$	#	\$	#	\$	#	\$
1972	-	-	-	-	-	-	-	-	-	-
1973	-	-	-	-	-	-	-	-	-	-
1974	-	-	-	-	-	-	-	-	-	-
1975	-	-	-	-	-	-	-	-	-	-
1976	-	-	-	-	-	-	-	-	-	-
1977	4	34.3	-	-	-	-	-	-	-	-
1978	4	34.0	-	-	-	-	-	-	-	-
1979	1	30.0	-	-	-	-	-	-	-	-
1980	2	35.8	-	-	-	-	1	10.0	-	-
Subtotal	11	134.0	-	-	-	-	1	10.0	-	-
1981 ^a	-	-0-	-	-0-	9	37.9	145	833.0	8	8,912.3
Total	11	134.0	-	-0-	9	37.9	146	843.0	8	8,912.3
1981 ^d	NA	300.0	NA	400.0	NA	1,600.0	NA	1,600.0	NA	10,000.0
1982	NA	100.0	NA	120.0	NA	1,250.0	NA	1,200.0	NA	10,000.0

TABLE II (cont.)

FY	Fishermen's Mtge. & Note <u>Program</u>		Water <u>Resources^e</u>		<u>Total^f</u>	
	#	\$	#	\$	#	\$
1972	-	-	-	-	3	138.0
1973	-	-	-	-	23	2,810.6
1974	-	-	-	-	66	4,541.0
1975	-	-	-	-	122	10,989.1
1976	-	-	-	-	112	7,887.7
1977	-	-	1	450.0	210	13,398.1
1978	-	-	4	2,050.0	381	42,506.3
1979	-	-	-	-	608	77,114.9
1980	-	-	-	-	1,051	117,377.5
Subtotal	-	-	5	2,500.0	2,576	276,763.2
1981 ^{cl}	-	-0-	-	-	679	68,728.4
Total	-	-0-	5	2,500.0	3,255	345,491.6
1981 ^{cl}	NA	2,500.0	-	-	NA	93,900.0
1982	NA	1,800.0	-	-	NA	32,950.0

^aThe 1981 loan figures are loan commitments for FY 81 through 2/28/81.

^bTransferred to AIDA as of 7/1/81.

^cTransferred to AIDA as of 7/1/81, but loans still available for limited entry permits.

^dAdjusted appropriation for FY 81. Differs from original appropriation in loan categories but not in total.

^eThese were special loans made to provide for feasibility studies for hydro power projects.

^fTotal excludes the five water resources loans. The total appropriations for FY 81 and FY 82 includes loan categories not shown separately here. Included are appropriations of \$1.5 million in FY 81 and \$1.0 million in FY 82 for bulk fuel loans, and of \$100 thousand in FY 82 for a hatchery grant.

Small Business Loans

General: This program terminates on July 1, 1981, when these types of loans become part of AIDA. Through February 28, 1981, loans under this program represented 56.4% of the total loans made by the Division of Business Loans. Of the total \$194.8 million in small business loans, 93.6% were made from FY 78 to FY 81, accounting for 59.6% of the loans made by the Division during that time. The explosive growth in the number of loans made and in their average size probably reflects the increase in the maximum loan limit in the past few years and the record spread between the bank prime rate and the Division's loan rate. This is discussed further in the analysis section.

Loan Use: The Division has made loans to be used to acquire, finance, refinance, and equip businesses. Types of businesses include farming, mining, and fishing. Types of equipment include farm equipment and fire protection systems.

Terms: The maximum loan amount has been \$500,000 with 10.0% bank participation. The maximum direct loan without such participation is \$50,000. The maximum loan amount was raised to \$500,000 from \$300,000 in 1979. It had been increased from \$100,000 in 1977. The term of the loan varies with the collateral backing it, but the maximum term is fifteen years with real estate backing. The interest rate is 9.5% on the unpaid balance. This rate was increased from 8.0% in 1979.

Eligibility: Following are eligibility criteria:

1. Borrower must be a resident of good character, with collateral and a knowledge of Alaskan economic conditions, and with the ability to repay the loan.
2. The business should have growth potential, and the loan will create jobs and provide additional services in the community.
3. The borrower cannot obtain private capital "on a guaranteed basis." The program used to provide a guarantee on 90% of a bank loan.

Commercial Fishing Loans

General: This program terminates on July 1, 1981, except for loans for limited entry permits. Other commercial fishing loans will be available through AIDA and CFAB. Through February 28, 1981, loans under this program accounted for 30.3% of the total loans made by the Division of Business Loans. Of the \$104.8 million in commercial fishing loans, 87.7% were made from FY 78 to FY 81, accounting for 30.1% of the loans made by the Division during that time.

The policy statement in the statute creating the program states that the goal is to promote the rehabilitation of the State's fisheries, to develop a predominantly resident fishery, to provide for the continued maintenance of commercial fishing gear and vessels, and to finance limited entry permits by providing long-term, low-interest loans. The program fills a void, according to the Division, since banks generally will not accept a limited entry permit as collateral.

Loan Use: Loans prior to July 1, 1981, are used for:

1. Repair, restore, and upgrade existing vessels and gear.
2. Construction and purchase of vessels.
3. Purchase of entry permits and gear.

Terms: For the construction of a new vessel, the loan maximum is \$1 million, or 35% of the total price of a vessel, whichever is less. Otherwise, the maximum loan is \$500,000, although the borrower may not owe more than \$500,000 to this fund. However, the borrower may use 49% of the loan to refinance the same type of loan obtained from any other source. The maximum term of the loan is fifteen years if secured by vessels or real estate, and eight years if secured by equipment and gear. The interest rate is 9.5%, having been increased from 7.0% in 1979.

Eligibility: Loans are available to individual fishermen who have been Alaskan residents for five years prior to the loan, and have had a crewmember or commercial fishing license for any one of the previous five years, and have participated actively in fishing. Loans are also available to corporations, partnerships, and joint ventures owned 100% by qualified individual fishermen.

