ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672
9051 SENATE STATE AFFAIRS

Background. Although no bonds are issued and none are intended to be issued with respect to the AIA fueling facilities and the Midrex facilities, the existing legislative authorization must be reported in AIDEA's official statement for each AIDEA bond issue. Legislative authorization for projects that are not proceeding creates confusion on the part of potential bond investors. The bill would eliminate the unneeded bonding authority and therefore eliminate the official statement reporting requirement.

Subsection (2)- Repeals the sunset provision for AIDEA's business assistance program. In the absence of legislative action, AS 44.88.500-44.88.599, related to the business assistance program, will be repealed July 1, 1996. The bill eliminates this delayed repealer.

Background. The business assistance program was created under legislation adopted in 1988 that included a provision that would have repealed the program July 1, 199[illegible]. Subsequent legislation in 1991 and 1993 extended the delayed repealer to July 1, 1993 and July 1, 1996 respectively.

Section 18-19- Specific Project Authorization to Issue Bonds

Background. As noted above, Section 2 of the bill requires legislation for AIDEA to issue bonds in an amount greater than $10,000,000 if the proceeds of the bonds are to be used for an AIDEA Development Finance Project. Both the Red Dog Expansion and Snettisham acquisition are expected to exceed this threshold and therefore require legislative authorization.

Section 18 Red Dog Authorization- Section 18 authorizes AIDEA to issue up to $60,000,000 in AIDEA bonds to finance the expansion of AIDEA's DeLong Mountain Transportation System facilities serving the Red Dog Mine.

Background. The DeLong Mountain Transportation System (DMTS) serving Cominco's Red Dog Mine was AIDEA's first development finance project and has been a resounding success. The Red Dog Mine operations provide more than 350 jobs, accounting for more than 15% of all jobs in the Northwest Arctic Borough. Expansion of the DMTS is necessary to support Cominco's expansion of the Red Dog Mine, will provide up to 70 more jobs and allow the mine to continue employing Alaskans in the region for the next 50 years. Cominco will pay for the improvements to the DMTS in the form of increased user fees for the facilities.

Section 19- Snettisham Acquisition Authorization

Section 19 authorizes AIDEA to acquire the Snettisham Hydroelectric Project from the federal Alaska Power Administration and authorizes the issuance of up to $100,000,000 in AIDEA bonds for the purpose. In addition, under subsection (c), the bonds issued by AIDEA for this purpose may carry the "moral obligation" of the state

Background. Snettisham is a 78 megawatt facility serving Juneau and Douglas. Acquisition of the project by AIDEA will be supported by a long-term "take-or-pay" power sales agreement with Alaska Electric Light and Power and is expected to provide long-term rate stability for its Juneau and Douglas customers. If the state does not purchase Snettisham, it may be sold to the highest bidder, likely to be a non-Alaskan entity.

Section 20- Immediate Effective Date

Section 20 provides for an immediate effective date. As noted above existing law prohibits AIDEA from issuing any bonds, and hampers AIDEA's ability to fulfill its mission. The immediate effective date will restore AIDEA's bonding authority at the earliest possible date.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

ALASKA ENERGY AUTHORITY

480 WEST TUDOR ANCHORAGE ALASKA 99503 907 / XXXXXX 269-3000 FAX 907 XXXXX 269-3044

AIDEA Program Overview

The mission of the Alaska Industrial Development and Export Authority (AIDEA) is to promote the general prosperity of the people of Alaska, to relieve unemployment, and to create additional employment. The Authority accomplishes its mission by providing Alaskans with long term commercial and development financing. Projects eligible to receive this financing assistance are industrial, manufacturing, export, and business enterprises and facilities within the state. The Authority also has the ability to own and operate facilities which advance its mission.

AIDEA is a public corporation of the State of Alaska, a political subdivision within the Department of Commerce and Economic Development, but with separate and independent legal existence. Below is a summary of AIDEA's financing assistance programs:

DEVELOPMENT FINANCE PROGRAM: Transportation infrastructure, ports, airports, utilities, tourism destination infrastructure and other public use facilities may be funded through direct ownership by AIDEA. To be eligible for AIDEA funding, a project must be essential for the economic well being of an area and must produce adequate revenues to repay the bonds sold to finance the project. AIDEA works closely with local governments and approves projects compatible with the local economy and supported by the community. AIDEA development and ownership have contributed to these successful projects: DeLong Mountain Transportation System (at Red Dog Mine); Skagway Ore Terminal; and the Ballyhoo Dock extension at the Unalaska Marine Center.

LOAN PARTICIPATION PROGRAM: Working through financial institutions (banks), AIDEA participates up to 80% in permanent financing for business enterprises such as hotels, shopping centers, office buildings, warehouses, car dealerships, and fishing vessels. The project may be newly constructed, newly acquired or refinanced. Borrowers apply at a qualified bank for a loan; the bank, in turn, applies to AIDEA. The bank retains a minimum 20% share in the loan, although that share may be amortized more rapidly than AIDEA's portion. AIDEA participation is limited to $10 million. Certain manufacturing and other facilities may qualify for tax-exempt financing under the Loan Participation Program.

BUSINESS ASSISTANCE PROGRAM: More commonly known as the AIDEA guarantee program, this program provides up to an 80% guarantee of the principal balance to the financial institution making the loan. This added degree of support can make project financing, refinancing and working capital loans available for projects that might not otherwise be financed. Borrowers apply to the bank, which in turn, submits an application to AIDEA. Guarantees up to $1 million are made on loans for real property, equipment or working capital for projects that stabilize the economic base or create or maintain employment. Targeting entrepreneurs in rural areas, in 1991 the Alaska Legislature established a streamlined approval process for guarantees on loans of $75,000 or less. The loans may be unsecured. AIDEA also supports the Rural Development Initiative Fund (RDIF) under the Business Assistance

Program. The RDIF is administered by the Department of Community and Regional Affairs (DCRA) and supported by AIDEA. The RDIF provides funding up to $100,000 ($200,000 for two or more borrowers of the loan) to businesses in rural Alaska which may not currently be served by commercial financial institutions.

REVENUE BOND PROGRAM: AIDEA acts as a conduit to facilitate a financing transaction between a borrower and a willing purchaser of the bonds. This type of financing can be advantageous to both the borrower and the purchaser of the bonds. This program saw high volume use prior to the 1986 amendments to the federal tax code; however, it is in less demand today.

EXPORT ASSISTANCE PROGRAM: Designed to foster and facilitate international trade, this program offers guarantees to financial institutions which provide exporters with preshipment and post-shipment loans. Guarantees may total up to 90% of the transaction plus interest or $1 million, whichever is less.

VENTURE CAPITAL: AIDEA has also invested in a venture capital partnership as a limited partner. The Polaris Fund is designed to introduce Outside venture capitalists to investment opportunities in Alaska while providing venture capital to Alaskan businesses. The Polaris Fund manages the partnership. For additional information and loan applications, contact Jim Yarmon, c/o Yarmon Investments, 840 K Street, #201, Anchorage, AK 99501, (907) 276-4466.

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AIDEA Development Projects

(In Operation, Construction, or Design)

DeLong Mountain Transportation System and Port Expansion	Kotzebue	$103 million (original)	Complete. 350 jobs created.
		$60 million (expansion); legislative bonding authorization pending.	Planning and design underway.
Skagway Ore Terminal	Skagway	$25 million	Project is complete and in operation. Year round jobs supported by the facility.
Ballyboo Dock Expansion	Unalaska	$7 million	Complete and in operation.
Federal Express Aircraft Maintenance Facility	Anchorage	$28 million	Complete and in operation.
Healy Clean Coal Project	Healy	$85 million (total project cost $267 million)	Under construction. Approximately 200 construction jobs created. Project will be complete in 1998 creating 35 permanent jobs.
Alaska Seafood Center	Anchorage	$50 million (authorized)	Awaiting additional private sector financing.
Kodiak Launch Facility	Kodiak	$20 million (authorized)	Planning.
Snettisham Hydroelectric Project	Near Juneau	$100 million (legislative authorization pending)	Congressional approval to transfer the project provided. Tax exemption pending.
Craig Industrial Marine Facility	Craig		In discussion with City of Craig. City has obtained necessary permits for construction.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

ALASKA ENERGY AUTHORITY

480 WEST TUDOR ANCHORAGE ALASKA 99503 907 / XXX-XXXX 269-3000 FAX 907 XXX-XXXX 269-3044

PROJECT FACT SHEET: **DeLong Mountain Transportation System (DMTS) Road and Port serving the Red Dog Mine**

DATE: February 6, 1996

CURRENT STATUS: Cominco Alaska is increasing production from the Red Dog mine and mill operation, which will require enlarging the ore concentrate storage and handling facilities owned by AIDEA at the port. Cominco Alaska is obtaining permits for construction, and conducting detailed design of the improvements. AIDEA will assist in the design and permitting of the port expansion. A reimbursement agreement will assure AIDEA the repayment of funds expended on the project, pending review and approval of the Project by the Legislature. Construction would begin in 1996 or 1997, depending on the outcome of the Legislative process and the pace of the design and permitting activities.

PROJECT BUDGET (Originally): $185 million PENDING EXPANSION BUDGET: $60 million

SOURCE OF FUNDS: In 1987, $103 million in tax-exempt bonds were sold by AIDEA and are being repaid through user fees. A state appropriation provided the remaining funding. Funding of the proposed expansion will be accomplished through the sale of tax exempt bonds, if authorized by the Legislature.

PURPOSE: To provide employment opportunities in northwest Alaska through development of a transportation system to serve the world class lead/zinc mining district, and the Red Dog mine, 90 miles north of Kotzebue.

PARTICIPANTS: In 1986 AIDEA entered into an agreement with Cominco Alaska to construct, use, operate and maintain the DMTS. Cominco Alaska is a subsidiary of Cominco, Inc. (a Canadian minerals company). The company has a non-exclusive priority right to use the system for 50 years to ship ore concentrates over the road, store concentrates in the storage building and transload concentrates onto ore ships. Cominco, in turn, pays a toll for use of the facilities and is obligated to operate and maintain the system at a commercially reasonable rate of compensation. The mine owner is NANA Regional Corporation, which represents Inupiat Eskimos of the Northwest Arctic.

BACKGROUND: Discovery of lead and zinc deposits at Red Dog in the DeLong Mountains brought opportunity for economic growth to the cash poor region. Construction of the AIDEA-financed transportation system allowed that opportunity to be realized. Low base metals prices have prevailed since the mine opened. An expansion is needed to improve profitability by reducing the cost per pound of concentrate produced. Resources have been identified to maintain a 50 year mine life even at the higher production output.

ECONOMIC/SOCIAL EFFECTS: In 1992 the mine and transportation system provided 15% of the Northwest Arctic Borough's employment (350 workers) and paid 30% ($24 million) of the Borough's payroll. The project is an excellent example of the Authority's contribution and commitment to Alaska's economic development. In an area of traditionally high unemployment, much of it seasonal, the transportation system and mine offer steady, year round work. Paychecks earned by Borough residents infuse much needed cash into the region's limited economy. Payments to the Borough in 1995 totaled $2.0 million - this is the Borough's sole, non-government source of revenue.

SCOPE OF EXISTING PROJECT. The DMTS transportation system consists of a 52-mile, 30 foot wide, industrial haul road, a shallow water dock, offshore conveyor concentrate loading facility, concentrate storage facility, fuel distribution and storage systems, and other port facilities. The DMTS road, designed to accommodate multiple users, leads from the mine to a port site located on the Chukchi Sea, about 12 miles from Kivalina. Construction was completed in 1990. During the first two years of operation, Cominco and the Authority made nearly a dozen improvements, at a cost of approximately $6 million, to achieve a more efficient and environmentally sound facility. These improvements were completed in the Spring of 1993 and the cost was added to the investment base. Additional minor improvements are ongoing. In 1995, approximately 809,000 tons of lead and zinc concentrates were exported through the port (up from 620,000 tons in 1994).

SCOPE OF PROPOSED EXPANSION. Cominco is planning to increase their mill throughput by 35% (to 3.5 million tons/year), which will result in a corresponding increase in lead and zinc concentrates (to 1.1 million tons/year). The planned DMTS port expansion will include the following: 1) construct a new concentrate storage building with 450,000 ton capacity; 2) connect the new concentrate storage building to the existing material handling (loadout) system; 3) construct a new, permanent 80 person camp with cookhouse and recreational area; 4) construct a new 2.2 million gallon fuel storage tank and associated piping; and 5) construct a new powerhouse, complete with generators. Seventy additional employees will be required to operate the expanded mine, mill and DMTS operations.

DMTS EXPANSION - PROJECT FACTS

(February 1, 1996)

EXISTING DMTS SYSTEM

- Started operating in 1990
- Throughput from Red Dog Mine is increasing
  - 464,000 tons (1993) - lead and zinc concentrates
  - 620,000 tons (1994) - lead and zinc concentrates
  - 809,000 tons (1995) - lead and zinc concentrates
- $103 million in AIDEA bonds sold - February, 1987
  - Toll fees support the debt
  - $96 million principle outstanding
- Current employment at the Red Dog mine is 350 (55%+ NANA shareholder hire)
  - Current payroll $26 million
- 30% of payroll in North West Arctic Borough (NWAB)
- Payments in lieu of taxes
  - $2 million paid to NWAB in 1995 (to go up in 1996 to $2.4 million)
  - This is the NWAB's sole non-government source of revenue.

EXPANDED DMTS SYSTEM

- With the expansion, Red Dog mine will be the world's largest single producer of zinc concentrates
- Pending permit issuance, construction of the Port expansion is scheduled to take place in 1996-1997, with commissioning in January 1998
- Anticipated expanded DMTS throughput:
  - 1,100,000 Tons/year lead and zinc concentrates(compared to 809,000 currently)
  - 1,000,000 Tons concentrate storage capacity (compared to 550,000 currently)
- Preliminary Capital Cost Estimate including design and construction management services (final estimate due in late February):
  - $23,916,000 - New concentrate storage building
  - 16,811,000 - Connect and modify the materials handling systems
  - 4,941,000 - Construct a new 80 man permanent camp
  - 3,900,000 - New 2.2 million gallon fuel storage tank and piping
  - 4,032,000 - New powerhouse and generators
  - 6,400,000 - Financing costs and owner's contingency
  - $60,000,000 - **PROJECT TOTAL**
- AIDEA bond sale late 1996, subject to legislative approval
- The minesite expansion project budget is $55 million
  - Separately financed by Cominco
  - Mine expansion will be constructed in parallel with DMTS work
- Additional employment - 70 personnel

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ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

ALASKA ENERGY AUTHORITY

480 WEST TUDOR ANCHORAGE, ALASKA 99503 907 XXXXXX 269-3000 FAX 907 XXXXXX 269-3044

PROJECT FACT SHEET: Snettisham Hydroelectric Project

DATE: February 2, 1996

CURRENT STATUS: On November 28, 1995 President Clinton signed into law a Bill that authorizes the sale of the Snettisham Project. Congressional approval to issue tax-exempt bonds for the project is pending. As presently contemplated, the project will be purchased by the Authority and operated exclusively by AEL&P. AEL&P will purchase all the project power under a long term power sales agreement. The project is currently in the due diligence stage.

ESTIMATED BUDGET: $100 million. The Purchase Agreement provides that the purchase price is based on the present value of the remaining principal and interest payments due to the federal government for Snettisham. The requested authorization includes funds for other elements of the overall project financing such as repair and replacement insurance and bonded indebtedness reserves.

SOURCE OF FUNDS: Bonds sold by AIDEA.

SCOPE OF PROJECT: The 78,210 kW project presently provides approximately 80 percent of the Juneau-Douglas area's electrical energy. The Snettisham Hydroelectric Project is owned, operated, and maintained by the Alaska Power Administration (APA), a unit of the U.S. Department of Energy. The Snettisham project is located in a remote area of Southeast Alaska, approximately 28 air miles southeast of Juneau. The project consists of two reservoirs, a small periodically constructed flashboard dam, power tunnels, underground generating plant, switchyard, transmission line and substation. Due to its remote location, the project has its own airstrip, boat dock, residential quarters and utility system. The project is operated by remote control from Juneau under contract with Alaska Electric Light and Power (AEL&P), the purchaser of nearly all the project's power.

BACKGROUND: In the mid-1980's, the federal government began exploring the merits of divesting its various power marketing agencies located throughout the United States. The Alaska Power Authority (currently known as the Alaska Energy Authority) entered into negotiations with the APA to purchase Snettisham, which ultimately resulted in the execution of a Snettisham Project Purchase Agreement. The Agreement was amended to provide for the reassignment of the Agreement from the Alaska Energy Authority to AIDEA. A Memorandum of Understanding for the sale and purchase of power between AIDEA and the AEL&P has been negotiated.

ECONOMIC/SOCIAL EFFECTS: DOE is proceeding with divestiture of federal hydroelectric projects in Alaska. AEL&P, the local utility, does not have adequate financial resources to purchase Snettisham. Alternatives include continued federal ownership, sale to the state, or sale to the highest bidder. State ownership assures the Juneau-Douglas area of a stable, long term cost of power and a reduced wholesale cost of power to AEL&P. Under state ownership, Snettisham will be operated for the benefit of the local users and will result in an anticipated long term reduction of energy costs for the Juneau-Douglas residents.

File
Snettisham

TITLE IV—DEPARTMENT OF ENERGY

Subtitle A—Alaska Power Administration Sale Authorization Act

SEC. 4001. SHORT TITLE.

This subtitle may be cited as the "Alaska Power Administration Sale Authorization Act".

SEC. 4002. SALE OF SNETTISHAM AND EKLUTNA HYDROELECTRIC PROJECTS.

(a) The Secretary of Energy may sell the Snettisham Hydroelectric Project (referred to in this subtitle as "Snettisham") to the State of Alaska Power Authority (now known as the Alaska Industrial Development and Export Authority, and referred to in this subtitle as the "Authority"), or its successor, in accordance with the February 10, 1989, Snettisham Purchase Agreement between the Alaska Power Administration of the United States Department of Energy and the Authority.