Fisheries Enhancement Loan

General: This is a relatively new program with lending beginning in FY 77. Of the total \$10.0 million in loans, 52.2% were made in FY 80 and FY 81. Appropriations for FY 81 and estimated FY 82 imply a substantial increase in lending, as the projected FY 82 appropriation for this program accounts for 36.4% of the total request.

The policy section of the statute states that its goal is to promote the enhancement of state fisheries by means of grants to regional associations for organizational and planning purposes, and by long-term, low-interest loans for hatchery planning, construction, and operation.

Loan Use: Loans can be made to permit holders for planning, construction, and operation of a hatchery, and to regional associations for preconstruction activities leading to a permit. Loans may also be available to regional associations (or nonprofit corporations approved by such associations) for planning and implementation of fisheries enhancement and for rehabilitation activities including lake fertilization and habitat improvement.

Terms: The maximum loan amount for a hatchery or other enhancement/rehabilitation activity by a qualified regional association is \$6 million. The limit for any other borrower is \$1 million. The loan may cover planning and construction costs, plus ten years of operating costs if the borrower can establish a 10% equity position through royalty assessments within ten years. Principal repayment may not be required for a period of from six to ten years during which interest does not accrue. The maximum term is thirty years. The interest rate is 9.5%, having been increased from 8.5% in 1979. Grants for organization and planning may not exceed \$100,000 per region, plus up to another \$100,000 on a 50/50 cash matching basis with the regional association.

Eligibility: Regional associations qualified under AS16.10.380.

Fishermen's Mortgage and Note Loans

General: This is a new program, effective June 21, 1980, and no loans have been made yet. The eligibility requirements outlined below illustrate that the program is targeted largely to rural areas. As such, according to the Division, it fills a void not otherwise served by private capital. As a secondary lender, the program purchases mortgages and notes for loans made by CFAB or by private financial institutions.

Loan Use: Loans are made to repair, restore, and upgrade existing vessels or gear, to purchase an entry permit, to purchase gear, and to construct or purchase a vessel, including costs between contract and documentation of a vessel.

Terms: The maximum loan amount is \$200,000, but the total debt of a borrower cannot exceed \$200,000. The interest rate is 10.5%, and the maximum term is fifteen years.

Eligibility: The borrower must have been an Alaskan resident for five years, and must not qualify for a separate State or Federal loan program. The borrower may lack other employment opportunities, or fishing may be a cultural way of life. The borrower may not be refused solely for lack of a credit history.

Tourism Loans

General: This program terminates on July 1, 1981, after which these types of loans are available through AIDA. About 48.4% of the tourism loans were made between FY 78 and FY 81, representing only 4.1% of the Division's total loans during that time. The \$25.8 million in tourism loans made under this program account for 7.5% of the Division's total loans. The statute creating this loan fund contains no statement of goals of any kind.

Loan Use: There is no discussion in the statute concerning the use of loans. In the absence of stated goals, limits on loan usage could imply goals, or indicate sectors of the economy that are thought to be not adequately served by the private financial sector. In the absence of stated goals and loan uses, there is no way to evaluate a program.

Terms: Maximum State participation in a loan is \$3 million, and for any loan exceeding \$150,000 there must be a 20% participation by a private financial institution, which also earns a 0.5% service fee. The interest rate is 9.5% on the unpaid balance, having been raised from 8.0% in 1979. The maximum term of the loan is twenty years.

Eligibility: Loans are available to businesses directly involved in the tourist industry.

Mining Loans

General: This is a new program, effective on June 10, 1980, and the first loans have been made in FY 81. The \$8.9 million in loans made in the current fiscal year, through February 28, account for 13.0% of the Division's total loans, but the projected \$10.0 million in loans for FY 82 represent 30.4% of the Division's appropriation request for loans. The goal of the program is to finance advanced mineral exploration, development, or mining in the State.

Loan Use: There is no specific statement concerning limitations on the use of loans.

Terms: The maximum loan is \$5 million, but the outstanding debt of a borrower to the fund cannot exceed that figure also. The maximum term is fifteen years, and the interest rate is 10.0%. Except for placer mining, loan repayment begins one year after mineral production begins, or five years from the date of the loan, whichever is sooner. For placer mining, loan repayment does not begin before the end of the second placer mine season following the date of the loan. Interest on all loans accrues from the date of the loan and is paid monthly. Principal and interest payments go into the General Fund.

Eligibility: Loans are available to Alaskan residents with a minimum of five years of mining/prospecting experience, or to corporations with five years of experience that are 51% owned by residents. Applicants must submit an operating plan, and the Division determine its economic feasibility.

Child Care Facility Loans

General: This is essentially a social program whose purpose is to provide low-interest loans to increase child care facilities in Alaska. From FY 77 through FY 80, the activity of this loan fund was quite stable in the range of \$30-35,000 per year. Through February 28, 1981, in FY 81 no loans have been made although the Division anticipates making loans equal to almost triple the loans made in the previous four years.

Loan Use: Loans are available for the construction, renovation, and equipping of child care facilities. The loans must enable the facilities to comply with the appropriate licensing standards or certification by the Department of Education.

Terms: There can be one loan to each facility, and the maximum amount is \$30,000. If a loan is larger than \$10,000, there must be collateral equalling 100% of the loan. The maximum term is ten years, and the interest rate is 7.0% on the unpaid balance. The loan rate was raised from 6.0% in 1979.

Eligibility: The borrower must show that the proposed loan will enable the facility to obtain or renew a license from the Department of Health and Social Services, or a certificate from the Department of Education. The plan must be approved by the commissioner.

Residential Care Facility Loans

General: This is a social program whose purpose is to provide low-interest financing to increase residential care facilities in Alaska when private funds are not available. There has been no activity in this loan fund even though the Division has planned for loans in FY 81 that exceed those made for child care facilities.

Loan Use: Loans are available for the construction, renovation, and equipping of facilities to enable them to comply with licensing standards. The commissioner must agree that the borrower cannot obtain private funds.

Terms: The maximum loan amount is \$20,000 for a term of ten years. The loan rate is 7.0%. Like loans for child care facilities, the loan becomes due if the facility closes.

Eligibility: The borrower must not be able to obtain a private sector loan, and must show that the loan will enable the facility to qualify for a license from the Department of Health and Social Services. Also, the borrower may not have received more than \$10,000 in loans from the fund in the preceding five years.

Residential Energy Conservation Loans

General: This is a new loan fund, beginning its activity in FY 81. The Division plans to lend more than \$1.0 million in each of FY 81 and FY 82. The purpose of the loan fund is to finance residential energy audits and the conservation improvements recommended as a result of those audits. The audits are financed through grants, while the improvements are financed through loans.

Loan Use: Grants for energy audits are available in the maximum amounts of \$300 for a single-family house, and \$200 for a multi-unit residence. Loans are available for the purchase, construction, and installation (including labor cost) of energy conservation improvements which are recommended by an audit.

Terms: The maximum loan amount is \$5,000, or the total cost savings ten years following the installation. The maximum term is ten years, and the loan rate is 5.0% until January 1, 1984. After that date, the loan rate fluctuates with a yearly average of long-term municipal bond yields.

Eligibility: The improvement must be recommended by an energy audit.

Bulk Fuel Loans

General: The purpose of this program is to assist small communities (with population under 2,000) in purchasing bulk fuel. The short-term nature of the need and the loan terms makes this program different from the others.

Loan Use: The loan may be used to pay up to 90% of the wholesale price of fuel purchased by small communities.

Terms: The maximum loan each year is \$50,000. The loan must be repaid in one year or less. The interest rate varies with an average of the preceding year's long-term municipal bond yields, but interest may be waived or reduced.

Eligibility: Borrower must be an organized municipality or unincorporated village with a population under 2,000, or an individual endorsed by the municipality.

Alternative Technology and Power Resource Loans

General: This loan fund began activity in FY 80 with one loan, but has made 145 loans in FY 81, through February 28, 1981. The Division plans to about maintain its recent pace of activity. The purpose of the program is to finance projects which reduce the utilization of fossil fuels in production and in generation of energy. The fund terminates on June 30, 1984.

Loan Use: Loans are available to develop means of energy production utilizing energy sources other than fossil or nuclear fuel. Loans may be used to develop and implement methods of energy production, waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, cheaper, and less energy intensive. The loans may be used for the purchase, construction, and installation of alternative energy systems for the development and implementation of more efficient, less costly, less energy intensive, and more appropriate (for the Alaskan environment) technologies.

Terms: The maximum loan is \$10,000 for a term of twenty years. The loan rates for most loans is 9.5%, but the rate is 5.0% for those described in the second sentence in the preceding paragraph. After December 31, 1983, the loan rates change and vary with an average of the preceding year's long-term municipal bond yields.

Eligibility: The project must be in Alaska.

Historical District Loans

General: This is a small, social program to preserve structures of historical importance. Through February 28, 1981, a total of only three loans have been made.

Loan Use: Loans may be used for the restoration, improvement, rehabilitation, or maintenance of structures in a historical district.

Terms: State loans may not total more than \$1.5 million in one district, and loans for each building or structure may not exceed \$100,000. The maximum term is thirty years, and the loan rate is 7.5% on the unpaid balance. This loan rate was increased from 6.5% in 1979.

Eligibility: The structure must be within a historical district established by the Historic Sites Advisory Committee.

Section III: Analysis and Comment

It is not possible to do a thorough analysis of the impact of the loan programs because of an almost total lack of important data. The lack of data is not really the fault of the Division of Business Loans, however. They are in the process of computerizing what data they do collect, which will help somewhat. The data that are collected, and the few objectives set by the Division reflect the lack of direction indicated in legislation. To a large extent, the Division's real objective has been to make some dollar amount of loans in each program. Thus, they are only measured on the obvious criteria of administrative expenses and defaults on loans. As a result, it is not totally fair to devise objectives and measurement criteria after the fact, and to apply them to the Division's past activity, or to fault the Division for not collecting such data. In fact, to the extent that measurement standards would require more and different data collection, they would impose real costs on the Division and the borrowers.

However, it is still appropriate to investigate the impact of the Division's activity, and to question the desirability of expanding or eliminating those activities. A number of the loan programs are really social programs, such as bulk fuels, residential care, and, to an extent, child care. An indirect benefit of child care could be that it allows a woman to enter the workforce, stay off of welfare, and further stimulate the local economy via a multiplier effect. With no such data collected, however, it is probably best to consider them as social programs that can also have positive economic benefits. In that case, the Division's use of output measures (slots opened) for such programs are appropriate. On the other hand, business, tourism, and fishing loans are explicitly economic programs, and output measures such as fry release from hatcheries are not appropriate. The State can support hatcheries such that the fry release is increased by sixty million, for example, but that is meaningless. Why not set the goal at eighty million? The real measure is the impact of such an investment, and its resultant fry release, on the earnings of fishermen, the multiplier effects, and the return to the State in the form of interest and taxes (and lower transfer payments) relative to its opportunity cost. There are also social benefits to increased employment, but, to count these, one must assume that the projects would not have been undertaken without the program.

This latter problem complicates any analysis of impact. It can be argued that financing costs of 9.5% rather than 15.0% will result in some projects taking place that would not take place otherwise. But, in that case, it is only the marginal increase that is a real benefit to the program. Since all of the loans are made at a subsidized rate, the difference between the market rate and the subsidized rate on projects that would have been undertaken anyway is an unnecessary cost of this program (with no offsetting benefits). Therefore, it is not correct to conclude that all of the employment generated by such a program is a benefit of the program.

The State's involvement in business financing has been growing, but is a rather recent development. Therefore, there are sparse data to draw on to determine if the major impact is to drive private capital out. Over time, one thing to watch will be the loan to deposit ratio of local banks. If they are

driven from business loan financing, it is likely that their liquidity will be higher than average, and the loan to deposit ratio will fall, relative to banks elsewhere. As an aside, a recent report of the Federal Home Loan Board shows that the liquidity ratio of thrifts in Alaska is about four times the average for this district, which probably reflects State deposits and the dominance of AHFC in housing finance.