(b) The Secretary of Energy may sell the Eklutna Hydroelectric Project (referred to in this subtitle as "Eklutna") to the Municipality of Anchorage doing business as Municipal Light and Power, the Chugach Electric Association, Inc., and the Matanuska Electric Association, Inc. (referred to in this subtitle as "Eklutna Purchasers") in accordance with the August 2, 1989, Eklutna Purchase

Agreement between the United States Department of Energy and the Eklutna Purchasers.

(c) The heads of other affected Federal departments and agencies, including the Secretary of the Interior, shall assist the Secretary of Energy in implementing the sales authorized by this Act.

(d) The Secretary of Energy shall deposit sale proceeds in the Treasury of the United States to the credit of miscellaneous receipts.

(e) There are authorized to be appropriated such sums as are necessary to prepare or acquire Eklutna and Snettisham assets for sale and conveyance, such preparations to provide sufficient title to ensure the beneficial use, enjoyment, and occupancy to the purchasers of the assets to be sold.

(f) No later than one year after both of the sales authorized in section 4002 have occurred, as measured by the Transaction Dates stipulated in the Purchase Agreements, the Secretary of Energy shall—

(1) complete the business of, and close out, the Alaska Power Administration; and

(2) prepare and submit to Congress a report documenting the sales.

SEC. 4003. ASSESSMENT OF ALTERNATIVE OPTIONS.

Before taking any action authorized in section 4002, the Secretary shall assess the feasibility of alternative options for maximizing the return to the Treasury from the sale of the Alaska Power Marketing Administration.

Subtitle B—Federal-Private Cogeneration of Electricity

SEC. 4101. FEDERAL-PRIVATE COGENERATION OF ELECTRICITY.

Section 804(2)(B) of the National Energy Conservation Policy Act (42 U.S.C. 8287c(2)(B)) is amended by striking ", excluding any cogeneration process for other than a federally owned building or buildings or other federally owned facilities.".

~~Subtitle C—Power Marketing Administration Debt Buyout~~

Natural Resources Committee Amendments

~~PART 1—BONNEVILLE POWER ADMINISTRATION DEBT BUYOUT~~

~~SEC. 4201. SHORT TITLE.~~

~~This part may be cited as the "Bonneville Power Administration Repayment Bonds Act".~~

~~SEC. 4202. SALE OF BONDS.~~

~~Notwithstanding any other law and without fiscal year limitation—~~

~~(1) in addition to the authority in section 13 of the Federal Columbia River Transmission System~~

II

Calendar No. 101

104TH CONGRESS
1ST SESSION

S. 395

[Report No. 104–78]

To authorize and direct the Secretary of Energy to sell the Alaska Power Administration, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 13 (legislative day, JANUARY 30), 1995

Mr. MURKOWSKI (for himself, Mr. STEVENS, Mrs. FEINSTEIN, and Mr. KYL) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

APRIL 27 (legislative day, APRIL 24), 1995

Reported by Mr. MURKOWSKI, with amendments and an amendment to the title

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To authorize and direct the Secretary of Energy to sell the Alaska Power Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~TITLE I~~

~~SECTION 101. SHORT TITLE.~~

~~This title may be cited as the "Alaska Power Administration Sale Act".~~

~~SEC. 102. SALE OF SNETTISHAM AND EKLUTNA HYDROELECTRIC PROJECTS.~~

~~(a) The Secretary of Energy is authorized and directed to sell the Snettisham Hydroelectric Project (referred to in this Act as "Snettisham") to the State of Alaska in accordance with the terms of this Act and the February 10, 1989, Snettisham Purchase Agreement, as amended, between the Alaska Power Administration of the Department of Energy and the Alaska Power Authority.~~

~~(b) The Secretary of Energy is authorized and directed to sell the Eklutna Hydroelectric Project (referred to in this Act as "Eklutna") to the Municipality of Anchorage doing business as Municipal Light and Power, the Chugach Electric Association, Inc., and the Matanuska Electric Association, Inc. (referred to in this Act as "Eklutna Purchasers"), in accordance with the terms of this Act and the August 2, 1989, Eklutna Purchase Agreement, as amended, between the Department of Energy and the Eklutna Purchasers.~~

~~(c) The heads of other Federal departments and agencies, including the Secretary of the Interior, shall as-~~

~~sist the Secretary of Energy in implementing the sales authorized and directed by this Act.~~

~~(d) The Secretary of Energy shall deposit sale proceeds in the Treasury of the United States to the credit of miscellaneous receipts.~~

~~(e) There are authorized to be appropriated such sums as may be necessary to prepare or acquire Eklutna and Snettisham assets for sale and conveyance. Such preparations and acquisitions shall provide sufficient title to ensure the beneficial use, enjoyment, and occupancy to the purchasers of the asset to be sold.~~

~~SEC. 103. EXEMPTION.~~

~~(a)(1) After the sales authorized by this Act occur, Eklutna and Snettisham, including future modifications, shall continue to be exempt from the requirements of the Federal Power Act (16 U.S.C. 791a et seq.).~~

~~(2) The exemption provided by paragraph (1) does not affect the Memorandum of Agreement entered into between the State of Alaska, the Eklutna Purchasers, the Alaska Energy Authority, and Federal fish and wildlife agencies regarding the protection, mitigation of, damages to, and enhancement of fish and wildlife, dated August 7, 1991, which remains in full force and effect.~~

~~(3) Nothing in this Act or the Federal Power Act preempts the State of Alaska from carrying out the respon-~~

~~sibilities and authorities of the Memorandum of Agreement.~~

~~(b)(1) The United States District Court for the District of Alaska has jurisdiction to review decisions made under the Memorandum of Agreement and to enforce the provisions of the Memorandum of Agreement, including the remedy of specific performance.~~

~~(2) An action seeking review of a Fish and Wildlife Program ("Program") of the Governor of Alaska under the Memorandum of Agreement or challenging actions of any of the parties to the Memorandum of Agreement prior to the adoption of the Program shall be brought not later than ninety days after the date of which the Program is adopted by the Governor of Alaska, or be barred.~~

~~(3) An action seeking review of implementation of the Program shall be brought not later than ninety days after the challenged act implementing the program, or be barred.~~

~~(c) With respect to Eklutna lands described in Exhibit A of the Eklutna Purchase Agreement:~~

~~(1) The Secretary of the Interior shall issue rights-of-way to the Alaska Power Administration for subsequent reassignment to the Eklutna Purchasers—~~

~~(A) at no cost to the Eklutna Purchasers;~~

~~(B) to remain effective for a period equal to the life of Eklutna as extended by improvements, repairs, renewals, or replacements; and~~

~~(C) sufficient for the operation, maintenance, repair, and replacement of, and access to, Eklutna facilities located on military lands and lands managed by the Bureau of Land Management, including land selected by the State of Alaska.~~

~~(2) If the Eklutna Purchasers subsequently sell or transfer Eklutna to private ownership, the Bureau of Land Management may assess reasonable and customary fees for continued use of the rights-of-way on lands managed by the Bureau of Land Management and military lands in accordance with current law.~~

~~(3) Fee title to lands at Anchorage Substation shall be transferred to Eklutna Purchasers at no additional cost if the Secretary of the Interior determines that pending claims to, and selection of, those lands are invalid or relinquished.~~

~~(4) With respect only to approximately eight hundred and fifty-three acres of Eklutna lands identified in paragraphs 1-a, b, and c of exhibit A of the Eklutna Purchase Agreement, the State of Alas-~~

~~he may select, and the Secretary of the Interior shall convey, to the State, improved lands under the selection entitlements in section 6(a) of the Act of July 7, 1958 (Public Law 85-508), and the North Anchorage Land Agreement of January 31, 1983. The conveyance is subject to the rights-of-way provided to the Eklutna Purchasers under paragraph (1).~~

~~(d) With respect to the approximately two thousand six hundred and seventy-one acres of Snettisham lands identified in paragraphs 1. a. and b. of Exhibit A of the Snettisham Purchase Agreement, the State of Alaska may select, and the Secretary of the Interior shall convey to the State, improved lands under the selection entitlement in section 6(a) of the Act of July 7, 1958 (Public Law 85-508).~~

~~(e) Not later than one year after both of the sales authorized in section 2 have occurred, as measured by the transaction dates stipulated in the purchase agreements, the Secretary of Energy shall—~~

~~(1) complete the business of, and close out, the Alaska Power Administration;~~

~~(2) prepare and submit to Congress a report documenting the sales; and~~

~~(3) return unused balances of funds appropriated for the Alaska Power Administration to the Treasury of the United States.~~

~~(f) The Act of July 31, 1950 (64 Stat. 382) is repealed effective on the date, as determined by the Secretary of Energy, when all Eklutna assets have been conveyed to the Eklutna Purchasers.~~

~~(g) Section 204 of the Flood Control Act of 1962 (Public Law 87–874; 76 Stat. 1193) is repealed effective on the date, as determined by the Secretary of Energy, when all Snettisham assets have been conveyed to the State of Alaska.~~

~~(h) As of the later of the two dates determined in subsection (f) and (g), section 302(a) of the Department of Energy Organization Act (42 U.S.C. 7152 (a)) is amended—~~

~~(1) in paragraph (1)—~~

~~(A) by striking out subparagraph (C); and~~

~~(B) by redesignating subparagraphs (D), (E) and (F) as subparagraphs (C), (D), and (E) respectively;~~

~~(2) in paragraph (2) by striking out "the Bonneville Power Administration, and the Alaska Power Administration" and inserting in lieu thereof "and the Bonneville Power Administration".~~

~~(i) The Act of August 9, 1955 (69 Stat. 618), concerning water resources investigation in Alaska, is repealed.~~

~~(j) The sales of Eklutna and Snettisham under this Act are not considered a disposal of Federal surplus property under the following provisions of section 203 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 484) and section 13 of the Surplus Property Act of 1944 (50 U.S.C. app. 1622).~~

TITLE I

SECTION 101. SHORT TITLE.

This title may be cited as the "Alaska Power Administration Asset Sale and Termination Act".

SEC. 102. SALE OF SNETTISHAM AND EKLUTNA HYDROELECTRIC PROJECTS.

(a) The Secretary of Energy is authorized and directed to sell the Snettisham Hydroelectric Project (referred to in this Act as "Snettisham") to the State of Alaska in accordance with the terms of this Act and the February 10, 1989, Snettisham Purchase Agreement, as amended, between the Alaska Power Administration of the United States Department of Energy and the Alaska Power Authority and the Authority successors.

(b) The Secretary of Energy is authorized and directed to sell the Eklutna Hydroelectric Project (referred to in this

Act as "Eklutna") to the Municipality of Anchorage doing business as Municipal Light and Power, the Chugach Electric Association, Inc., and the Matanuska Electric Association, Inc. (referred to in this Act as "Eklutna Purchasers"), in accordance with the terms of this Act and the August 2, 1989, Eklutna Purchase Agreement, as amended, between the Alaska Power Administration of the United States Department of Energy and the Eklutna Purchasers.

(c) The heads of other Federal departments and agencies, including the Secretary of the Interior, shall assist the Secretary of Energy in implementing the sales authorized and directed by this Act.

(d) Proceeds from the sales required by this title shall be deposited in the Treasury of the United States to the credit of miscellaneous receipts.

(e) There are authorized to be appropriated such sums as may be necessary to prepare, survey and acquire Eklutna and Snettisham assets for sale and conveyance. Such preparations and acquisitions shall provide sufficient title to ensure the beneficial use, enjoyment, and occupancy by the purchaser.

SEC. 103. EXEMPTION AND OTHER PROVISIONS.

(a)(1) After the sales authorized by this Act occur, Eklutna and Snettisham, including future modifications, *shall continue to be exempt from the requirements of the Federal Power Act (16 U.S.C. 791a et seq.) as amended.*

(2) The exemption provided by paragraph (1) does not affect the Memorandum of Agreement entered into among the State of Alaska, the Eklutna Purchasers, the Alaska Energy Authority, and Federal fish and wildlife agencies regarding the protection, mitigation of, damages to, and enhancement of fish and wildlife, dated August 7, 1991, which remains in full force and effect.

(3) Nothing in this title or the Federal Power Act preempts the State of Alaska from carrying out the responsibilities and authorities of the Memorandum of Agreement.

(b)(1) The United States District Court for the District of Alaska shall have jurisdiction to review decisions made under the Memorandum of Agreement and to enforce the provisions of the Memorandum of Agreement, including the remedy of specific performance.

(2) An action seeking review of a Fish and Wildlife Program ("Program") of the Governor of Alaska under the Memorandum of Agreement or challenging actions of any of the parties to the Memorandum of Agreement prior to the adoption of the Program shall be brought not later than ninety days after the date of which the Program is adopted by the Governor of Alaska, or be barred.

(3) An action seeking review of implementation of the Program shall be brought not later than ninety days after the challenged act implementing the Program, or be barred.

(c) With respect to Eklutna lands described in Exhibit A of the Eklutna Purchase Agreement:

(1) The Secretary of the Interior shall issue rights-of-way to the Alaska Power Administration for subsequent reassignment to the Eklutna Purchasers—

(A) at no cost to the Eklutna Purchasers;

(B) to remain effective for a period equal to the life of Eklutna as extended by improvements, repairs, renewals, or replacements; and

(C) sufficient for the operation of, maintenance of, repair to, and replacement of, and access to, Eklutna facilities located on military lands and lands managed by the Bureau of Land Management, including lands selected by the State of Alaska.

(2) If the Eklutna Purchasers subsequently sell or transfer Eklutna to private ownership, the Bureau of Land Management may assess reasonable and customary fees for continued use of the rights-of-way on lands managed by the Bureau of Land Management and military lands in accordance with existing law.

(3) Fee title to lands at Anchorage Substation shall be transferred to Eklutna Purchasers at no additional cost if the Secretary of the Interior determines that pending claims to, and selections of, those lands are invalid or relinquished.

(4) With respect to the Eklutna lands identified in paragraph 1 of Exhibit A of the Eklutna Purchase Agreement, the State of Alaska may select, and the Secretary of the Interior shall convey to the State, improved lands under the selection entitlements in section 6 of the Act of July 7, 1958 (commonly referred to as the Alaska Statehood Act, Public Law 85–508, 72 Stat. 339, as amended), and the North Anchorage Land Agreement dated January 31, 1983. This conveyance shall be subject to the rights-of-way provided to the Eklutna Purchasers under paragraph (1).

(d) With respect to the Snettisham lands identified in paragraph 1 of Exhibit A of the Snettisham Purchase Agreement and Public Land Order No. 5108, the State of Alaska may select, and the Secretary of the Interior shall convey to the State of Alaska, improved lands under the selection entitlements in section 6 of the Act of July 7, 1958 (commonly referred to as the Alaska Statehood Act, Public Law 85–508, 72 Stat. 339, as amended).

(e) Not later than one year after both of the sales authorized in section 102 have occurred, as measured by the Transaction Dates stipulated in the Purchase Agreements, the Secretary of Energy shall—

(1) complete the business of, and close out, the Alaska Power Administration;

(2) submit to Congress a report documenting the sales; and

(3) return unobligated balances of funds appropriated for the Alaska Power Administration to the Treasury of the United States.

(f) The Act of July 31, 1950 (64 Stat. 382) is repealed effective on the date, as determined by the Secretary of Energy, that all Eklutna assets have been conveyed to the Eklutna Purchasers.

(g) Section 204 of the Flood Control Act of 1962 (76 Stat. 1193) is repealed effective on the date, as determined by the Secretary of Energy, that all Snettisham assets have been conveyed to the State of Alaska.

(h) As of the later of the two dates determined in subsection (f) and (g), section 302(a) of the Department of Energy Organization Act (42 U.S.C. 7152 (a)) is amended—

(1) in paragraph (1)—

(A) by striking subparagraph (C); and

(B) by redesignating subparagraphs (D), (E), and (F) as subparagraphs (C), (D), and (E), respectively; and

(2) in paragraph (2) by striking out "and the Alaska Power Administration" and by inserting "and" after "Southwestern Power Administration,".

(i) The Act of August 9, 1955, concerning water resources investigation in Alaska (69 Stat. 618), is repealed.

(j) The sales of Eklutna and Snettisham under this title are not considered disposal of Federal surplus property under the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 484) or the Act of October 3, 1944, popularly referred to as the "Surplus Property Act of 1944" (50 U.S.C. App. 1622).

TITLE II

SEC. 201. SHORT TITLE

This title may be cited as "Trans-Alaska Pipeline Amendment Act of 1995".

SEC. 202. TAPS ACT AMENDMENTS.

Section 203 of the Act entitled the "Trans-Alaska Pipeline Authorization Act," as amended (43 U.S.C. 1652), is amended by inserting the following new subsection (f):

"(f) EXPORTS OF ALASKAN NORTH SLOPE OIL.—

ALASKA PUBLIC DEBT

1995-1996

STATE OF ALASKA
Tony Knowles, Governor

Department of Revenue

March, 1996

The State has issued G.O. bonds 49 times since statehood, raising almost $1.4 billion. In addition, the State assumed the outstanding debt of the Territory of Alaska as general obligation bonds of the State. In 1959, the Territorial debt was $2.9 million. As of June 30, 1995, the State had $58.0 million in GOB's outstanding.

The final payment on State GOB's is due October 1, 1999. This is the result of a conscious effort of the State to limit the maturities of State debt to conform with projected oil production generated from the Prudhoe Bay field.

The interest cost on State bond issues is determined by several factors, the major factor being the general level of interest rates in the economy. However, the credit rating assigned to an issuer and the investor perception of creditworthiness are also important factors. The State's credit rating has improved from Baa1/A in 1973 to Aa/AA at present. A significant factor behind the improved credit rating is the tailoring of maturities to the expected life of Prudhoe Bay and the State's oil-based revenues. More recently, the liquidity provided by predominantly oil-based revenues has become a significant factor. This maturity policy and liquidity have also helped to reduce interest costs directly, in that interest rates on a bond issue generally are lower the shorter the maturity, and bondholders attach importance to liquidity.

B. State Supported Debt

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's general fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

The total of State Debt and State Supported Debt is the measure of debt burden used by Moody's, Standard & Poor's, and Fitch's in assigning a credit rating to State debt obligations.

State Supported Debt includes a portion of University of Alaska debt, lease-purchase financing obligations, and the share of municipal GOB's issued for school construction which is reimbursable by the State. Lease-purchase financing consists of lease revenue bonds and certificates of participation (COP's) issued by lessors of facilities used by the State. Historically, Alaska State Housing Authority (ASHA) was the lessor for many of the facilities. Beginning July 1, 1992, Alaska Housing Finance Corporation (AHFC) became the lessor of those State facilities as a result of ASHA's merger with AHFC.

Some State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, some by law as in the case of the University, some by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and some issued without specific legislative authorization of the obligation as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding $1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding $10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

At June 30, 1995, State Supported Debt was $449.9 million as shown on Table 1.1, page 6.

C. State Guaranteed Debt

In the 1982 general election, voters approved an amendment to Article IX, Section 8 of the Alaska Constitution that permits the State to guarantee unconditionally as a general obligation of the State the payment of principal and interest on revenue bonds issued by AHFC for the purpose of purchasing mortgage loans made for residences of qualifying veterans. This is the only purpose for which State Guaranteed Bonds may be issued. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee. In the 1982, 1984, and 1986 general elections and a 1983 special election, voters approved propositions authorizing $400 million, $700 million, $600 million, and $500 million, respectively, of State Guaranteed Bonds for veterans' mortgages.

These bonds are known to investors as "double-barrelled" because there are two distinct forms of security behind the bonds. Their first lien is on the revenue stream generated by payments on the mortgage loans made from bond sale proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that revenues are insufficient.

The constitutional amendment permitting the State general obligation pledge on veterans' mortgage bonds was necessary only to gain tax-exempt status for the bonds. The Mortgage Subsidy Bond Tax Act passed by Congress in 1980 restricted the ability of states or public corporations to sell tax-exempt housing bonds above specified ceilings unless they were also general obligations of the issuing state and the proceeds were used for housing loans for veterans. After the 1980 legislation and before the 1982 constitutional amendment, AHFC had been issuing more expensive taxable bonds for veterans' as well as non-veterans' loans.

It is important to note that the State general obligation pledge was not needed in order to make the bonds more attractive to investors or to improve their security structure. In recognition of the independent creditworthiness of the veterans' bonds, these bonds have been rated "AAA"; higher than the State G.O. bonds.

Because of the strong support behind the bonds, independent of the State's general obligation pledge, this debt is not counted by the rating agencies as general obligation debt. However, if problems in meeting debt service on veterans' bonds were to arise, the bonds would be treated as general obligation debt for credit rating purposes.

On September 13, 1994, AHFC issued $130.0 million of State Guaranteed Collateralized Bonds for the Veterans' Mortgage Program. At June 30, 1995, State Guaranteed Debt was $6.9 million, as shown on Table 1.1, page 6.

D. State Moral Obligation Debt

This type of debt consists of bonds issued by State agencies which are secured, in part, by a reserve fund to which is attached a discretionary replenishment provision. Such a reserve fund is typically called a capital reserve fund. The discretionary replenishment provision typically reads:

> "The chairman of the authority (or corporation) shall annually, no later than January 1, certify in writing the governor and the legislature the amount, if any, required to restore the capital reserve fund to the capital reserve fund requirement. The legislature may appropriate to the

authority (or corporation) the amount certified by the chairman of the authority (or corporation). Nothing in this section creates a debt or liability of the state."

A capital reserve fund is generally equal in size to the maximum amount of debt service required in any year. Alaska's discretionary replenishment provision means that if the reserve fund should fall below its required level, the State legislature may, but is not legally required to, appropriate funds sufficient to restore the capital reserve fund to its required level. The most likely reason that such a reserve fund would fall short of the required level is if agency revenues were insufficient to meet a given debt service payment and the reserve fund had to be used to make the payment.

Moral obligation bonds are secured in the first instance by revenues generated from the use of the bond proceeds. Issuers of revenue bonds include a capital reserve fund in the structure of a bond offering to lend additional security to the bondholders and to help obtain the highest possible credit rating for the bonds.

The authority to issue moral obligation bonds is contained in the enabling legislation of Alaska Aerospace Development Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Student Loan Corporation, Alaska Municipal Bond Bank, and Alaska Energy Authority. Such authority is not granted to Alaska Medical Facilities Authority, Alaska Railroad Corporation, or other State agencies. Some of AHFC's and AEA's debt and most Bond Bank bonds are moral obligation bonds. **All of AIDEA's bonds are moral obligation bonds, except for the revolving fund bonds.**

At June 30, 1995, State Moral Obligation Debt was $1,094.1 million, as shown in Table 1.1, page 6.

E. State and University Revenue Debt

This type of debt is issued by the State or by the University of Alaska itself but is secured only by revenues derived from the use of bond proceeds. Revenue Debt is not a general obligation of the State or the University and does not require voter approval. Such debt is authorized by law and issued by the University or by the State Bond Committee for projects approved by the Commissioner of Transportation and Public Facilities. This type of debt includes International Airports Revenue Bonds, various University Revenue Bonds and Notes, and Toll Facilities Revenue Bonds.

At June 30, 1995, State and University Revenue Debt was $81.1 million, as shown on Table 1.1, page 6.

F. State Agency Debt

State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. The debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. The State has, however, appropriated funds to subsidize the interest rate to the borrower in the case of much of the AHFC debt listed as State agency debt in Table 1.1.

Nevertheless, if default threatened on any such State agency debt, there is some chance the State would step in. The ties between these agencies and the State -- such as their statutory origin and authority, subjection to the executive budget act and State contracting procedures, cabinet membership on boards, legislative approval of bond issuance, and, most fundamentally, achievement of their purpose as a continuing political goal of the State -- may mean that the State has or will take responsibility for such

TABLE 1.1

State of Alaska
State and State Agency Debt by Type of Debt and Issuer
($ Millions)

	Principal Outstanding 6/30/95	Interest to Maturity 6/30/95	Total Debt Service to Maturity 6/30/95
State Debt			
State of Alaska General Obligation Bonds	$ 58.0	$ 5.3	$ 63.3
State Supported Debt			
Lease-Purchase Financings	61.6	17.5	79.1
University of Alaska COP	1.8	1.0	2.8
State Reimbursement of Municipal School Debt Service	386.5	138.2	524.7
Total State Supported Debt	449.9	156.7	606.6
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans Mortgage Program)	6.9	2.0	8.9
State Moral Obligation Debt			
Alaska Housing Finance Corporation			
Insured Mortgage Program Bonds	384.1	552.4	936.5
Alaska Industrial Development and Export Authority			
Variable Demand/Fixed Rate Bonds	6.6	2.6	9.2
Umbrella Bonds	19.7	11.6	31.3
Revolving Fund Bonds	37.0	15.3	52.3
DeLong Mountain Transportation Project			
Revenue Bonds, Series 1987A	96.3	98.5	194.8
Alaska Municipal Bond Bank			
1976 General Resolution General Obligation Bonds	93.0	27.6	120.6
1980 Series A Revenue Bond	0.2	0.1	0.3
1982 General Resolution Revenue Bond	1.1	0.1	1.2
1987 Series A General Resolution Revenue Bonds	9.9	2.6	12.5
1988 General Resolution Revenue Bonds	0.3	-	0.3
1989 Series A General Resolution Revenue Bonds	2.4	1.5	3.9
1990 Series A General Resolution Revenue Bonds	1.1	1.0	2.1
1993 Series A General Resolution Revenue Bonds	7.5	2.5	10.0
1993 Series B General Resolution Revenue Bonds	2.4	1.0	3.4
1993 Series C General Resolution Revenue Bonds	3.2	0.8	4.0
1995 Series A General Resolution Revenue Bonds	3.2	2.4	5.6
Alaska Energy Authority			
Power Revenue Bonds #1 (Bradley Lake Hydroelectric Project)	107.5	116.5	224.0
Power Revenue Bonds #2 (Bradley Lake Hydroelectric Project)	65.6	66.6	132.2
Alaska Student Loan Corporation Student Loan Revenue Bonds	253.0	93.9	346.9
	1,094.1	997.0	2,091.1
State and University Revenue Debt			
International Airports Revenue Bonds	46.2	23.4	69.6
University of Alaska Revenue Bonds, Notes & Contracts	34.9	17.8	52.7
	81.1	41.2	122.3

TABLE 1.1
State of Alaska
State and State Agency Debt by Type of Debt and Issuer
($ Millions)
-(continued)-

	Principal Outstanding 6/30/95	Interest to Maturity 6/30/95	Total Debt Service to Maturity 6/30/95
State Agency Debt			
Alaska Housing Finance Corporation			
Housing Mortgage Bonds	29.9	8.2	38.1
Home Mortgage Bonds	1.3	1.1	2.4
Commercial Paper	150.0	N/A	150.0
Reverse Repurchase Agreements	304.3	N/A	304.3
AHFC-Public Housing Division			
Wrangell 221 (d) (3) Indebtedness	0.3	0.1	0.4
Series Bonds, Series 2-5	4.4	N/A	4.4
Voc. Tech. Center, Certificates of Participation	3.2	N/A	3.2
Alaska Municipal Bond Bank			
Coastal Energy Reserve Bonds			
Coastal Energy Loan Bonds	13.1	8.4	21.5
Alaska Energy Authority			
Notes Payable to State of Alaska	184.6	N/A	184.6
Larson Bay Revenue Bonds	0.8	0.6	1.4
Alaska Railroad	19.9	2.5	22.4
Alaska Industrial Development and Export Authority			
Revolving Fund Bonds	61.2	41.3	102.5
	773.0	62.2	835.2
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation			
Collateralized Mortgage Obligations Series 1989-2 through Series 1990-3 (3)	50.0	103.4	153.4
Collateralized Bonds 1985 First Series Through 1993 First Series (Veterans Mortgage Program)	331.2	621.7	952.9
Collateralized Home Mortgage Bonds 1986 Series A Through 1990 Series A	158.9	225.6	384.5
Gen. Mortgage Rev. Bonds 1991 Series A, B & C	332.6	336.8	669.4
Housing Development Bonds 1991 Series A (Stephens Park Project)	5.5	7.0	12.5
Housing Development Bonds 1992 Series A	9.0	9.3	18.3
Housing Development Bonds 1993 Series A,B,C,D&E	30.8	35.5	66.3
General Housing Purpose Bonds 1992 Series A	192.9	236.9	429.8
General Housing Purpose Bonds 1994 Series A	143.5	160.2	303.7
Governmental Purpose Bonds 1994 Series A	235.0	273.2	508.2
Secured Bonds/Medium Term Notes			
Secured Bonds 1986 Series B & Medium-Term Notes Series 1986-1	35.1	10.9	46.0
Secured Bonds 1986 Series C & Medium-Term Notes Series 1986-2	29.3	7.7	37.0
Secured Bonds 1986 Series D & Medium-Term Notes Series 1986-3	54.8	16.9	71.7
Secured Bonds 1986 Series E & Medium-Term Notes Series 1986-4	50.8	16.4	67.2
Medium Term Notes Series 1987-1	19.2	2.0	21.2

TABLE 3.4
Alaska Housing Finance Corporation
Debt Issued and Outstanding
(Includes the Public Housing Division of AHFC, Formerly ASHA)
(continued)

Bond Program	Date Issued	Amount Issued	Debt Outstanding 6/30/95	Interest Rate (%)	Final Maturity
HUD Turnkey Notes Payable	Various	4,739,981	4,739,981		N/A
HUD Notes Payable	Various	29,286,000	29,614,148		N/A
Mutual Help HUD Notes Payable	Various	995,702	995,702		N.A
Wrangell 221 (d)3 Indebtedness	9/1/86	666,500	291,551		8/1/07
		38,746,285	37,998,016		
Other AHFC Public Housing Division Debt					
Issues Issued and Paid Off	Various	124,267,985	-		Various
Total Public Housing Debt		200,254,270	50,413,016		
TOTAL ALL AHFC LONG-TERM DEBT		$ 10,141,752,814	$ 2,236,058,295		
Short-Term Debt Outstanding					
Commercial Paper	Various	$ 150,000,000	$ 150,000,000		
Reverse Repurchase Agreements	Various	313,850,000	304,282,000		
Total Short-Term Debt		$ 433,350,000	$ 454,282,000		

Notes:
1. *Collateral for these issues consists of AHFC Real Estate Owned Properties*
2. *Multifamily bond issues*

4. Alaska Industrial Development and Export Authority

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation administratively located in the Department of Commerce and Economic Development but with separate and independent legal existence. Created in 1967, AIDEA promotes economic development within the State by:

- providing loans for industrial and commercial projects;
- owning and operating certain types of infrastructure facilities;
- guaranteeing loans for export transactions; and
- guaranteeing business loans.

note:

The State's moral obligation stands behind the capital reserve funds which secure certain bonds issued by AIDEA. However, since 1990, and in the future, bonds sold, other than refunding bonds, are the general obligation of AIDEA and any capital reserve fund does not have the moral obligation of the State of Alaska, unless specifically provided by legislation.

The Authority has covenanted that it will not incur any General Obligation indebtedness causing future estimated net income (as defined in the bond resolutions) to be less than 150 percent of the General Obligation Annual Debt Service requirements in each year and to take no action to cause its Unrestricted Surplus to be less than the lesser of $200 million or the amount of General Obligation

Indebtedness outstanding and in no event less than $100 million. The bonds currently outstanding are secured by full faith and credit of the Authority and certain bonds maintain the State's moral obligation, attached to a Capital Reserve Fund.

During 1988, reductions in the cash flow from AIDEA's loan portfolio reduced projected debt service coverage below 150 percent. The reduced cash flow stemmed from loan delinquencies, modifications, and foreclosures associated with Alaska's economic recession. In response to the declining debt service coverage, AIDEA defeased $78,295,000 of its Economic Development Bonds and Consolidated Bonds by deposit of $91,269,000 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. None of the defeased bonds remain outstanding.

During 1994, AIDEA defeased $23,840,000 of its tax-exempt Umbrella Bonds and its Taxable Umbrella Bonds, in order to improve its projected debt service coverage. All of the bonds chosen for the defeasance would not have been eligible for refunding.

AIDEA bonds are rated A by Moody's and A- by Standard & Poor's. (Standard and Poor's rates as A the bonds with a state moral obligation on a capital reserve fund.)

a. AIDEA currently offers six programs as follows:

i. Tax-Exempt Loan Participation Program

The Tax-Exempt Loan Participation Program can provide up to $10 million for financing economic development projects. This program in the past has been referred to as the "tax-exempt umbrella bond program" because many small projects financed under this program were grouped together when AIDEA issued bonds under an "umbrella". The bonds are tax-exempt by virtue of the small issue exemption in the federal tax code.

AIDEA does not directly loan money. Proceeds of the bonds or authority funds are used to purchase up to 80 percent of an eligible loan from financial institutions. The Tax-Exempt Loan Participation Program combines the Economic Development and Consolidated Bond Programs that were previously separate and which financed participation under and over $1,000,000, respectively. As of June 30, 1995, AIDEA had issued $292,920,000 of Tax-Exempt Bonds (excluding refunding bonds) to fund loan participation purchases, of which $71,420,000 were outstanding (including refunding bonds). All of the outstanding Tax-Exempt bonds currently outstanding have a capital reserve fund with the State's moral obligation attached.

ii. Taxable Loan Participation Program

In response to escalating federal restrictions on tax-exempt bonds, AIDEA has implemented a taxable loan participation program; the program uses bonds or Authority funds to purchase loan participation. The provisions of the program are the same as for the Tax-Exempt Loan Participation Program except for the deletion of restrictions related to federal tax-exemption. This program was previously called the Taxable Umbrella Bonds Program. The only bonds which have been issued under this program were issued in 1987 in the amount of $14,540,000; the remaining amounts outstanding were defeased during 1994.

iii. Revenue Bond Program

AIDEA acts as a conduit in the sale and issuance of bonds on behalf of private borrowers who secure the bonds under the Revenue Bond program. The bonds generally are sold by private placement to the financial institution originating the loan rather than by public sale to the highest bidder. Part of the demand for the program arose from lenders who desired the tax exemption on the interest income. The elimination by the Tax Reform Act of 1986 of deductibility of bank interest expense allocable to holdings of tax-exempt obligations has greatly reduced demand for this program.

AIDEA does not participate financially in the Revenue Bond projects nor are the Authority's assets or credit pledged as security for the bonds. Bonds issued under this program are not considered to be obligations of the Authority or the State. They are considered to be obligations of the private borrower only. Furthermore, the State's moral obligation does not stand behind these bonds.

Most bonds under this program are tax-exempt by virtue of the small issue exemption. A few have been exempt facility bonds. From inception to June 30, 1995, AIDEA has issued 290 Revenue Bonds totaling $601,262,230. The Authority is authorized to issue revenue bonds to finance the continuation of power transmission interties to be owned by electric utilities in a collective amount not to exceed $5,000,000.

iv. Development Finance Program

Alaska statutes authorize AIDEA to finance development projects that it intends to own and operate. The types of facilities the Authority may own or operate must be for use in manufacturing, natural resource extraction, transportation of products or materials, or infrastructure for tourism destination facilities.

Bonds for projects to be owned or operated by AIDEA may be secured by the project, project revenues, specific assets of AIDEA's economic development account, or AIDEA's general assets. They can be general obligations or revenue bonds of the Authority.