One reason to suspect that much of the explosion in the Division's loans in recent years has simply been a replacing of private financing is that the spread between the loan rates and the bank prime rate has widened dramatically in the last two and a half years. The table below shows the prime rate that has existed in each of the fiscal years since the loan programs began.

TABLE III

The Prime Rate from FY 72 to FY 80

Fiscal Year	Prime Rate		
	Average	High	Low
1972	5.35%	6.00%	4.75%
1973	6.06	7.49	5.25
1974	9.78	11.54	8.30
1975	9.83	12.00	7.07
1976	7.22	7.96	6.75
1977	6.59	7.25	6.25
1978	7.71	8.63	6.75
1979	10.85	11.75	9.00
1980	14.98	19.77	11.54

Taking business loans as an example, it is clear that the 9.5% loan rate since 1979 has been a large inducement to substitute public borrowing for private borrowing (especially if the borrower would pay more than prime). In contrast, the 8.0% loan rate which was in effect prior to 1979 was a far less inducement. So, it seems reasonable to conclude that much of the increased loan demand recently has been a result of such replacement, rather than a generation of new economic activity.

Ignoring that complication, one can make a stab at estimating the impact of the business loan program on earnings and employment by using national averages, and further assuming that Alaskan businesses are similar to the national averages in those respects. Because of these assumptions, however, the analysis should be taken with reservation.

Most businesses in Alaska are quite small. According to the Department of Revenue, of the 3,460 domestic and multi-state firms filing tax returns in 1978, 3,320 of them had sales under \$10.0 million. Assets and sales per employee rise as the size of the business rises. Using data published in the 1980 edition of the Statistical Abstract of the United States, it is possible to make a rough estimate of the number of jobs supported by the small business loan program. The publication gives assets per employee of the top and the second five hundred companies in size for 1970, 1975, and 1979. Using the figures from the second five hundred and assuming a constant growth rate for the intervening years, by dividing the amount of loans in each year (increase in assets) by the estimated assets per employee, one derives an estimate for employment. Thus, it is estimated that the \$194.8 million of small business loans made through February 28, 1981, has supported an increase in employment of 4,287 persons at an average of \$45,400 assets per employee. If that sounds like a high figure, it should be kept in mind that it is in nominal dollars and rises with inflation. Also, it is weighted by the timing of the loans, and most of the loans have been made in the last three years. It could be argued that the employment gain is understated because even the second five hundred firms have a higher assets per employee ratio than the small firms in Alaska. On the other hand, higher wage rates in Alaska would tend to make businesses more capital intensive than the national average. Those two factors work to offset each other, so an estimated employment gain of 4,287 persons seems reasonable.

In addition to the benefit of having higher employment, the health of the economy is improved as those people spend their income on other goods and services (a multiplier effect). It is not possible at this time to estimate the multiplier effect, but it is a legitimate indirect benefit of the program.

What has been the direct financial return to the State on its investment? Prior to FY 81, the loan programs were funded by prepurchase agreements with the Department of Revenue, rather than by direct appropriations. The small business loans held by that Department on January 31, 1981, had an average yield of 8.5%. In addition, the State receives tax revenues on the profits associated with the increase in assets of each firm. The Statistical Abstract states that corporations with assets under \$10.0 million in 1976 had a pre-tax return on assets of 5.22%. Using that as an average implies that the \$194.8 million in loans generated \$10.2 million in pre-tax profits. The corporate tax rate (about 5.3% on the first \$50,000 and 9.4% on the balance) would add roughly 0.4% to the 8.5% direct financial return. The 8.9% return calculated here ignores the tax receipts on profits generated by the multiplier effects mentioned above. It also ignores default experience which the Division of Business Loans could not provide.

It is possible to compare the loan rate, plus an allowance for taxes, with an alternative investment that the State could have purchased. Since the maximum loan term is fifteen years for business loans, this analysis assumes an average term of seven years. The alternative investment is assumed to be U.S. Treasury securities with a seven year maturity. These yields are shown on Table IV. It can be argued that this alternative is overly conservative since Treasuries are much higher in quality than small business loans. While that is true, it could still be appropriate to use them for several reasons. First, it is desirable to be conservative in estimating the opportunity cost. Second, such securities likely would have been purchased if the funds were not

used for business loans. Third, the financial return on loans may be understated since it excludes benefits that could be associated with a multiplier effect and lower transfer payments. On the other hand, administrative costs and defaults are also excluded.

A casual glance at Table IV shows that the loan rate exceeds the average yield on Treasuries in each fiscal year prior to FY 79. However, 82.1% of the small business loans have been made since FY 78. As discussed earlier, this is likely to always occur when the State loan rate falls relative to rates in the private sector. Using a seven year average maturity, weighted by the timing of the loans made, it is calculated that total income on U.S. Treasury securities would exceed the income of the loans by about \$10.3 million before compounding. After compounding, the difference in income to the State is about \$20.8 million, or 10.7% of the total loans made by the Division in the business loan program.

This opportunity cost estimate, or the difference between the income actually earned and that which could have been earned by a reasonable alternative investment, of almost 11% of the total loans must be weighted against the employment gains. It should be kept in mind that if the loan program primarily replaces public for private financing, then those benefits are not attributable to the loan program. In that case, the forgone income is an absolute loss to the State.

Table IV
Approximate Financial Return to Small
Business Loans Compared to Treasuries^a

FY	Loan Rate & Taxes	Yield on U.S. Treasury Securities		
		Avge.	High	Low
1972	8.4%	6.17%	6.92%	5.91%
1973	8.4	6.46	6.83	6.09
1974	8.4	7.25	7.93	6.77
1975	8.4	7.82	8.41	7.30
1976	8.4	7.89	8.39	7.44
1977	8.4	7.15	7.70	6.37
1978	8.4	7.71	8.40	7.12
1979	8.4	8.88	9.23	8.38
1980	9.9	10.53	13.00	8.92
1981	9.9	12.57	14.30	9.84

^a The Treasury yield shown is the yield on U.S. Treasury securities with a seven year maturity. The yield of the loan program is the statutory loan rate plus an assumed 0.4% allowance for tax revenues. It is a gross yield, before defaults or administrative costs.