Legislation enacted in 1985 authorized this program and authorized a bond sale of up to $175,000,000 to provide financing for the DeLong Mountain Transportation Project. The project consists of a road and port owned and operated by AIDEA to facilitate the development of the Red Dog and other mines in Northwest Alaska. $103,250,000 of such bonds were issued during 1987 and $76,300,000 were outstanding as of June 30, 1995. The capital reserve fund associated with these bonds carries the State's moral obligation.

The 1990 Legislature enacted legislation authorizing the Authority to finance, design and construct or reconstruct additional Economic Development projects, which have subsequently been completed:

(a) The Legislature authorized the issuance of up to $25,000,000 in bonds for the reconstruction of a public use ore terminal in Skagway, Alaska. A $25,000,000 bond issue was delivered in December, 1990. As of June 30, 1995, $20,255,000 were outstanding. There is no State moral obligation on the bonds.

(b) The Legislature authorized the issuance of up to $10,000,000 of bonds for the construction of improvements to the City of Unalaska Marine Center. The project was completed in late 1991. $7,000,000 of bonds were issued in December 1991 to finance the project; $5,670,000 of bonds were outstanding at June 30, 1995, with no State moral obligation attached.

(c) The Legislature authorized the issuance of up to $50,000,000 of bonds for the construction of a multi-bay aircraft maintenance facility to be located at the Anchorage International Airport. No action has been taken, and issuance has now been postponed indefinitely.

(d) The Legislature authorized the issuance of up to $85,000,000 in bonds to finance the acquisition, design and construction of aircraft maintenance and air cargo/air transport support facilities located at the Anchorage International Airport. Construction of a $28,000,000 aircraft maintenance facility began in August of 1992 and was completed in 1995. Bonds were issued in September, 1992 in the amount of $28,000,000. At June 30, 1995, $27,225,000 was outstanding, with no State moral obligation attached. The remaining authorization is still outstanding.

(e) The 1993 Legislature enacted legislation authorizing the Authority to issue bonds not to exceed $40,000,000 in principal for financing, design and construction of public use aircraft fueling facilities, to issue bonds not to exceed $50,000,000 to finance the acquisition, design and construction of port facilities related to the development and operation of a direct reduction iron ore processing facility located at Point MacKenzie, and to issue bonds not to exceed a principal amount of $50,000,000 for an Anchorage seafood processing, storage and loading project. The developers will use a private source of capital for the aircraft fueling facilities; developers of the port facilities have determined not to locate at Port MacKenzie; and the seafood facility developer continues to seek additional capital sources to allow the project to proceed.

(f) The Authority is authorized to issue up to $20,000,000 of bonds to finance the acquition, design and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park.

v. Export Assistance Program

1987 Legislature authorized AIDEA to guarantee up to 90 percent of principal and interest on loans made to finance the export of raw materials, goods, or services from Alaska. The guarantees are against political or commercial loss. No loan guarantees have been issued under this program as of December 1, 1995.

AIDEA may issue bonds to purchase insurance to cover its guarantees. The bonds may be secured by premiums paid by the borrower, bond proceeds, the insurance purchased from bond proceeds, or other assets of the Authority. The bonds would not have the State's moral obligation attached.

vi. Business Assistance Program

This program was authorized by the 1988 Legislature. The program is more commonly known as the AIDEA loan guarantee program and provides a guarantee of up to 80% of the principal balance to the financial institution making the loan. This added degree of support can make the project financing, refinancing, and working capital loans available for projects that might not otherwise be financed. Borrowers apply to the bank, which in turn submits an application to AIDEA. Guarantees up to $1,000,000 are made on loans for real property, equipment, or working capital for projects that stabilize the economic base or create or maintain employment. A streamlined approval process targeting entrepreneurs in rural areas provides guarantees on unsecured loans of $75,000 or less. This program is also used to guarantee loans up to $200,000 under the Rural Economic Development Initiative Fund administered by the Department of Community and Regional Affairs and supported by AIDEA.

b. Bond Authorization

AS 44.88.095 places a statutory ceiling of $400 million per fiscal year on AIDEA annual bond issuance. AS 44.88.095(g) requires legislative approval for the authority intends to issue, except for refunding bonds.

c. Federal Tax-Exemption and Ceilings

Most of the types of tax-exempt bonds issued by AIDEA became subject to a federal Private Activity Bond (PAB) ceiling of $200 million per year in 1984. Effective August 15, 1986, a new ceiling was established by the Tax Reform Act of 1986 (the "Act") at the level of $250 million for the remainder of 1986, $250 million for 1987, and $150 million per year thereafter. The new ceiling encompasses not only the types of bonds issued by AIDEA (exempt facility and qualified small issue bonds), but also qualified mortgage bonds (a type issued by AHFC), student loan bonds, and certain other kinds of tax-exempt bonds.

There are important exemptions to the PAB ceiling, specifically airports, docks, and wharves if the facilities are owned by a governmental unit. AIDEA is a governmental unit for this purpose.

Pursuant to the Act and an Executive Proclamation issued by the Governor on November 24, 1986, half of the 1986 PAB ceiling was allocated to AIDEA and half to AHFC.

By Resolution No. CF 86-1, the AIDEA board authorized the carryforward of the $110.2 million unused portion of AIDEA's $125 million allocation of the 1986 ceiling for the purpose of issuing qualified student loan bonds. The Alaska Student Loan Corporation requested a ruling from the IRS to permit use of this carryforward for their 1988 Series A Student Loan Revenue Bonds. The IRS ruled that the Alaska Student Loan Corporation cannot use a carryforward elected by AIDEA. The carryforward was lost on December 31, 1989 since the act requires use of a carryforward within 3 calendar years of the year it arose. AIDEA did not issue any bonds subject to the PAB ceiling and received no allocations of the ceilings until calendar year 1992 when it received an allocation for, and issued, $975,000 in PAB bonds.

The Authority received a carryforward of 1994 bond cap allocation of $100,000,000. At June 30, 1995, $91,980,000 remains unused.

d. Debt Issued and Outstanding

AIDEA has issued $517.2 million of bonds with $220.9 million outstanding as shown in Tables 3.5-3.6

TABLE 3.5

Alaska Industrial Development and Export Authority
Type of Debt Issued

Calendar Year	Economic Development Bonds	Consolidated Bonds	Umbrella Bonds	Taxable Umbrella Bonds	Development Bonds	Revolving Fund Bonds
1981	$ 75,145	$ -	$ -	$ -	$ -	$ -
1982	11,660	14,520	-	-	-	-
1983	28,380	33,815	-	-	-	-
1984	26,240	24,340	-	-	-	-
1985	-	-	56,700	-	-	-
1986	-	-	14,100	-	-	-
1987	-	-	-	14,540	103,250	-
1988	-	-	-	-	-	-
1989	-	-	-	-	-	-
1990	-	-	-	-	-	25,000
1991	-	-	-	-	-	7,000
1992	-	-	-	-	-	28,000
1993	-	-	-	-	-	25,265
1994	-	-	-	-	-	11,435
1995	-	-	-	-	-	17,845
	$ 141,425	$ 72,675	$ 70,800	$ 14,540	$ 103,250	$ 114,545

TABLE 3.6

Alaska Industrial Development and Export Authority
Debt Issued and Outstanding

	Date	Amount Issued	Bonds Outstanding 6/30/95
TAX-EXEMPT UMBRELLA BOND PROGRAM			
Economic Development Bonds			
Series 1 through 50	4/1/81	$ 17,640,000	$ -
Series 51 through 216	10/15/81	57,505,000	-
Series 217	8/15/82	930,000	-
Series 218 through 231	10/1/82	7,395,000	-
Series 232 through 238	12/1/82	3,335,000	-
Series 239 through 265	11/1/83	11,950,000	-
Series 266 through 299	12/1/83	16,430,000	-
Series 300 through 331	7/1/84	13,120,000	-
Series 332 through 351	12/20/84	13,120,000	-
		141,425,000	-
Consolidated Bonds			
1982 Series A	4/1/82	2,975,000	-
1982 Series B through D	10/1/82	4,465,000	-
1982 Series E through F	12/1/82	7,080,000	-
1983 Series A through F	7/1/83	14,445,000	-
1983 Series G through M	11/1/83	11,650,000	-
1983 Series N through S	12/1/83	7,720,000	-
1984 Series A through I	11/1/84	12,140,000	-
		60,475,000	-
Umbrella Bonds			
1984 Series A and B	10/30/84	12,200,000	6,645,000
1985A (Lots 1 - 8)	5/15/85	15,650,000	-
1985B (Lots 9 - 44)	10/21/85	24,245,000	6,575,000
1985C (Lots 45 - 68)	12/19/85	16,805,000	5,730,000
1986 (Lots 1 - 20)	12/19/86	14,100,000	7,430,000
		83,000,000	26,380,000
TAXABLE UMBRELLA BONDS			
Series 1987	8/6/87	14,540,000	
DEVELOPMENT BONDS			
DeLong Mountain Transportation Projection Revenue Bonds, Series 1987A	2/1/87	103,250,000	96,300,000
REVOLVING FUND BONDS			
Skagway Ore Terminal Port Facility	12/13/90	25,000,000	20,255,000
Unalaska Marine Center	12/10/91	7,000,000	5,670,000
Federal Express Maintenance Facility	9/30/92	28,000,000	27,225,000
Refunding	6/3/93	25,265,000	16,405,000
Refunding	3/30/94	11,435,000	10,790,000
Series A (Refunding)	5/17/95	9,825,000	9,825,000
Series B (Refunding)	5/17/95	8,020,000	8,020,000
		114,545,000	98,190,000
Total Bonds		$ 517,235,000	$ 220,870,000

Source: Annual Report and Financial Statements, various years, Alaska Industrial Development and Export Authority.

First National Bank
of Anchorage

March 14, 1996

The Honorable Senator Bert Sharp
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Sent Via Telefax Number: 907-265-2070

Dear Senator Sharp:

There are several pieces of legislation (Senate Bill 222; SB 222 companion bill House Bill 425, and House Bill 526) moving through the legislative process in Juneau that affect the Alaska Industrial Development and Export Authority (AIDEA) and the financing programs offered through AIDEA. The banking industry utilizes the financing programs of AIDEA extensively. The Alaska Bankers Association (ABA) requests your support of AIDEA legislation.

With recent changes to the Small Business Administration's loan guarantee programs, a void has been created which makes it more difficult for small businesses to access capital for start-up and growth. Therefore, I would encourage you to make changes to the AIDEA business assistance program to better serve small businesses throughout Alaska. These program changes include extending the sunset date of the program; allow AIDEA to guarantee interest for certain period (i.e. 120 days); and amend the business ownership requirement to benefit any business conducted in the state.

In addition, AIDEA no longer has the ability to issue bonds, which seriously hinders AIDEA's ability to participate in small bond issuance's for business and development projects. I encourage you to ensure that this ability is reinstated so that AIDEA can continue financing business development in Alaska. AIDEA play's an important role in economic development and with oil revenues declining, the banking industry views AIDEA's role becoming ever more important to the economy of the state.

Please let me know when I will be able to offer testimony in support of AIDEA at your Senate State Affairs committee hearing on behalf of the banking industry.

Sincerely,

Richard C. Enberg
Executive Vice President
Corporate Lending Division

RCE/cgl

1995

AIDEA

Alaska
Industrial
Development
and
Export
Authority
1995
Annual
Report

480 West Tudor Road • Anchorage, AK 99503
Tel (907) 561-8050 • Fax (907) 561-8998

AIDEA'S MISSION

"To promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment." This was the mandate given to the newly created Authority by the Alaska Legislature in 1967. Twenty years later, in 1987, legislators expanded the powers of the Authority to provide financing guarantees for exports of Alaska goods and changed the name to the "Alaska Industrial Development and Export Authority." In 1993, the Legislature restructured the Alaska Energy Authority (AEA) and turned oversight responsibilities for AEA-owned projects over to AIDEA.

AIDEA accomplishes its mission by providing various means of financing and by facilitating the financing of industrial, manufacturing, export and business enterprises and facilities within the state. AIDEA also has the authority to own and operate facilities which advance this goal.

CONTENTS

THE GOVERNOR'S LETTER

DEAR ALASKANS,

As Governor of the State of Alaska, creating jobs for Alaskans and diversifying our economy have been two of my highest priorities. While the oil and gas industry will continue to play a dominant role in our state's economy for many years to come, we know these resources are finite. We must continue to look at other opportunities to keep our economy growing, and nurture businesses involved in tourism, fishing, the development of other natural resources and value-added products.

AIDEA was established in 1967 to advance Alaska's economic prosperity and create jobs for Alaskans. Its overall mission is two-fold. AIDEA helps develop the infrastructure the state needs to support private sector development, building such projects as roads, ports, power plants and airport facilities. AIDEA also works with the financial community to provide long-term capital to the state's commercial community, financing businesses large and small.

AIDEA's role has grown and changed over the years. Today it is financially strong and well positioned to help finance Alaska's growth into the 21st century. It remains a strong partner in its work with the Legislature, the state's financial institutions and the business community.

We are pleased to present to you this report on AIDEA's programs and activities over Fiscal Year 1995.

Sincerely,

Tony Knowles

Tony Knowles

Governor

FROM THE EXECUTIVE DIRECTOR

AIDEA played a key role in meeting the state's need for long-term commercial financing in Fiscal Year 1995, funding $41 million in loan participations.

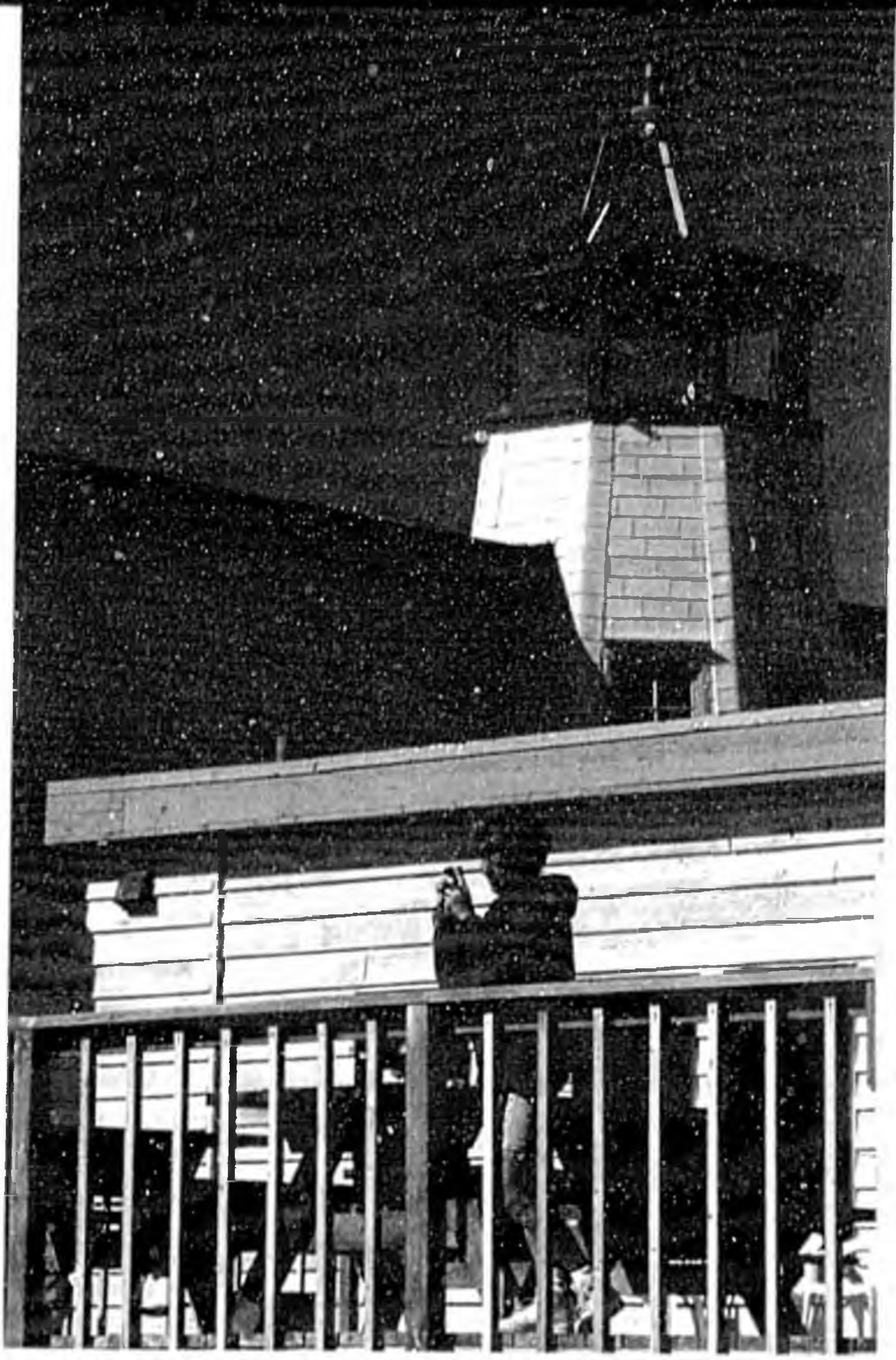
The volume of commercial loan activity continued to reflect the ongoing growth in the visitor industry. AIDEA helped finance major hotel projects in Southeast, Southcentral and Interior Alaska, committed to finance a new tourist attraction in Juneau, and provided assistance for many smaller projects around the state. An Authority loan participation helped preserve Kodiak's seafood processing industry through the development of an environmentally sound waste disposal facility.

The Authority provided additional funding for the Rural Development Initiative Fund (RDIF), administered by the Department of Community and Regional Affairs. Since it became operational in mid-1993, RDIF has helped rural businesses create or retain more than 155 jobs in rural Alaska. Equally successful has been the program's effectiveness in leveraging additional capital in what have traditionally been capital-poor areas of the state. For every dollar provided by RDIF, more than four additional dollars have come from other types of financing. A. O. Electronics in Nome is one example of how RDIF dollars can be leveraged. This small electronics store needed capital to broaden its product line and testing equipment to enhance service capabilities. With a $15,000 grant from the Bureau of Indian Affairs Business Development Program and $9,864 from RDIF, the store's owners were able to secure $45,000 in financing from a commercial lender. AIDEA guaranteed $36,000 of the loan.