This analysis focuses on business loans because the national data are more applicable to them, and because their goal is an economic one. Namely, they seek to finance activity that would otherwise not take place. If the same assets per employee ratio is appropriate for all of the programs, then the employment gain is about 7,600 with business loans generating about 56.3% of the gain. However, it is not likely that the same ratio should apply across industries.

One thing that is clear from this analysis is that the Division has no real guidelines to use to evaluate its performance. Without an understanding of the purpose of the programs, it is not possible to state objectively if they should be maintained, increased, or reduced. The analysis shows direct benefits which may be attributed to the programs. The cost of the programs is the difference between what the State earns on the average life of the loans and what it would have earned on the funds in the best alternative. The current spread between the 9.9% return on business loans and long term Treasury securities (about 13.5%) is rather wide. However, this spread could narrow sharply in the next few years if the Federal Government succeeds in reducing the inflation rate. In any event, it is necessary to question whether the benefits of the loan programs are worth the cost.

Such a policy question cannot be answered in the absence of data. Data collection is not free, but the cost of having a multi-billion dollar loan program without direction or evaluation is high. If, in the future, it is determined that public financing simply replaces private financing, then the benefits outlined above are not attributable to the program, and the costs are incurred for nothing. The lack of direction in the program is evident from the data the Division collects and the few measures it suggests. Fry release from hatcheries means nothing except as it relates to the income of fishermen. The Division does ask the fishermen who borrow to estimate the increase in income that will result, but all agree that the estimate is dubious and there is no follow-up data collected. The imputed goal of the Division is to make a certain amount of loans, since that is about all they can report. Yet the real purpose of the programs certainly is not to lend for the sake of lending.

If it is decided that no additional data will be collected to use for evaluation, it might be helpful to use the restriction present in the residential care facilities program. That program only lends when private funds are not available. That could be a valid restriction for all programs. The State could retain the option of providing financing for projects which are feasible at lower interest rates, but not at current high rates in the private sector. In this way, the State could be more certain that it is financing activity which would otherwise not take place and be a positive counter cyclical force. It cannot avoid the possibility that borrowers and private institutions will be encouraged to push off riskier loans on the State. That, by itself, is not bad, since it may be a legitimate goal to finance somewhat more risky ventures.

Conclusion

Given the lack of data concerning the impact of the loan programs in the Division, it is not possible to arrive at a clear conclusion. This analysis suggests that the programs may have supported an increase in employment of roughly 4,000 to 7,000 in the last ten years. However, the explosive growth in the programs in recent years coincides with a dramatic widening of the spread between the loan rate and private rates as represented by the bank prime rate. Thus, it is likely that much of the lending represents replacement of private capital with public funds. This means that the projects would have been financed anyway, and the employment benefits are not attributable to the loan programs. In that case, the State bears a cost of a program with little benefit. The spread between private and public lending rates then becomes an income transfer to the borrowers, who are likely to be of higher than average income already.

DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

February 8, 1982

L. Hayes
Honorable Joe Hayes
Speaker of the House
Pouch V
Juneau, Alaska 99811

Dear Mr. Hayes:

stating
As required by AS 37.05.035, the Department of Commerce and Economic Development, Division of Loans and Veterans' Affairs, submits for your review the following report on loans closed during FY '81:

- Loans made by loan type

The prevailing market rates used were obtained from the Department of Revenue, Division of Treasury.

Because of the number of assumptions made during FY '81 and the use of subsidized loan funds, a separate section on assumptions was included with the report of loans made by loan type. The prevailing market rate at the time of the assumption was used to determine the amount of subsidy provided by the State for this type of loan.

Sincerely,



Charles R. Webber
Commissioner

Dept. Comm. & Econ. 19

CRW/jar#26V2

ANNUAL STATE LOAN REPORT
LOANS CLOSED BY TYPE
FISCAL YEAR 1981

	Total # of Loans	Total Principal Loaned	*Return on Loan at Business Loans Interest Rate	Return on Loan at Prevailing Interest Rate	Total State Subsidy
Residential Energy Alternative Technology	47	\$ 181,508	\$ 80,182	\$ 110,546	\$ 30,364
Commercial Fish	276	1,333,824	598,694	1,838,165	1,239,471
Small Business	405	25,472,412	14,313,698	26,314,649	12,100,951
Tourism	450	74,340,534	49,467,489	72,047,265	22,597,776
Mining	5	834,575	881,996	1,738,146	856,150
Fish Enhancement	10	9,303,834	3,449,845	5,243,477	1,793,632
Bulk Fuel	15	3,396,714	3,794,022	8,649,299	4,855,277
Child Care	0				
Water Resources	0				
Historical Districts	0				
Total Amounts For Business Loans	<u>1,208</u>	<u>\$114,863,501</u>	<u>\$72,585,926</u>	<u>\$115,941,547</u>	<u>\$43,473,621</u>
Assumptions: **					
Veterans	49	\$ 2,510,933	\$ 3,491,818	\$ 4,238,128	\$ 746,310

- * (a) Business Loan interest rate is 5% energy loans; 10% for Historical Dist.; 9.5% Commercial Fish, Tourism, Small Business and Fish Enhancement
 (b) Vets original interest rate on loan unless person assuming is a nonvet, in which case interest rate is at prevailing market rate

** No new loans were made.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

February 16, 1982

MEMORANDUM

TO: Representative Bylsma
FROM: Leslie Longenbaugh, Research Staff
RE: State Loan Programs; Aggregate Loans
Research Request Number 82-47

Barbara Johnson of your staff asked that we provide the most recent available information on all loans made to date by the State-sponsored loan programs. Each quarter this Agency prepares an activity report on the State loan programs; I am now working on the report covering activity in the third quarter of State fiscal year 1982. Because the report is not yet published, I have included in this memorandum the information on total loans outstanding to date that is readily available from my files.

As of December 31, 1981:

Total loans outstanding: 68,059

Total balance outstanding: \$2,517,646,078

Mean amount of balance outstanding on loans: \$35,992

Total delinquent loans: 2,250, or 3.3% of all outstanding loans

Total loans in default:¹ 1,621, or 2.4% of all outstanding loans

I am enclosing a copy of the latest published quarterly report, which covers loan activity during July, August and September 1981. As soon as the report for the second quarter of FY 82 is available I will send it to your office. Meanwhile, please call on us if we can be of any further assistance.

¹Loans are considered to be in default for the purposes of this memorandum when they are at least 91 days delinquent. Although I have begun recently to ask responding loan programs to define loans in default as those which have been remanded to the program's counsel for legal action, no such information is yet available from the loan programs.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

January 7, 1982

MEMORANDUM

TO: Senator Dankworth
ATTN: Dianne Morrison
FROM: Deb Pomeroy
RE: Amount of Loans in Default for Each Loan Program
Research Request 81-206

Dianne Morrison of your staff asked this agency to find the amount of loans in default for each of the State loan programs. Each lending agency has its own definition of the time when a delinquent loan becomes a loan in default; we have chosen to consider sixty-days delinquency as the cutoff point.

The chart on the following pages shows each loan program, the agency responsible for administering the loan program, the dollar amount in default, and the total amount of outstanding loans. There are a few items which should be noted:

- 1) The Alaska Industrial Development Authority's delinquent loans are all a part of the \$144,646,552 in loans which were transferred to AIDA from the Division of Business Loans in 1980 by the State.
- 2) The Alternative Technology and Energy Revolving Loan Program and the Residential Energy Conservation Loan Fund figures for the amount in default may be a little high as the Division of Business Loans is in the process of converting to a computerized system, and some of the payments may not have been credited as yet.
- 3) The Memorial Scholarship Loan Fund figures are as of May 1981. Kerry Romesburg of the Postsecondary Education Commission informed me that as the Loan Fund is such a small one, computations are done by hand in May and again in December. The December figures should be available sometime in January. If you would like, that information could be forwarded to you when it is available.

I hope this information is useful to you. If you have any questions or would like more information, please call.

dp
Attachment

AMOUNTS OF LOANS IN DEFAULT PER PROGRAM

<u>Administering Agency</u>	<u>Loan Program</u>	<u>Amount in Default¹</u>	<u>Total Loans Outstanding</u>	<u>Date Computed</u>
Division of Agriculture, Department of Natural Resources	Agriculture Revolving Loan Fund	\$1,826,939 ²	\$ 28,690,720	11/30/81
Alaska Housing Finance Corporation	Alaska Housing Finance Corporation	\$8,265,000	\$1,628,182,600	10/31/81
Alaska Industrial Development Authority	Alaska Industrial Development Authority	\$3,524,312	\$ 188,373,152 ³	11/30/81
Alaska Medical Facility Authority	Division of Treasury, Department of Revenue	\$ 0	\$ 11,410,000	10/31/81
Alaska Municipal Bond Bank	Alaska Municipal Bond Bank	0	\$ 76,647,646	11/30/81
Alaska Power Authority	Alaska Power Authority	0	\$ 2,693,648	11/30/81
Alaska Renewable Resources Corporation	Alaska Renewable Resource Corporation	\$1,205,396	\$ 18,987,179	11/30/81
Division of Business Loans, Depart- ment of Commerce & Economic Dev.	Alternative Technology and Energy Revolving Loan Program	\$ 47,299 ⁴	\$ 2,519,000	10/31/81
"	Bulk Fuel Revolving Loan Fund	0	\$ 16,000	10/31/81
"	Child Care Facility Revolving Loan Fund	0	\$ 82,000	10/31/81
"	Commercial Fishing Revolving Loan Fund	\$ 3,000	\$ 73,717,000	10/31/81
"	Fisheries Enhancement Revolving Loan Fund	0	\$ 13,839,000	10/31/81

¹A loan in default, for the purposes of this memorandum is defined as one which payment is 60 or more days past due.

²This figure includes loans in litigation as well as active loans.

³This includes 802 (\$144,646,552) loans transferred to AIDA from the Division of Loans by the State. The delinquent loans are all part of those appropriated loans.

⁴This figure may be high, as the Division of Business Loans is in the process of converting to a computerized system, and some of the payments may not yet be credited.

<u>Administering Agency</u>	<u>Loan Programs</u>	<u>Amount in Default¹</u>	<u>Total Loans Outstanding</u>	<u>Date Computed</u>
Division of Business Loans, Department of Commerce & Economic Dev.	Fishermen's Mortgage and Note Fund	0	\$ 0	10/31/81
"	Historical District Revolving Loan Fund	0	\$ 259,000	10/31/81
Postsecondary Education Commission, Department of Education	Memorial Scholarship Loan Fund ³	\$ 1,850	\$ 19,600	5/81
Division of Business Loans, Department of Commerce & Economic Dev.	Mining Loan Fund	0	\$ 8,807,000	10/31/81
Division of Housing Assistance, Dept. of Community & Regional Affairs	Nonconforming Housing Loan Program	0	\$ 20,990,075	11/30/81
Division of Business Loans, Department of Commerce & Economic Dev.	Residential Care Facility Revolving Loan Fund	0	0	10/31/81
"	Residential Energy Conservation Loan Fund	\$ 10,144 ⁴	\$ 972,000	10/31/81
Postsecondary Education Commission, Department of Education	Scholarship Revolving Loan Fund	\$4,815,906	\$ 95,567,170	11/30/81
Division of Business Loans, Department of Commerce & Economic Dev.	Small Business Revolving Loan Fund	\$2,920,000	\$ 75,276,000	10/31/81
"	Tourism Revolving Loan Fund	\$1,064,000	\$ 4,517,000	10/31/81
Division of Veterans' Affairs, Dept. of Commerce & Economic Dev.	Veterans' Revolving Loan Fund	\$1,870,000	\$234,450,000	
Division of Business Loans, Department of Commerce & Economic Dev.	Water Resources Revolving Loan Fund	0	\$ 909,000	10/31/81

³The Memorial Scholarship Loan Fund figures are computed by hand twice a year, once in May and again in December. The December figures will be available sometime in January.

⁴This figure may be high, as the Division of Business Loans is converting this program to a computerized system, and some of the payments may not yet be credited.