AIDEA continued its strong support of the state's mining industry. Following a lengthy environmental permitting process, construction began on the Healy Clean Coal Project near Denali National Park. The project will enhance the exportability of the state's vast coal reserves and provide a stable supply of electricity for Alaska's Interior.

The Authority purchased a 49-percent equity interest in the Seward Coal Facility from Suneel Alaska. The purchase helps

AIDEA SIGNED A NEW CONTRACT WITH ANVIL RANGE MINING CORPORATION, REACTIVATING THE SKAGWAY ORE TERMINAL. THE AIDEA OWNED FACILITY SERVES AS A WAREHOUSE AND SHIP LOADING OPERATION FOR ORE CONCENTRATES EXPORTED FROM CANADA, AND PROVIDES YEAR ROUND JOBS FOR ALASKANS.



AN AIDEA LOAN PARTICIPATION OF $[illegible] MILLION [illegible] LOCATED AT THE END OF THE [illegible] TO RENOVATE ITS [illegible] AND CONFERENCE FACILITIES. THE [illegible] EMPLOYS 40 PEOPLE YEAR-ROUND, WITH A SEASONAL PEAK OF 100. THE [illegible] THE STAFF BY 20.

preserve 100 industry jobs and keeps intact a contract to export Alaska coal to Korea through 1995.

In August, 1995, AIDEA signed a new contract with Anvil Range Mining Corporation, reactivating the Skagway Ore Terminal, which provides year-round jobs for Alaskans. The facility was closed in 1993 when the original operator filed for protection from creditors and was later liquidated.

In Northwest Alaska, Cominco Alaska Incorporated, operator of the Red Dog Mine, reported significant new ore deposits that may extend the mine's operations by two decades or more. AIDEA has been asked to investigate the feasibility of enlarging the ore concentrate storage building and other port facilities at the Authority-owned DeLong Mountain Transportation System (DMTS). DMTS includes a port and road to support the mine in the Kotzebue area.

The Authority completed a major investment in the state's transportation system when Federal Express moved into its new aircraft maintenance facility at Anchorage International Airport. The facility strengthens

Alaska's position as an international air crossroads by expanding available services. It also creates permanent, high-skill jobs and brings to Alaska a pilot base for MD-80 aircraft, providing a direct infusion of income into the state's economy.

Early in 1995, AIDEA was asked to provide additional financial assistance for MarkAir. The Authority's Board unanimously accepted the recommendation of a special Blue Ribbon Commission that examined the airline's request for a $40 million loan guarantee. The Commission recognized the many economic benefits MarkAir brought to Alaska, but concluded that the risks associated with the proposed financing were too great, and the request did not fall within any of the Authority's statutory or regulatory programs. Unfortunately, the airline discontinued its Alaska operations, leaving only its subsidiary to operate within the state.

AIDEA looked to the future when it began work with the Alaska Aerospace Development Corporation to study the feasibility of developing a satellite launch facility on Kodiak Island and a satellite tracking facility in Fairbanks. The Kodiak Launch Complex offers a number of advantages, including its safe, nearly unobstructed Polar launch zones for low Earth orbit satellites. Fairbanks offers advantages for providing satellite tracking, telemetry and data retrieval services with its successful history of launches at Poker Flats, and its state-of-the-art Arctic Region Supercomputing Center.

Coeur d' Alene Mines Corporation has approached AIDEA about the possibility of financing a portion of the Kensington Mine Project. The mine, which is located outside of Juneau, would create 610 jobs, including 360 direct mining positions. Construction is estimated to cost approximately $185 million, and the mine is expected to be commercially viable for 12 years. AIDEA participation would most likely be in the financing of solid waste disposal facilities ("mine tailings") and power generation facilities.

The City of Craig has approached AIDEA to request financing assistance for an industrial marine facility. The project concept includes private sector investment at an industrial park facility, similar to AIDEA's involvement in the expansion of the Unalaska Marine Center.

Additionally, when the Alaska Legislature restructured the Alaska Energy Authority (AEA) in 1993, it turned oversight responsibilities for AEA-owned projects over to AIDEA, and directed AEA to transfer day-to-day operations of its projects to the private sector. Local utilities now operate all six of AEA's hydroelectric projects. The Authority continued discussions with Railbelt utilities on the northern and southern intertie projects, but progress has been slow.

AIDEA appreciates the continued support shown by Alaska's residents, lawmakers, the executive branch and the business community. In the years ahead, we look forward to continuing our mission of advancing the general prosperity of the people of Alaska.

Respectfully submitted,

William R. Snell

William R. (Riley) Snell
Executive Director

MAJOR ACTIVITIES

FEDERAL EXPRESS MOVED INTO THE AIRCRAFT MAINTENANCE FACILITY AT ANCHORAGE INTERNATIONAL AIRPORT IN THE SPRING OF 1995. THE AIDEA-OWNED FACILITY WAS FINANCED THROUGH TAX EXEMPT BONDS SOLD BY THE AUTHORITY AND WILL BE REPAID BY FEDERAL EXPRESS THROUGH USER FEES.

DEVELOPMENT PROGRAM ACTIVITIES

HEALY CLEAN COAL PROJECT

Construction began in May on the Healy Clean Coal Project near Denali National Park. The $267 million project consists of a power plant using a combustion system that burns coal from adjacent coal fields in stages to minimize air pollution.

The three-year construction phase will support approximately 200 jobs. Once in commercial operation, the facility will provide Interior Alaska with a stable source of low-priced electricity, create 35 to 40 new jobs in Healy and augment aging coal-powered generators.

The clean coal project grew out of a nationwide competition to test new technologies to help solve the international problem of acid rain. Alaska was selected as one of 13 demonstration sites and received a $117 million federal grant to help support the project. The plant will link Alaska coal directly to an environmentally sound technology, thereby increasing the attractiveness of the state's large coal reserves on the export market.

FEDERAL EXPRESS AIRCRAFT MAINTENANCE FACILITY

Federal Express moved into the aircraft maintenance facility at Anchorage International Airport in the spring of 1995. The AIDEA-owned facility strengthens Alaska's role as an international air crossroads, and supports Anchorage International Airport's position as the nation's largest airport in terms of landed cargo weight. It also creates permanent, high-skill jobs.

The facility accommodates wide-bodied aircraft, enabling Federal Express to provide line maintenance on its fleet of jets and offer routine maintenance for other air carriers. Federal

Express operates an international package-sorting facility at Anchorage International Airport, and accounts for more than 270 landings a month.

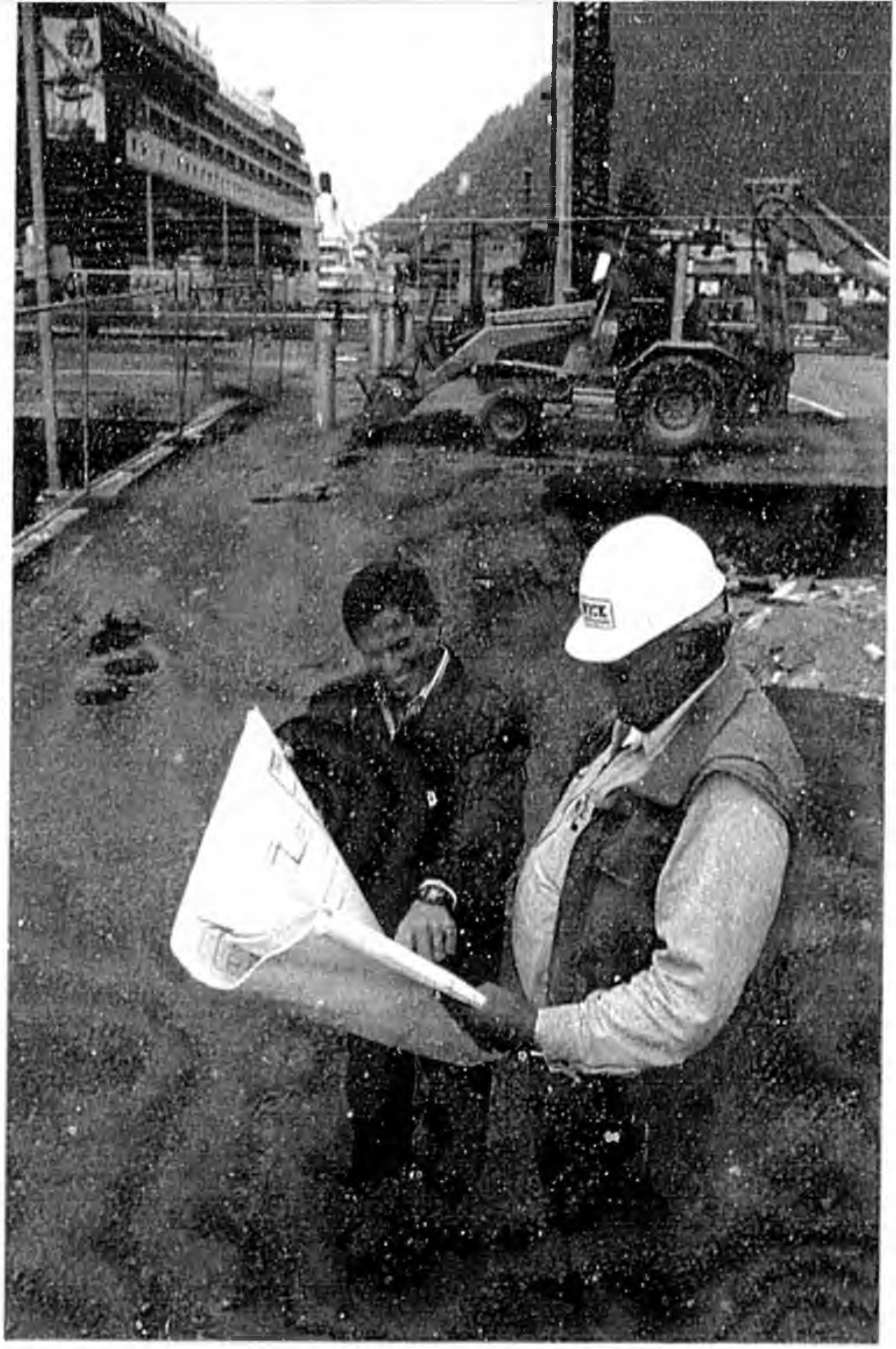
The facility was financed through the sale of tax-exempt bonds sold by the Authority and invested cash, and will be repaid by Federal Express through user fees.

SKAGWAY ORE TERMINAL

With metal prices moving upward, Anvil Range Mining Corporation, owner of the Faro Mine in the Yukon Territory, negotiated a contract with AIDEA for use of the Skagway Ore Terminal. The agreement is the first time an AIDEA development project has evolved into a second-generation use.

The facility serves as a warehouse and ship loading operation for ore concentrates exported from the mineral-rich Yukon Territory and northern British Columbia to

CONSTRUCTION BEGAN IN MAY ON THE HEALY CLEAN COAL PROJECT NEAR DENALI NATIONAL PARK. THE FACILITY WILL PROVIDE INTERIOR ALASKA WITH A STABLE SOURCE OF LOW-PRICED ELECTRICITY INTO THE FUTURE AND CREATE 45 TO 60 NEW JOBS.



AIDEA WILL PROVIDE LONG TERM FINANCING FOR THE MOUNT ROBERTS TRAMWAY IN JUNEAU, A MAJOR TOURIST ATTRACTION EXPECTED TO OPEN IN THE SUMMER OF 1996.

international markets. AIDEA's ownership of the terminal enhances Skagway's ability to compete for the transshipment of ore concentrates and the backhaul of supplies to the mines.

AIDEA purchased the terminal in 1990 to help bring stability to Skagway's major year-round industry and to fund environmental renovations. The facility was closed in 1993 when the original operator filed for protection from creditors and was later liquidated.

CREDIT PROGRAM ACTIVITIES

MOUNT ROBERTS TRAMWAY

Construction began in the Summer of 1995 on the Mount Roberts Tramway, a major addition to the visitor industry infrastructure in Juneau. The tram will carry people from a base facility adjacent to the cruise ship dock to a viewing platform, restaurant, shops and Native cultural center at the

1,756-foot level of the mountain. Tram developers expect the project to be completed in time for the 1996 tourist season. Sixty jobs will be created at the facility.

AIDEA will provide $8.6 million in long-term financing for the project. The tramway and related facilities are owned by the Mount Roberts Development Corporation in a limited partnership with Goldbelt, Inc., the Native village corporation for Juneau.

SCANDIA HOUSE

Petersburg's historic Scandia House reopened in the Summer of 1995, just months after it was destroyed by fire. The new 12,000-square-foot hotel contains 21 guest rooms and retail space. AIDEA provided a $1 million loan participation.

Originally built in 1906, the Scandia House serves Petersburg's growing visitor industry, and is listed on the National Register of Historic Properties.

A & M MOTORS

An AIDEA loan participation of $1.5 million helped the state's leading recreational vehicle dealership expand into a new facility in Anchorage. Located adjacent to its headquarters building, A & M's new 17,820-square-foot complex includes a service department, an additional showroom, a large parts department and business offices. A & M has been in business since 1969 and its latest expansion created another six jobs.

POTENTIAL DEVELOPMENT PROJECTS

CITY OF CRAIG

The City of Craig approached AIDEA to finance and build a public use dock and industrial park. One of the fastest-growing areas in the state, the Prince of Wales Island community wants to improve its seafood and boating services. The proposed development would include a

AN AIDEA LOAN PARTICIPATION HELPED THE HISTORIC SCANDIA HOUSE HOTEL IN PETERSBURG REBUILD IN TIME FOR THE VISITOR SEASON.

AIDEA IS [illegible] THE POSSIBILITY OF FINANCING THE KODIAK LAUNCH COMPLEX ON 5,100 ACRES OF STATE-OWNED LAND ON KODIAK ISLAND. IF THE PROJECT GOES FORWARD, THE COMPLEX WOULD BE THE ONLY NON-FEDERALLY RUN COMMERCIAL LAUNCH RANGE IN THE NATION.

boat launch ramp, causeway, staging area with a 300-foot dock and a developed industrial park for cannery and fuel service facilities.

KODIAK LAUNCH FACILITY

Legislation in 1995 provided AIDEA with authorization to issue up to $20 million in bonds to finance the development of the Kodiak Launch Complex on Kodiak Island and the Fairbanks Satellite Spaceport. AIDEA is working on the project in conjunction with the Alaska Aerospace Development Corporation. If due diligence finds the proposals financially viable, Alaska could develop the first non-federally run commercial launch range in the United States. As proposed, the Kodiak facility would launch small rockets with satellite payloads up to 8,000 pounds into low earth polar orbit. The satellites would provide communications, remote sensing and scientific information. The satellite ground station in Fairbanks would handle tracking and telemetry services for the satellites as well as the down-linking of data. The new high-technology private industry would create substantial year-round employment in a field with enormous potential for growth, and would position the state to attract other aerospace-related industries.

POTENTIAL ENERGY PROJECTS UNDER REVIEW

SNETTISHAM HYDROELECTRIC PROJECT

Legislation remains pending in the U.S. Congress authorizing the sale of this 78-megawatt project to the state. Snettisham serves the Juneau-Douglas area and would be operated by Alaska Electric Light and Power. The estimated cost of the project is currently $75 million.

GOAT LAKE

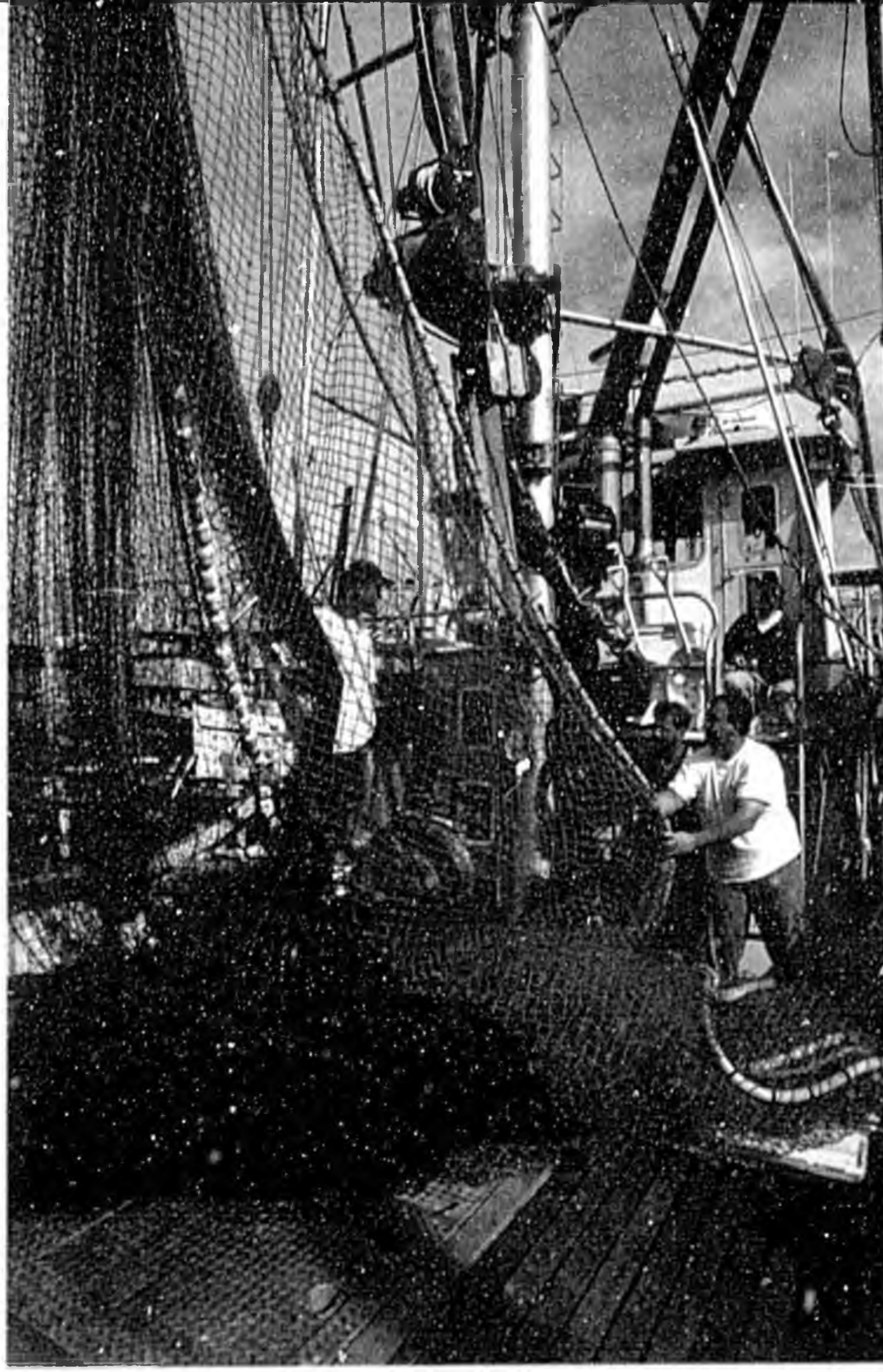
HYDROELECTRIC PROJECT

This 6-megawatt project near Skagway would be operated by Alaska Power and Telephone. The estimated cost of the project is $7 million to $10 million.