VALUE OF LOANS CLOSED AND MORTGAGES PURCHASED
BY AGENCIES OF ALASKA STATE GOVERNMENT
(thousands of dollars)

	Fiscal Years Ending June 30				JUL-DEC 1978	JUL-DEC 1979	Percent Change JUL-DEC 1978 to JUL-DEC 1989
	FY 1976	FY 1977	FY 1978	FY 1979			
LOANS CLOSED							
Division of Business Loans	7,888	13,848	44,556	77,115	44,622	38,154	-14%
Division of Veterans' Affairs	45,285	52,592	94,893	91,078	57,893	2,511	-96%
Total Loans	53,173	66,440	139,449	168,193	102,515	40,665	-60%
MORTGAGES PURCHASED^a							
Alaska Housing Finance Corp.	27,734	96,913	115,827	155,357	77,996	111,986	+44%
Retirement Funds (Teachers' and Public Employees')	36,102	74,587	59,600	61,226	27,516	31,161	+13%
State of Alaska - General Fund	0	0	0	50,000	0	50,000	--
Total Mortgages Purchased	63,836	171,500	175,427	266,593	105,512	193,157	+83%
GRAND TOTALS - LOANS & MORTGAGES	117,009	237,940	314,876	434,776	208,027	233,822	+12%

a/ Figures shown for retirement funds include mortgages actually purchased plus commitments to purchase.

Source: Treasury Division, Alaska Department of Revenue; Division of Veterans' Affairs, Division of Business Loans, and Alaska Housing Finance Corporation, Alaska Department of Commerce and Economic Development.

DIVISION OF BUSINESS LOANS
Number of Loans Closed, and Total Amounts Loaned
(thousands of dollars)

Type of Loan	FY 1976		FY 1977		FY 1978		FY 1979		JUL-DEC 1978		JUL-DEC 1979	
	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$
Small Business	33	\$ 2,510	61	\$ 4,511	138	\$22,369	237	\$42,096	145	\$24,893	152	\$19,637
Commercial Fishing	75	3,190	136	6,229	234	13,044	357	29,734	221	17,494	267	13,781
Tourism	4	2,198	6	1,559	3	4,194	8	4,230	4	1,859	8	3,591
Child Care	0	0	4	34	4	34	1	30	1	30	1	15
Fisheries Enhancement	0	0	3	965	2	2,865	4	946	2	345	4	1,080
Water Resources	0	0	1	450	4	2,050	0	0	0	0	0	0
Historical Sites	0	0	0	0	0	0	1	129	0	0	1	50
TOTALS	112	\$ 7,388	211	\$13,848	385	\$44,556	608	\$77,115	373	\$44,622	433	\$38,154

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF VETERANS' AFFAIRS
Number of Loans Closed, and Total Amounts Loaned
(thousands of dollars)

Fiscal Years Ending June 30

Loan Category	FY 1976		FY 1977		FY 1978		FY 1979		JUL-DEC 1978		JUL-DEC 1979	
	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$
Single Family Dwellings	810	\$36,897	754	38,331	1,198	67,726	1,124	65,750	703	41,305	25	1,620
Multiple Dwellings:												
Duplexes	23	1,526	62	4,437	136	11,333	116	9,019	79	6,290	6	526
Other	31	1,760	45	3,144	43	3,891	53	5,157	28	2,678	0	0
Business:												
Partnership	4	515	7	898	7	768	9	1,245	10	1,450	0	0
Other	58	3,760	70	4,660	122	9,492	99	8,358	61	5,153	3	315
Personal	38	779	126	1,123	177	1,628	168	1,549	109	1,018	5	50
Farm	1	48	0	0	1	55	0	0	0	0	0	0
TOTALS	1,020	45,285	1,064	52,592	1,684	94,893	1,569	91,078	990	57,893	39	2,511
GRAND TOTALS: LOANS OF BOTH OF ABOVE AGENCIES	1,132	53,173	1,275	66,440	2,069	139,449	2,177	168,193	1,363	102,515	474	40,665

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

STATE OF ALASKA

THE LEGISLATURE BUDGET AND AUDIT COMMITTEE

ROOM 508
CAPITOL BUILDING
POUCH V
JUNEAU, ALASKA 99811

907-465-3818
907-465-3810

MEMORANDUM

March 4, 1982

TO: All Members
Legislative Budget and Audit Committee

FROM: Senator Arliss Sturgulewski, Chairman *AS*
Legislative Budget and Audit Committee

RE: Revolving Loan Funds

The Legislative Budget and Audit Committee, the Finance Committees, and many of the members of the legislature, have made it clear that they are concerned with state agency expenditures that occur outside the normal budgeting process. The several revolving loan funds are a major source of such "off-budget" expenditures. In order to get some idea of the size of revolving loan fund receipts, I requested information from both the Legislative Audit Division and the Division of Loans and Veteran Affairs, Department of Commerce. The attached memoranda provide an overview of FY 81 returns of repaid principal and interest to revolving loan funds, as well as projections of annual returns and activity levels of funds administered by the Division of Loans and Veteran Affairs.

It is interesting to note that the present volume of loans outstanding under these revolving funds is \$2.1 billion, with an FY 81 return of principal and interest estimated at \$146 million. This represents a significant amount of money for "new" loans to Alaskan firms and residents.

Attachments

STATE OF ALASKA

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

February 25, 1982

RECEIVED
FEB 26 1982

BUDGET/AUDIT
COMMITTEE TO:

Senator Arliss Sturgulewski
Chairman
Legislative Budget and
Audit Committee

FROM:

Gerald L. Wilkerson
Legislative Auditor
Division of Legislative Audit

SUBJECT:

Revolving Loan Programs - Unappropriated
Funds

This memo constitutes the short report you requested on the State's revolving loan funds, and the amounts of money which are returned to each fund on an annual basis, unless otherwise specified.

Your expressed concern that millions of dollars may be outside or ignored by the legislative and budget processes is most dramatically reflected in funds received by the Alaska Housing Finance Corporation's Housing Development Fund on loans made with appropriated funds. It is estimated that for the 13-month period ending December 31, 1982 the fund has received principal and interest repayments in excess of \$67 million on appropriated funds.

Another State agency receiving significant "cash" repayments is the Alaska Industrial Development Authority which has estimated that it has accumulated approximately \$60 million in reserves on loans and funds appropriated to it since its inception.

The cash accumulated by other loan funds is relatively immaterial at the present because of historic "under" funding of loan programs. Loan funds administered by the Division of Business Loans such as Commercial Fishing, Small Business, Tourism, Child Care, Historical District, etc. have not received appropriations sufficient to meet loan demand or no appropriations have been made until recently. As a remedy, loans were sold to the Treasury Division to provide funds to meet loan demand. As a result the loan funds accumulate relatively little cash from their portfolio since most of the money received must be passed on to Treasury.

It is our understanding that the accumulated cash in these funds do not need to be reappropriated in order to be reloaned by the various agencies. This does not apply to ARRC because of a unique statutory requirement which mandates that the corporation may expend money only as appropriated by the Legislature.

The attached schedule demonstrates the estimated accumulation of cash on appropriated funds for loans for currently active revolving-type of funds. Strict comparability between funds is not possible since different administrative agencies use varying dates of measure. However, you should be able to gain an understanding of the approximate relative amounts that are of concern.

**REVOLVING LOAN FUNDS
ESTIMATED ACCUMULATION OF
NET "CASH" FOR VARIOUS PERIODS**

Fund	FY'81 Unless Other- wise Noted (Note 1)	Amount of Loans Outstanding (Note 2)	Number of Loans Outstanding (Note 2)	Comments
Child Care Facility	\$ 3,805	\$ 85,710	7	Net of transfers to Treasury. No repayments as of 06/30/81. All loans owned by Treasury.
Fisheries Enhancement	-0-	11,042,622	31	
Historical District	-0-	166,740	3	
Bulk Fuel	8,587	49,950	1	
Residential Energy Con- servation	3,375	259,568	74	
Alternative Technology and Energy	42,249	1,682,471	379	
Tourism	92,799	5,901,434	21	Net of transfers to Treasury, AIDA.
Commercial Fisheries	2,106,487	80,980,298	1,487 *	Net of transfers to Treasury, AIDA.
Small Business	2,712,278	75,560,269	611 *	Net of transfers to Treasury, AIDA.
Fishermen's Mortgage and Note	-0-	-0-	-0-	
Residential Care Facilities	-0-	-0-	-0-	
Veteran's	1,995,950	244,101,836	5,119	
Medical Malpractice Liability	-0-	3,000,000	1	
Alaska State Housing Authority (ASHA)	-0-	-0-	-0- *	No activity in revolving portion of funds.
Alaska Power Authority Power Project	-0-	22,124,347	17 *	
Alaska Industrial Develop- ment Authority (AIDA)	60,000,000	157,441,349	850	Inception to date.
Capital City	-0-	-0-	-0-	
Public Law 92-203	-0-	-0-	-0- *	
AHFC Housing Develop- ment	67,243,565	1,366,592,368	20,351 *	13-months ended 12/31/81.
Alaska Renewable Resources Corp. (ARRC)	1,361,882	17,519,389	54 *	Inception to 09/31/81. Of the cash accumulated \$875,861 has been released.
ARRC Commercial Fish Purchases Assistance	4,218,805	Not Available	Not Available	Inception to 09/31/81. Of the cash accumulated \$3,025,691 has been released.
Alaska Gas Pipeline Financing Authority	-0-	-0-	-0-	
Alaska Municipal Bond Bank Authority	-0-	75,105,500	31 *	
Housing Development	-0-	-0-	-0-	
Senior Citizens Housing Development	-0-	-0-	-0-	
Temperate Social Activities	-0-	-0-	-0-	
Nonconforming Housing	-0-	6,265,300	99 *	
Agriculture	3,080,915	22,193,896	411 *	Of the cash accumulated \$3,016,000 has been released.
Outdoor, Recreational, Open Space and Historical Properties Development	-0-	-0-	-0- *	
Scholarship	2,780,279	53,738,926	24,986 *	
Memorial Scholarship	4,200	19,600	16 *	
Total	<u>\$145,655,176</u>	<u>\$2,142,931,472</u>	<u>54,549</u>	

Note 1:

The amounts are comprised of principal and interest payments from notes held only by the funds.

Note 2:

Amount of loans outstanding and number of loans outstanding were obtained from Legislative Audit reports except those funds asterisked (*), which were obtained from the House Research Agency report "State Loan Programs: Monthly Activity Report, Fourth Quarter FY 1981" dated August 31, 1981.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF VETERANS' AFFAIRS

February 22, 1982

JAY S. HAMMOND, GOVERNOR

POUCH DA
JUNEAU, ALASKA 99811
PHONE: 465-2555

RECEIVED
FEB 25 1982

BUDGET/AUDIT
COMMITTEE

Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator Sturgulewski:

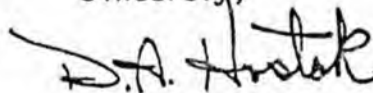
Enclosed you will find cash flow projections on the loan funds which you requested of Dave Massey. These projections assume that all fund monies are invested in loans. The following characteristics and assumptions should be taken into consideration when reviewing the projections.

The number of loans actually being serviced by the Division of Loans and Veterans' Affairs is much larger than the portfolio balance shown on the enclosed cash flow projection. Since you were more concerned with the "true revolving" cash flow, the figures for loans serviced by the division for the Department of Revenue and the Alaska Housing Finance Corporation were not included.

Depending on the size of the portfolio, its age and consistency of its expansion over the last five years, the figures on the cash flow projection will vary from conservative (for the older portfolios such as the Veterans, Small Business, Commercial Fishing and Tourism portfolios) to the ideal potential cash flow for those portfolios where very little history is available at the current funding level.

On the veterans' loan portfolio, only two types of loans are available with a large variance between loan amounts (\$10,000 for personal loans and \$125,000 for multiple dwellings). An estimate was made at the combination of personal and multiple dwelling loans which could be made on a continuing basis.

Sincerely,



D. A. Hostak
Director

DH/krb 5/11

Enclosure