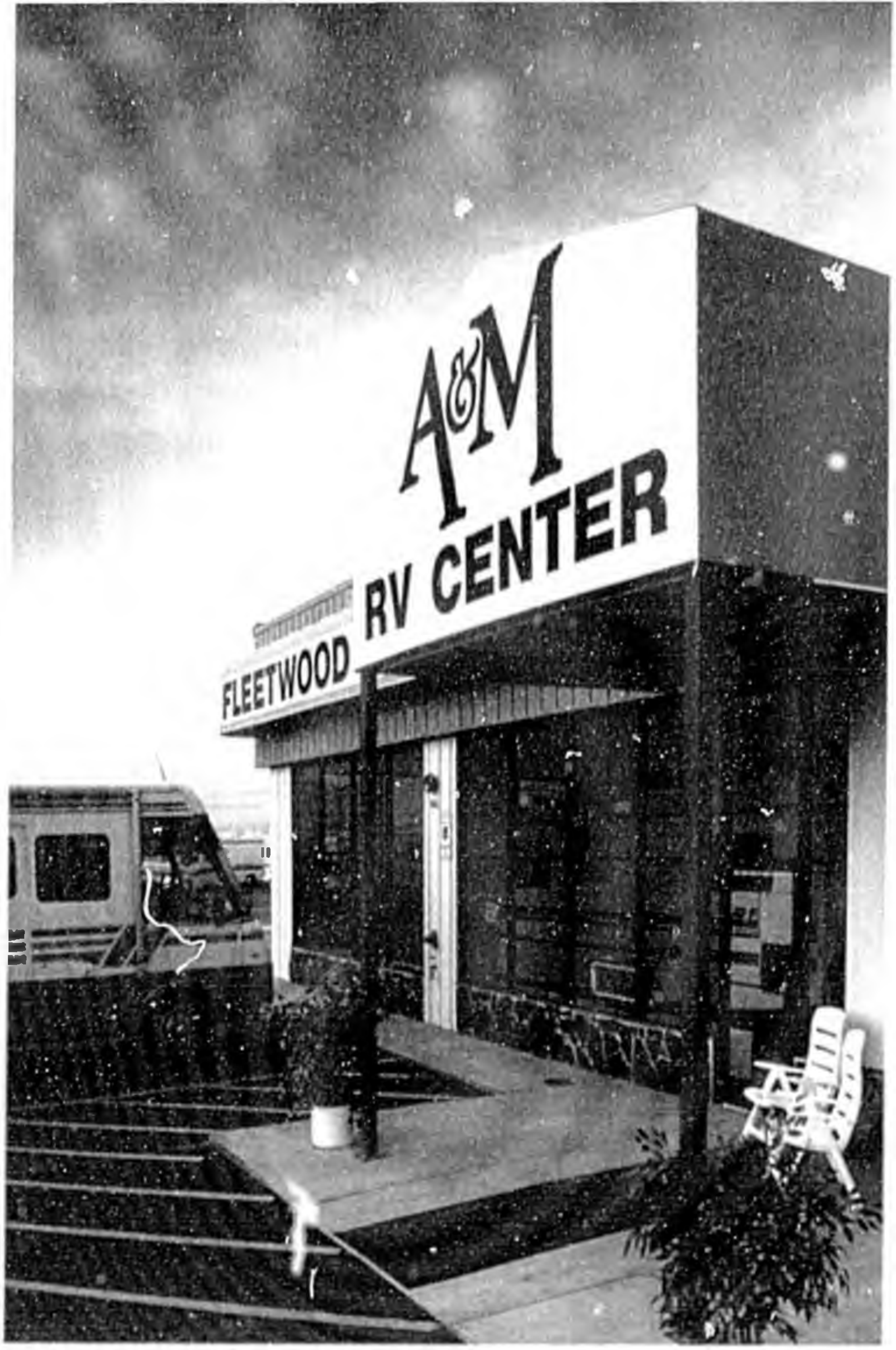
UPPER CHILKOOT LAKE

HYDROELECTRIC PROJECT

An economic and financial feasibility review is under way on this 2.5-megawatt project near Haines, which carries an estimated price tag of $12 million to $14 million.



THE PRINCE OF WALES COMMUNITY OF CRAIG HAS [illegible] A SEA OF FINANCE AND [illegible] AND [illegible] TO HELP [illegible] ITS [illegible] FISHING INDUSTRY.



AIDEA provides capital to finance economic growth in Alaska. Projects financed by AIDEA range from multimillion dollar ports to working capital loan guarantees for small businesses. All AIDEA projects and financing must be economically feasible. Projects must enhance the economy of the state and provide or maintain jobs for Alaskans. The projects must also demonstrate the ability to repay their debts. These criteria were set by the Alaska Legislature when AIDEA was established in 1967.

AIDEA's variety of financing mechanisms allows it to provide financing for a wider array of projects. The financing mechanisms are:

DEVELOPMENT FINANCE PROGRAM

Through this program AIDEA may own and operate projects that bring economic benefits to the people of Alaska. Such projects typically provide infrastructure support

AIDEA'S PROGRAMS

for resource utilization and development. To qualify for AIDEA financing, a project must be compatible with the local economy and endorsed by the local government. Projects must also be financially feasible. In other words, revenues from user fees and leases must be sufficient to repay the costs of the project. Projects requiring more than $10 million in financing must receive statewide support through an authorization from the Alaska Legislature. Examples of projects financed through AIDEA's development finance program include the Federal Express Aircraft Maintenance Facility, Healy Clean Coal Project, DeLong Mountain Transportation System (Red Dog mine port and road), Skagway Ore Terminal and Unalaska Marine Center. Possible projects currently being considered include an industrial marine center project in Craig and the Kodiak Launch Facility.

LOAN PARTICIPATION PROGRAM

The loan participation program provides long-term financing to Alaska businesses for new or existing projects, or for the refinancing of existing loans. AIDEA participation may total up to 80 percent of a loan originated by a commercial lending institution, with total participation not to exceed $10 million. Projects financed to date include a large variety of commercial facilities ranging from office buildings, warehouses and retail establishments to hotels, fishing vessels and manufacturing facilities.

BUSINESS ASSISTANCE PROGRAM

This loan guarantee program provides financial institutions up to an 80-percent guarantee on the principal balance of a loan. AIDEA's added degree of support can make project financing attainable and working capital guarantees up

A. O. ELECTRONICS IN NOME IS ONE OF 30 ALASKA BUSINESSES TO BENEFIT FROM THE RURAL DEVELOPMENT INITIATIVE FUND (RDIF), WHICH IS SUPPORTED BY AIDEA. CREATED IN 1992, RDIF HAS HELPED SMALL BUSINESSES FROM BARROW TO [illegible] OBTAIN BUSINESS FINANCING. RDIF VENTURES HAVE CREATED OR RETAINED MORE THAN 385 JOBS IN RURAL ALASKA.

AIDEA HAS BEEN ASKED TO CONSIDER EXPANSION OF THE PORT FACILITIES AT THE [illegible] ... A 52 MILE ROAD AND PORT FACILITY ... [illegible] ... ALASKA.

to $1 million available to borrowers who might not otherwise obtain commercial financing. A streamlined program targeted to assist small businesses and entrepreneurs in rural areas provides guarantees on loans up to $75,000 which may be unsecured. AIDEA also uses its business assistance program to support the Rural Development Initiative Fund (RDIF). The RDIF was established by the Legislature in 1992 and is administered by the Department of Community and Regional Affairs (DCRA) in conjunction with AIDEA. This loan program is targeted to create employment opportunities in rural Alaska by providing small, basic industries with business capital. Under the RDIF program, DCRA purchases a participation interest in each loan. AIDEA may guarantee a portion of the loan, and the financial institution services the loan. Total loans may be from up to $100,000 with two or more borrowers eligible for up to $200,000.

EXPORT ASSISTANCE PROGRAM

This program is designed to encourage and facilitate international trade. It provides guarantees to financial institutions that make loans for export transactions. Guarantees may total up to 90 percent of a transaction, or $1 million.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY:

We have audited the accompanying combined balance sheets of the Alaska Industrial Development and Export Authority Revolving Fund (A Component Unit of the State of Alaska) as of June 30, 1995 and 1994, and the related combined statements of income and retained earnings, changes in equity, and cash flows for the years then ended. These combined financial statements are the responsibility of the Alaska Industrial Development and Export Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Industrial Development and Export Authority Revolving Fund (A Component Unit of the State of Alaska) as of June 30, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual project groups. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG Peat Marwick LLP

August [illegible] 1995
Anchorage, Alaska

COMBINED BALANCE SHEETS

June 30, 1995 and 1994 with Combining Information at June 30, 1995

	Combining Information		Combined	
Assets	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project (note 1)	1995	1994
Cash and cash equivalents, partially restricted (note 5)	$ 29,533,638	2,001,616	31,535,254	38,727,017
Investment securities, partially restricted (note 5)	230,147,128	125,672,994	355,820,122	[illegible]
Loans (note 6)	[illegible]	[illegible]	[illegible]	[illegible]
Less allowance for loan losses (note 7)	16,385,347	1,833,357	18,218,704	[illegible]
Net loans	[illegible]	32,962,088	[illegible]	[illegible]
Net investment in direct financing leases (notes 3 and 8)	[illegible]	[illegible]	[illegible]	[illegible]
Accrued interest receivable	[illegible]	[illegible]	[illegible]	[illegible]
Prepaid bond insurance, net	—	[illegible]	[illegible]	[illegible]
Investment in development projects (note 4)	[illegible]	—	[illegible]	[illegible]
Other real estate owned	[illegible]	[illegible]	[illegible]	[illegible]
Venture capital limited partnership investments	[illegible]		[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
	$ [illegible]	[illegible]	[illegible]	[illegible]
Liabilities and Equity				
Liabilities:				
Bonds payable (notes 9 and 10)	$ [illegible]	[illegible]	[illegible]	[illegible]
Accrued interest payable	[illegible]	[illegible]	[illegible]	[illegible]
Accounts payable	[illegible]	[illegible]	[illegible]	[illegible]
Total liabilities	[illegible]	[illegible]	[illegible]	[illegible]
Equity:				
Contributed capital	[illegible]	[illegible]	[illegible]	[illegible]
Retained earnings	[illegible]	[illegible]	[illegible]	[illegible]
Total equity	[illegible]	[illegible]	[illegible]	[illegible]
Commitments and contingencies (notes 8, 11 and 12)				
	$ [illegible]	[illegible]	[illegible]	[illegible]

[illegible]

COMBINED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEARS ENDED JUNE 30, 1995 AND 1994 WITH COMBINING INFORMATION FOR 1995

	Combining Information		Combined	
	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project (note 3)	1995	1994
REVENUES:				
Interest income				
Loans (note 6)	$ 19,667,370	2,865,889	22,533,259	21,791,339
Investments	17,618,105	6,909,367	24,527,472	24,340,400
Direct financing leases	955,690	11,256,550	12,212,240	11,923,392
Total interest income	38,241,165	21,031,[illegible]	59,272,971	58,055,131
Other income	230,593	-	230,593	509,[illegible]
Gain on sale of securities	221,512	-	221,512	-
Total revenues	38,693,270	21,031,[illegible]	59,725,076	58,565,120
EXPENSES:				
Interest	8,023,509	6,942,400	14,[illegible]	17,172,170
General and administrative	3,074,713	252,618	3,127,331	2,508,919
Bond insurance	-	175,026	175,026	175,026
Write-downs and net expense associated with other real estate owned	202,030	31,724	[illegible]	1,330,[illegible]
Provision for loan and development project losses	3,500,000	-	[illegible]	[illegible]
Total expenses	14,800,252	7,401,768	[illegible]	[illegible]
Income before extraordinary item	23,893,[illegible]	13,[illegible]	[illegible]	[illegible]
Extraordinary item - loss on refunding and defeasance of debt (note 10)	-	-	-	[illegible]
Net income	[illegible]	[illegible]	[illegible]	[illegible]
Retained earnings at beginning of year	293,337,441	93,74[illegible]	[illegible]	354,5[illegible]
Retained earnings at end of year	$ 317,230,[illegible]	107,3[illegible]	[illegible]	[illegible]

[illegible]

COMBINED STATEMENTS OF CHANGES IN EQUITY

[illegible]

	Contributed capital	Retained earnings	Total equity
Balance at June 30, 1993	$ [illegible]	[illegible]	[illegible]
Net income	-	[illegible]	[illegible]
Contributed capital	[illegible]		[illegible]
Balance at June 30, 1994	[illegible]	[illegible]	[illegible]
Net income	-	[illegible]	[illegible]
Contributed capital	[illegible]		[illegible]
Return of capital to State of Alaska	[illegible]		[illegible]
Balance at June 30, 1995	$ [illegible]	[illegible]	[illegible]

[illegible]

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1995 AND 1994 WITH COMBINING INFORMATION FOR 1995

	Combining Information		Combined	
CASH FLOWS FROM OPERATING ACTIVITIES	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project (note 3)	1995	1994
Net income	$ 23,893,058	13,568,038	37,461,096	32,531,558
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amortization of premium and discount on investment securities	(232,738)	97,884	(134,854)	1,445,088
Gain on sale of securities	(221,512)	-	(221,512)	-
Provision for loan and development project losses	3,500,000	-	3,500,000	2,000,000
Amortization of prepaid bond insurance	-	175,026	175,026	175,026
Writedowns and net loss on sale of other real estate owned	229,537	22,279	251,816	[illegible]
Amortization of unearned income on direct financing leases	(955,690)	(11,256,550)	(12,212,240)	(11,923,692)
(Increase) decrease in accrued interest receivable and other assets	1,291,664	(463,332)	826,332	(1,[illegible],357)
Increase (decrease) in accrued interest and accounts payable	5,442,194	(1,765,411)	3,676,783	(2,397,074)
Net cash provided by operating activities	32,946,518	377,934	33,324,452	22,402,890
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES:				
Investment in direct financing leases	(8,356,486)	-	(8,356,486)	[illegible]
Direct financing lease receipts	2,[illegible]	[illegible]	14,022,151	[illegible]
Contributions to capital	[illegible]	-	18,187,959	[illegible]
Return of capital to State of Alaska	[illegible]	-	[illegible]	
Payments on bonds	[illegible]	[illegible]	(3,785,000)	(4,145,000)
Net cash provided (used) by capital related financing activities	[illegible]	10,0[illegible]	[illegible]	[illegible]
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES:				
Payments on bonds	[illegible]	-	[illegible]	(47,0[illegible])
Issuance of bonds	17,[illegible]	-	17,945,000	11,435,000
Net cash used by noncapital related financing activities	[illegible]	-	(4,035,000)	(35,645,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from maturities of securities	[illegible]	[illegible]	[illegible]	[illegible]
Proceeds from sale of securities	[illegible]	-	[illegible]	
Purchases of investment securities	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-	[illegible]	[illegible]
Investment in development projects	[illegible]	-	(17,967,138)	[illegible]
[illegible]	-	-		[illegible]
Net proceeds from sales of other real estate owned	[illegible]	[illegible]	715,921	[illegible]
Net [illegible] limited partnership	[illegible]	-	7,945	[illegible]
Net cash provided (used) by investing activities	[illegible]	[illegible]	[illegible]	[illegible]
Net increase (decrease) in cash and cash equivalents	[illegible]	121,[illegible]	[illegible]	[illegible]
Cash and cash equivalents at beginning of year	[illegible]	[illegible]	[illegible]	[illegible]
Cash and cash equivalents at end of year	$ [illegible]	[illegible]	[illegible]	[illegible]

[illegible]

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1995 and 1994

(1) Organization and Operations

The activities of the Alaska Industrial Development and Export Authority (Authority) Revolving Fund are authorized pursuant to legislation passed by the Legislature of Alaska (Legislature) which established within the Revolving Fund the Enterprise Development Account and the Economic Development Account for separate and distinct purposes. The Authority is a component unit of the State of Alaska (State), constituting a political subdivision within the Department of Commerce and Economic Development but with separate and independent legal existence. The Authority's mission is to promote, develop and advance the general prosperity of the people of Alaska, to relieve problems of unemployment and to create additional employment by providing various means of financing and facilitating the financing of industrial, manufacturing, export and business enterprises and other facilities within the State.

In addition to the Revolving Fund, the Authority administers certain activities of the Alaska Energy Authority which are not included in the accompanying financial statements.

Enterprise Development Account. A summary of programs available under the Enterprise Development Account is as follows:

a. A loan participation program under which the Authority purchases participations in loans made by financial institutions to their customers. The Authority's participation is limited to the lesser of 80% or $10,000,000 of the permanent financing for manufacturing facilities, public-use projects and business enterprises. The Authority currently has tax-exempt bonds outstanding under this program, which are general obligations of the Authority.
b. An export assistance program designed to foster and facilitate international trade by offering guarantees to financial institutions which provide exporters with pre-shipment and post-shipment loans.
c. A business assistance program, providing up to an 80% guarantee of the principal balance to the financial institution making a loan. The maximum guarantee amount of any loan is $1,000,000.
d. A venture-capital program whereby the Authority has invested in a venture-capital partnership (the Juhas Fund) with the purpose of inducing venture capitalists to Alaska to take advantage of investment opportunities. However, the Juhas Fund is permitted to make investments outside of Alaska.

Economic Development Account. Through the Economic Development Account, the Authority has the ability to own and operate facilities which will help to accomplish its mission. Current own-and-operate projects undertaken through the Economic Development Account include:

a. The DeLong Mountain Transportation System (Red Dog Project) which consists of a road and port to serve regional needs and permit transportation of lead and zinc concentrates and other minerals from the Red Dog deposit, one of the largest zinc deposits in the world, located in the DeLong Mountains in northwestern Alaska (note 5).
b. Acquisition and reconstruction of a public-use ore terminal port facility in Skagway, Alaska, the Skagway Ore Terminal (Skagway Terminal). The Skagway Terminal was financed by a $[illegible] bond issue completed in December 1990. The purchase of a petroleum products tank farm and vehicle fueling facility (Skagway Tank Farm) was financed using funds of the Enterprise Development Account.
c. Construction of improvements to the City of Unalaska Marine Center (Unalaska Project), a public port facility located in the Aleutian Islands. The Unalaska Project was financed by a $7,000,000 bond issue completed in December 1991.
d. Construction of an aircraft hangar and maintenance facilities at the Anchorage International Airport (Federal Express Project). The Federal Express Project was financed by a $25,[illegible] bond issue completed in September 1992.
e. In fiscal year 1994, the Authority received a $25,000,000 appropriation made by the 1994 Legislature, received a grant authorization from the U.S. Department of Energy and was authorized by the 1994 Legislature to issue up to $[illegible] of bonds to assist in the financing of a coal fired power plant near Healy, Alaska known as the Healy Clean Coal Project (Healy Project). The Healy Project will also receive up to $117,327,000 [illegible] from the U.S. Department of Energy Clean Coal Technology III Demonstration Grant Program. At June 30, 1995, $[illegible] had been received from the U.S. Department of Energy.
f. In May 1995, the Authority purchased a [illegible] for approximately $[illegible]. The purchase was subject to specific conditions and the execution of a demand note and a purchase agreement and a corporate guarantee.
g. The Authority is authorized to issue up to $55,000,000 of bonds to finance the acquisition, construction and equipping of a hangar to be located at the Anchorage International Airport which would have provided [illegible] maintenance, fleet servicing and cargo handling [illegible] and would have been leased to Alaska Airlines, Inc. (Alaska Airlines). Alaska Airlines canceled plans to build the facility. However, the Authority [illegible] the legislative authorization [illegible] 1998.
h. The Authority also has legislative authorization for a $[illegible] [illegible] project located at the Anchorage International Airport. [illegible] of Authority [illegible] $[illegible] [illegible] port facility in the Matanuska-Susitna Borough [illegible] port facility [illegible] Matanuska-Susitna Borough and $[illegible] [illegible] to be constructed in Anchorage.
i. The Authority [illegible] $[illegible] [illegible]

Other. The Authority has a stand-alone revenue bond program under which the Authority acts as a conduit to facilitate a financing transaction between a business enterprise and a purchaser of the bonds. Stand-alone revenue bonds issued by the Authority are not general obligations of the Authority. They are payable only out of revenues derived from the financing of projects or other funds of the business enterprise. Changes in federal tax laws have significantly reduced the Authority's ability to provide tax-exempt financing under this program and to date there has been little or no demand for taxable financing. The Authority is authorized to issue revenue bonds to finance the construction of power transmission interties to be owned by electric utilities in a collective amount not to exceed $185,000,000.

Financial Statement Presentation. In the accompanying financial statements, the column entitled Enterprise Development Activities and Unrestricted Economic Development Projects includes the Enterprise Development Account, the Skagway Terminal, the Unalaska Project, Federal Express, Seward Coal Load-out and Healy Projects of the Economic Development Account.

The column entitled Restricted Economic Development Project includes the Red Dog Project of the Economic Development Account (note 3). The amounts reflected in this column are restricted assets of the Revolving Fund and are not available to meet general claims against the Authority.

The combined financial statements include all of the activities of the Enterprise Development and Economic Development Accounts.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents for purposes of the statement of cash flows, cash and cash equivalents consist of cash and repurchase agreements.

Investments. Investments are recorded at cost, adjusted for the amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income.

Loans and Interest Income. Loans are primarily secured by first deeds of trust on real estate located in Alaska and are generally carried at amounts advanced less principal payments collected. Interest income is accrued as earned. Accrual of interest is discontinued whenever the payment of interest or principal is more than ninety days past due or when the loan terms are restructured. Future collections of interest on these loans are recorded as interest income when received.

Net Investment in Direct Financing Leases. The Authority leases various projects pursuant to certain agreements (as more fully described in note 8) which are recorded in the accompanying financial statements as direct financing leases. Interest income related to direct financing leases is recognized using the effective interest method which produces a constant periodic rate of return on the outstanding investment in the lease.

Allowance for Loan Losses. The allowance for loan losses represents management's judgment as to the amount required to absorb potential losses in the loan portfolio. The factors used by management to determine the allowance required include historical loss experience, individual loan delinquencies, collateral values, economic conditions and other factors. Management's opinion is that the allowance is currently adequate to absorb known losses and inherent risks in the portfolio.

Allowance for Lease Receivables. The allowance for lease receivables represents management's judgment as to the amount required to absorb potential uncollectible direct financing lease receivables. The factors used by management to determine the allowance required include individual lease delinquencies, property values, economic conditions and other factors. Management's opinion is that no allowance for lease receivables is required at June 30, 1995.

Deferred Bond Issuance. Deferred bond issuance costs are amortized over the life of the related bond issue using the straight-line method.

Other Real Estate Owned. Other real estate owned represents property acquired through foreclosure on loans, secured by deed in lieu of foreclosure or transferred from lease receivables when the properties are available for sale. Other real estate owned is recorded at the lower of the loan balance or the estimated fair market value of the property at the time of foreclosure. Any excess of loan balance over the estimated value is charged to the allowance for loan losses. Upon final disposition or a decline in the value of the property, gains or losses are charged or credited to operations in the current period.

Venture Capital Limited Partnership Investment. The Authority's venture capital limited partnership investment represents an investment in the [illegible] Fund. The investment is accounted for at the lower of cost or market.

Income Taxes. The Internal Revenue Code provides that gross income for tax purposes does not include income accruing to a state or territory, or any political subdivision thereof, which is derived from the exercise of any essential governmental function or from any public utility. The Authority is a political subdivision of the State performing an essential governmental function and is therefore exempt from federal and State income taxes.

Furniture and Equipment. Purchases of furniture and equipment are expensed as such items are the property of the State.

Appropriations and Grants. Appropriations and grants are recorded as additions to contributed capital when received.

(5) RESTRICTED ECONOMIC DEVELOPMENT PROJECT

DeLong Mountain Transportation System. In 1984, the Legislature addressed the possibility of lending support to the development of lead and zinc mining in the DeLong Mountain area in northwestern Alaska through the facilities of the Authority by establishing the Economic Development Account. The 1985 Legislature enacted legislation providing authorization to proceed with the Red Dog Project and to issue bonds for financing. The Red Dog Project consists of a road and port to serve regional needs and to permit transportation of lead and zinc concentrates and other minerals from the Red Dog deposit (one of the largest zinc deposits in the world) and other mineral deposits expected to be developed in the area. To assist in providing funding for the Red Dog Project, the Legislature appropriated $12,000,000 cash and net loans totaling $131,511,300, previously participated in or made by the State to various borrowers in Alaska under seven economic assistance programs. When monies are released from the pledge to bond holders of the DeLong Mountain Transportation Project Revenue Bonds, they revert to the Authority's unrestricted programs under legislation passed in 1994 which required the payment of $60,000,000 by the Authority to the State's General Fund during fiscal year 1995.

On June 20, 1986, the Authority entered into a contract with Cominco American Incorporated (Cominco) providing for the financing, construction, use, operation and maintenance of the DeLong Mountain Transportation System. The agreement provides that Cominco pay tolls for the use of the DeLong Mountain Transportation System, consisting of fifty-two miles of road and a port facility on the Chukchi Sea, constructed and operated by the Authority. The annual tolls are the amount necessary to amortize the cost of the Red Dog Project over a fifty-year period at an interest rate of 6.5%. Toll payments began January 1, 1991. Certain payments to be made by Cominco are secured by letters of credit. The agreement with Cominco has been recorded on the Authority's books as a direct financing lease.

On August 7, 1986, the Authority entered into an agreement with NANA Regional Corporation, Inc. providing for a ninety-nine year lease of lands for the proposed port and road. Upon execution of the agreement, $1,100,000 was paid by the Authority for the entire lease term.

On March 17, 1987, the Authority issued $[illegible] of DeLong Mountain Transportation Project Revenue Bonds to finance the portion of the Red Dog Project which is a public port facility. All assets and receipts of the Red Dog Project are restricted for use in the Red Dog Project and are pledged to the repayment of the DeLong Mountain Transportation Project Revenue Bonds.

(6) ADDITIONAL INFORMATION REGARDING CASH FLOWS AND NONCASH ACTIVITIES

Additional information regarding cash flows and noncash activities for the years ended June 30, 1995 and 1994 (with combining information for 1995) follows:

		Enterprise Development Activities and Unrestricted Economic Development Account	Restricted Economic Development Project	1995	1994
CASH FLOWS:					
Interest collected on loans and investments	$	[illegible]	[illegible]	[illegible]	[illegible]
Interest paid		[illegible]	[illegible]	[illegible]	[illegible]
NONCASH ACTIVITIES:					
Shares of lease receivable transferred to investment in development projects [illegible]	$	-	-	-	[illegible]
Loans receivable [illegible]		[illegible]		[illegible]	-
Other real estate owned acquired [illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Sales of real estate owned		[illegible]	[illegible]	[illegible]	[illegible]

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 1995 AND 1994

(5) INVESTMENT SECURITIES

Major components of investment securities, the maturity distribution and carrying value at June 30, 1995 and 1994 (with combining information for 1995) follow:

U.S. TREASURY SECURITIES MATURITY:		Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	1995	1994
Within one year	$	35,028,199	10,852,606	45,880,805	119,165,518
After one but within five years		77,600,358	106,973,794	184,574,152	156,171,061
After five but within ten years		2,996,891	2,951,778	5,948,669	-
After ten but within twenty-five years		922,094	-	922,094	-
		116,547,512	120,778,178	237,325,720	275,336,579
U.S. GOVERNMENT AGENCIES MATURITY:					
Within one year		22,171,196	3,047,520	25,218,716	51,077,778
After one but within five years		78,433,760	1,847,296	80,281,056	76,712,449
After five but within ten years		12,994,630	-	12,994,630	6,519,047
		113,599,586	4,894,816	118,494,402	134,309,274
	$	230,147,128	125,672,994	355,820,122	409,645,853

At June 30, 1995, the market value of investment securities was as follows:

Enterprise Development Activities and Unrestricted Economic Development Projects	$	230,898,006
Restricted Economic Development Project		126,830,151
	$	357,728,157

All investments and collateral for the repurchase agreements are registered in the Authority's name and are held by the Authority or its custodian. This arrangement results in Category 1 safekeeping risk, the lowest safekeeping risk classification as defined by Governmental Accounting Standards Board Statement No. 3 and Technical Bulletin No. 87-1.

Certain investment securities, repurchase agreements and cash are restricted by the terms of the Authority's bond resolutions. A summary of restricted amounts at June 30, 1995 and 1994 (with combining information at June 30, 1995) follows:

	Restriction		Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	1995	1994
Capital Reserve Funds	Secure debt service payments - bonds	$	7,7[illegible]	8,657,575	16,4[illegible]408	17,441,652
Debt Service Funds	Funds held for future debt service - bonds		47,285	-	47,285	51,913
Loan Repayment Accounts	Funds held for future debt service - bonds		[illegible]	-	[illegible]	1,606,057
Loan Guarantee Fund	Guarantee financing of a wastewater treatment facility in Sitka, Alaska		-	-	-	1,928,572
Business Assistance Fund	Guarantee business loans		100,147	-	100,147	111,365
Unexpended Bond Proceeds	Construction costs or, if not used, future mandatory bond redemption		-	-	-	[illegible]
[illegible] Funds	Secure debt service payments - bonds		-	118,617,035	118,617,035	101,707,394
		$	[illegible]	127,674,610	13[illegible]	130,491,853

Certain investment securities and repurchase agreements have been designated by the Board of Directors or otherwise for various purposes. A summary of designated amounts in the Enterprise Development Activities and Unrestricted Economic Development Projects at June 30, 1995 and 1994 follows:

	Designation	1995	1994
Business Assistance Fund	Guarantee business loans	$ 5,162,853	5,261,886
Healy Project Funds	Construction costs	-	59,631,821
		$ 5,162,853	64,893,707

(6) Loans

The Authority grants secured commercial real estate and other loans to businesses throughout the State of Alaska. Although the Authority has a diversified loan portfolio, the borrowers' ability to honor their credit agreements is generally contingent upon economic conditions in the State.

Loans outstanding at June 30, 1995 and 1994 (with combining information at June 30, 1995) are classified as follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects		Restricted Economic Development Project		1995		1994	
Loan program type	#	Amount	#	Amount	#	Amount	#	Amount
Appropriated	75	$ 10,261,021	729	$ 34,795,445	804	$ 45,056,466	1,075	$ 56,723,313
Loan participation								
Bonds outstanding	151	82,002,178	-	-	151	82,002,178	157	[illegible]
Bonds retired	68	28,371,452	-	-	68	28,371,452	70	[illegible]
Internally funded	67	91,854,806	-	-	67	91,854,806	[illegible]	[illegible]
OREO sale financing	67	23,103,834	-	-	67	23,103,834	[illegible]	21,659,183
Other	53	2,584,488	-	-	53	2,584,488	[illegible]	2,595,[illegible]
	481	$ 238,177,8[illegible]	729	$ 34,795,445	1,210	$ 272,973,284	[illegible]	$ 257,672,[illegible]

The aging of loans at June 30, 1995 and 1994 (with combining information at June 30, 1995) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects		Restricted Economic Development Project		1995		1994	
Loan type	%	Amount	%	Amount	%	Amount	%	Amount
Current	93.30%	$ 222,209,214	91.04%	$ 31,675,945	93.01%	$ 253,885,159	[illegible]	$ [illegible]
Past due								
31-60 days	.06	146,923	5.74	1,998,932	.79	2,145,855	[illegible]	16,275,[illegible]
61-90 days	.04	102,628	.98	341,740	.16	444,368	[illegible]	1,459,[illegible]
Over 90 days	6.60	15,719,074	2.24	778,829	6.04	16,497,902	1.26	[illegible]
	100.00%	$ 238,177,8[illegible]	100.00%	$ 34,795,445	100.00%	$ 272,973,284	100.00%	$ 257,672,[illegible]

Loans which are more than ninety days past due, excluding restructured loans, on which the accrual of interest has been discontinued amounted to $4,[illegible] and $2,524,[illegible] at June 30, 1995 and 1994, respectively. Gross interest income which would have been recorded on these loans amounted to $32[illegible] for 1995 and $265,147 for 1994. The amount of interest income collected and included in net income was $10[illegible] for 1995 and $161,[illegible] for 1994.

Loans on which the terms have been restructured amounted to $3[illegible] and $33,[illegible] at June 30, 1995 and 1994, respectively. Gross interest income which would have been recorded on these loans amounted to $3,007,[illegible] for 1995 and $3,[illegible] for 1994. The amount of interest income collected and included in net income was $1,[illegible] for 1995 and $2,[illegible] for 1994.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 1995 AND 1994

(7) ALLOWANCE FOR LOAN LOSSES

An analysis of changes in the allowance for loan losses for the years ended June 30, 1995 and 1994 (with combining information at June 30, 1995) follows:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	1995	1994
Balance at beginning of year	$ 14,746,705	1,852,301	16,599,006	16,729,388
Provision for loan losses	1,701,655	-	1,701,655	1,000,000
Recoveries of loans charged off	26,403	14,943	41,346	42,749
Loans charged off	(89,416)	(33,887)	(123,303)	(1,289,318)
Additions to allowance for purchased loans	-	-	-	116,187
Balance at end of year	$ 16,385,347	1,833,357	18,218,704	16,599,006

(8) NET INVESTMENT IN DIRECT FINANCING LEASES AND DEVELOPMENT PROJECTS

The Authority leases the Unalaska Project under terms of an agreement, recorded as a direct financing lease, which transfers the Unalaska Project to the City of Unalaska after all financial obligations have been met. Minimum payments under the agreement are the amounts required to pay the annual debt service costs of the $7,000,000 Revolving Fund Bonds issued December 10, 1991. The annual minimum lease payments range from $742,000 to $789,000.

The Authority leases the Federal Express Project under an agreement which is recorded as a direct financing lease, expiring twenty years after the facility is placed in service. Minimum lease payments under the agreement will return the cost of the Federal Express Project plus 7.55% interest and are expected to be sufficient to pay the debt service on the $28,000,000 Revolving Fund Bonds issued September 30, 1992.

Minimum annual toll fees for usage of the DeLong Mountain Transportation System return the cost of the Red Dog Project to the Authority over fifty years at an interest rate of 6.5%.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 1995 AND 1994

The components of the Authority's net investment in direct financing leases at June 30, 1995 and 1994 (with combining information at June 30, 1995) are:

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	1995	1994
Minimum lease payments receivable	$ 68,434,743	541,038,763	609,473,506	600,767,043
Less:				
Unearned income	29,917,101	360,851,708	390,768,809	380,749,166
Allowance for lease receivables	-	-	-	2,000,000
Net investment in direct financing leases	$ 33,517,642	180,187,055	218,704,697	218,017,877

At June 30, 1995, future minimum lease payments receivable for each of the five succeeding fiscal years are:

Year ending June 30	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	Combined
1996	$ 3,259,000	11,958,000	15,217,000
1997	3,678,000	11,958,000	15,636,000
1998	3,676,000	11,958,000	15,634,000
1999	3,671,000	11,958,000	15,629,000
2000	3,669,000	11,958,000	15,627,000

The Authority, under the terms of a Terminal Access Agreement recorded as a direct financing lease, had provided Curragh, Inc. (Curragh) with certain nonexclusive, priority rights in connection with the Skagway Terminal. In 1993, Curragh instituted proceedings in Toronto, Ontario, Canada, under the Companies Creditors Arrangement Act (CCAA) and an ancillary proceeding under Section 304 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Alaska. Curragh has been liquidated and substantially all of Curragh's assets have been sold. As a result of Curragh's liquidation, the Authority reclassified the direct financing lease receivable of $20,207,771 to investment in development projects in the accompanying financial statements in 1994. In August 1995, the Authority entered into an agreement with a Canadian mining company to use 75% of the Skagway Terminal for the next seven years for an annual minimum user fee of $2,592,500 per year; the contract contains optional renewal clauses for two additional seven-year terms. The Authority believes that additional users will be found for the remaining 25% of the Skagway Terminal and that the new user will renew or another user of the Skagway Terminal will be found at the end of the seven-year term, and that the recoverability of its investment is assured.

The Authority will lease the Healy Project to Golden Valley Electric Association, Inc. under a power sales agreement providing for a minimum annual payment of approximately $4,451,000 beginning when the project is operational, currently scheduled for January 1, 1999.

The Authority will receive user fees in consideration of its interest in the Seward Coal loading facility. The lessee will continue to operate the facility at its sole expense.

(9) Bonds Payable

The composition of bonds outstanding at June 30, 1995 and 1994 (with combining information at June 30, 1995) follows (maturity date information is as of June 30, 1995):

	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	1995	1994
Variable Demand Fixed Rate Bonds:				
7.5% and 7.7%, issued October 30, 1984, maturing through 2004	$ 6,645,000	-	6,645,000	7,300,000
Tax Exempt Umbrella Bonds:				
6.7% to 9.3%, issued June 12, 1985	-	-	-	10,365,000
7.7% to 8.125%, issued October 21, 1985 maturing through 2006	6,575,000	-	6,575,000	7,785,000
7.9% to 8.5%, issued December 19, 1985 maturing through 2006	5,730,000	-	5,730,000	6,550,000
8.0% to 8.875%, issued December 19, 1986, maturing through 2012	7,430,000	-	7,430,000	7,790,000
Revolving Fund Bonds:				
7.1% to 7.45%, issued December 13, 1990 maturing through 2010	20,255,000	-	20,255,000	21,035,000
6.4% to 7.3%, issued December 10, 1991 maturing through 2006	5,670,000	-	5,670,000	6,025,000
5.?% to 6.5%, issued September 30, 1992 maturing through 2014	27,225,000	-	27,225,000	28,000,000
[illegible] to 6.2%, issued May 17, 1995 maturing through 2007	8,020,000	-	8,020,000	-
Refunding Revolving Fund Bonds:				
4.3% to 6.2%, issued June 3, 1993 maturing through 2010	16,405,000	-	16,405,000	23,255,000
[illegible] to 5.9%, issued March 30, 1994 maturing through 2006	10,790,000	-	10,790,000	11,405,000
[illegible] to 6.2%, issued May 17, 1995 maturing through 2007	9,825,000	-	9,825,000	-
DeLong Mountain Transportation Project Revenue Bonds:				
[illegible] 7.3%, issued March 17, 1997, maturing through 2017	-	96,200,000	96,200,000	98,185,000
	$ 124,570,000	96,200,000	[illegible]	[illegible]

[illegible]

At June 30, 1995, principal portions of the bonds payable mature as follows:

Year ending June 30	Enterprise Development Activities and Unrestricted Economic Development Projects	Restricted Economic Development Project	Combined
1996	$ 6,630,000	2,000,000	8,630,000
1997	7,145,000	2,120,000	9,265,000
1998	7,710,000	2,250,000	9,960,000
1999	8,160,000	2,395,000	10,555,000
2000	8,090,000	2,550,000	10,640,000
2001-2005	48,565,000	15,640,000	64,205,000
2006-2010	29,200,000	22,105,000	51,305,000
2011-2015	9,070,000	31,305,000	40,375,000
2016-2017	-	15,935,000	15,935,000
	$ 124,570,000	96,300,000	220,870,000

Enterprise Development Account bond resolution covenants effective June 30, 1995 preclude the Authority from incurring any general obligation indebtedness unless future estimated net income equals not less than 150% of the general obligation annual debt service requirement in each year or from taking any action to cause its unrestricted surplus to be less than the lesser of $200,000,000 or the amount of general obligation indebtedness outstanding, and in no event less than $100,000,000. At June 30, 1995, the Authority has estimated that projected future coverage for any year exceeds 150%, giving effect only to existing projects at that date, including the projected effect of completion of the Healy Project, and excluding the effect of other proposed projects and future construction expenditures. At June 30, 1995, unrestricted surplus was $436,2[illegible].

(10) Bond Refunding and Defeasance

On May 17, 1995, the Authority issued $9,825,000 of Refunding Revolving Fund Bonds for the purpose of redeeming all of a bond issue. The refunding resulted in debt service payments approximately $2,500,000 less than the refunded bonds over the next fifteen years. There was an economic gain of approximately $1,400,000. Economic gain is calculated as the net difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid.

On March 30, 1994, the Authority issued $11,435,000 of Refunding Revolving Fund Bonds for the purpose of redeeming all or a portion of three bond issues. The refunding resulted in debt service payments approximately $4,500,000 less than the refunded bonds over the next sixteen years. There was an economic gain of approximately $2,900,000. The financial statements reflect a $473,526 extraordinary loss on refunding for the year ended June 30, 1994.

The Authority recognized an extraordinary loss of $1,827,562 for the year ended June 30, 1994 from the March 30, 1994 defeasance of $23,840,000 of bonds. The loss resulted from the deposit of United States Treasury securities costing $26,063,000 (including accrued interest receivable) into an irrevocable trust, necessary to effect the defeasance transaction. The defeasance resulted in decreased interest expense of $404,000 in fiscal year 1994 and total future debt service savings of $36,563,000 over the remaining lives of the bonds defeased assuming each had been paid out in accordance with the original repayment schedules.

The investment securities deposited into the irrevocable trust and interest earned thereon are sufficient to pay when due the principal or redemption price and interest on the defeased bonds. The bonds mature or are subject to redemption at 102% of the principal amount redeemed plus accrued interest prior to maturity on April 1, 1996 and 1997, depending on the particular bond. The source of funds used to purchase the investment securities for the defeasance was the Authority's unrestricted investments. The defeased bonds, aggregating $1[illegible],765,000 and related interest payable at June 30, 1995, remain outstanding but are excluded from the Authority's balance sheet, as are the investment securities.

(11) Retirement Plan

The Authority and its employees participate in the State of Alaska Public Employees' Retirement System (PERS), which is a multiple-employer retirement system offering a defined benefit pension plan to its participants. All full-time employees are required to participate. Employees are required to contribute 6.75% of their salary to the plan. The Authority is required to contribute an amount that is actuarially determined on an annual basis; the contribution rate for 1995 was 19.17%. The combined contribution requirement for the year ended June 30, 1995 was $557,000. Covered payroll for the year ended June 30, 1995 was approximately $1,400,000, constituting substantially all of the Authority's payroll.

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 1995 and 1994

Employees hired prior to July 1, 1986 with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age fifty-five or early retirement age fifty. For employees hired after June 30, 1986, the normal retirement age is sixty and the early retirement age is fifty-five. The normal annual pension benefit is equal to 2% of the member's highest three-year average monthly compensation for the first ten years of service, 2.25% for the second ten years of service and 2.5% thereafter. All service earned prior to July 1, 1986 is calculated using the 2% multiplier. Employees with thirty or more years of credited service may retire at any age and receive a normal benefit. Major medical benefits are provided without cost to all retirees first hired before July 1, 1986. Members first hired after June 30, 1986 may elect major medical benefits.

The pension benefit obligation, the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The following is information related to the State as an employer taken as a whole and is at June 30, 1994, the most recent actuarial valuation (in millions):

PENSION BENEFIT OBLIGATION		
Current retirees and terminated participants	$	[illegible]
Current employees		[illegible]
		[illegible]
Net assets available for benefits		[illegible]
Unfunded pension benefit obligation	$	[illegible]

(12) COMMITMENTS AND CONTINGENCIES

Commitments. At June 30, 1995 the Authority had approximately $[illegible] [illegible]

[illegible]

Other Commitments and Contingencies. [illegible]

[illegible] financial statements.)

[illegible]

[illegible]

[illegible]

Chairman [illegible]

Vice Chairman [illegible]

Other Board Members [illegible]

[illegible]

SB

231

Alaska State Senate

SENATOR STEVE RIEGER
District I

Senate Finance Committee
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee
Administrative Regulation Review Committee
Legislative Council

During Session:
State Capitol, Room 516
Juneau, Alaska 99801
(907) 465-3879

716 West 4th Avenue, Suite 530
Anchorage, Alaska 99501
(907) 258-8188

MEMORANDUM January 23, 1996

TO: Senator Bert Sharp, Chairman
Senate State Affairs Committee

FROM: Senator Steve Rieger
Senate District I

RE: Scheduling Request SB 231 "An Act relating to title insurance; and providing for an effective date."

I respectfully request a hearing for SB 231 which addresses changes in the way title insurance is handled in Alaska.

Thank you.

Alaska State Senate

SENATOR STEVE RIEGER
District I

Senate Finance Committee
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee
Administrative Regulation Review Committee
Legislative Council

During Session:
State Capitol, Room 516
Juneau, Alaska 99801
(907) 465-3879

716 West 4th Avenue, Suite 530
Anchorage, Alaska 99501
(907) 258-8188

Sponsor Statement

SB 231 "An Act relating to title insurance; and providing for an effective date."

Senate Bill 231 should reduce the cost of title insurance for residential home buyers in a couple of different ways.

The bill makes changes to existing law that removes provisions which allow title insurance companies to confer with one another regarding rate making. And it also changes existing law which the Division of Insurance has interpreted as prohibiting title insurers from negotiating lower rates. This bill establishes that the rates filed with the Division of Insurance are maximum rates but a title insurer can negotiate lower rates for all consumers.

Another major change deals with the refinancing of an existing home. Under today's business practices, it is possible for a homeowner to have to purchase title insurance two or three times for the same home, using the same lender and same title insurance company, regardless of the amount of time which has transpired between the transactions. This bill establishes a period of fifteen years from the date of original issuance of a policy during which a title insurer must add an additional insured for an administrative fee which cannot exceed $75.00.

Senate Bill 231 should improve the cost effectiveness of mortgage refinancing in Alaska, making refinancing more feasible. This will ultimately result in significant consumer savings and lower interest payments being made to out-of-state lenders.

YUKON TITLE

COMPANY, INC

March 25, 1996

Senator Bert M. Sharp
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

VIA FACSIMILE (907)465-2070

RE: CS for Senate Bill 231

Dear Senator Sharp,

The Senate is currently considering Senate Bill 231. If adopted, this bill will have negative consequences for anyone who owns, wants to purchase or seeks to refinance a home in Alaska.

The sponsors intent in CSSB 231 is to deregulate the abstracting, searching, examination and determination of insurability components of the title insurance premium; in theory, making those components negotiable. In reality, the bill's effect will be to shift the cost of these components from the customer best able to negotiate, **the land developer**, to the customer least able to negotiate and least able to afford the increased cost, **the homeowner**.

Under existing law, a title insurer must file rates that are fair and non-discriminatory. CSSB 231 destroys the fairness component of the rating process and will make housing less affordable in Alaska.

In testimony given at the March 14 hearing the bills' sponsor stated that he based this bill on Pennsylvania law. The home buyer in Pennsylvania currently pays more for their title insurance than the home buyer in Alaska.

Although there are some problems with title insurance rate schedules as they exist today, those problems are best addressed administratively and not legislatively. Please vote against Senate Bill 231.

Thank you.

Roger L. Floerchinger
President

714 Gaffney Road • Fairbanks, Alaska 99701
Phone 907-456-3474 • Fax 907-456-3476

For Senate State Affairs Committee Hearing 2/1 at 3:30

JANUARY 31, 1996

TO ALL SENATORS

RE: SENATE BILL NO. 231

DEAR SENATOR,

SENATE BILL NO. 231 WILL HAVE A DEVASTATING AFFECT ON ALASKA'S REAL ESTATE INDUSTRY. THE AFFECTS WOULD CAUSE TITLE COMPANIES TO QUIT ISSUING THESE TYPES OF POLICES AND THE HOME OWNERS WOULD BE UNABLE TO REFINANCE THEIR HOMES IN ALASKA.

THIS BILL WOULD REGULATE THE INDUSTRY ON ONE HAND AND DEREGULATE ON THE OTHER HAND.

THERE ARE ONLY TWO UNDERWRITERS IN THE STATE AS IT IS NOW.
THIS BILL WOULD FORCE THE TWO REMAINING UNDERWRITERS TO LOOK UNFAVORABLY ON THE ALASKA MARKET.

THE TITLE INSURANCE INDUSTRY IS VERY COMPETITIVE AND CLOSELY REGULATED AND IT IS WORKING. I HOPE THAT EVERYONE HAS DONE THEIR HOME WORK. THE PUBLIC IS NOT AWARE OF THE TIME AND DOCUMENTS THAT MUST BE SEARCHED TO ASSURE THEM OF PEACE OF MIND.

PLEASE CONSIDER THE AFFECTS VERY CAREFULLY, ALASKA IS A STATE OF INDEPENDANT CITIZEN WHO FEEL THAT WE VOTED FOR YOU TO LOOK OUT FOR OUR BEST INTEREST. THIS ALLOWS US PEACE OF MIND TO LIVE AND WORK IN OUR "ALASKA

SINCERELY,

Barbara Carr

BARBARA CARR
HC 04 BOX 9795
PALMER, AK. 99645

PHONE NO. 376-5248 (W)
745-3418 (H)

GREATER FAIRBANKS BOARD OF REALTORS®

REALTOR®

The Voice for Real Estate™ in FAIRBANKS

1449 Gillam Way
Fairbanks, Alaska 99701
(907) 452-7743

Resolution #1

A RESOLUTION BY THE GREATER FAIRBANKS BOARD OF REALTORS OPPOSING SENATE BILL NO. 231 "AN ACT RELATING TO TITLE INSURANCE".

WHEREAS, a Bill has been introduced in the Second Session of the Nineteenth Alaska State Legislature that amends portions of the Alaska State Statues, Title 21 pertaining to *fees and rates that can be charged by a title insurance company,* and

WHEREAS, the good intentions of the sponsors of Senate Bill No. 231 are to reduce the expense of title insurance for *any persons involved in a real estate transaction wherein title insurance is required either by the mortgagee or other parties to the transaction,* and

WHEREAS, the GREATER FAIRBANKS BOARD OF REALTORS supports and promotes the notion of restricting a title insurance company to charging a rate that exceeds amounts that are in effect as established by and published by the Department of Commerce and Economic Development, Division of Insurance for the purpose of *refinancing debt secured by residential real estate,* and

WHEREAS, it is the position of the GREATER FAIRBANKS BOARD OF REALTORS that it is not in the best interest of the State of Alaska, its citizens or other individuals or organizations involved in real estate transactions to have the State of Alaska establish a policy of deregulation concerning the title insurance company tariffs which in effect provides for "rate ceilings" and removes the "floor" a title insurance company can charge as set by the Division of Insurance, and

WHEREAS, it is in the best interest of the State of Alaska and all parties that become involved in real estate transactions to have title insurance underwriters be profitable, financially healthy and have adequate reserves for losses, however, if profitability is not attainable in the State of Alaska market for title insurance companies and underwriters eventually a policy for title insurance may be obtained only outside the State of Alaska causing unnecessary delays in real estate transaction closings (reference bonding underwriters in the late 1970's).

NOW THEREFORE BE IT RESOLVED that the GREATER FAIRBANKS BOARD OF REALTORS through this Resolution passed by its Board of Directors oppose SENATE BILL NO. 231 as written because we find that the tariffs as they currently exist are in most part fair and create a competitive environment where the rates charged for all products are fair to all customers, and

FURTHER BE IT RESOLVED that SENATE BILL NO. 231 is not an example of deregulation improving the cost effectiveness of real estate transactions but more closely regulates the title insurance industry by imposing an arbitrary fixed limit on the price of one product, and removes existing regulatory restraints in other areas.

Mat-Su Title Insurance Agency, Inc.
951 E. Bogard Road, Suite 100
P.O. Box 871810
Wasilla, Alaska 99687

Fax: 376-1237
Phone: 376-5294
276-5352

TELEFAX TRANSMITTAL SHEET

To: Bert Sharp

DEPARTMENT:

FROM: Bill Standard (Voter)

NUMBER OF PAGES BEING SENT (including cover sheet)

REMARKS: Comments follow
Strongly OBJECT TO SB231

If you have any problems with receiving this Fax, please call.

January 30, 1996

TO: Mike Price/Cliff Groh

FROM: Bill E Standard
Vice-President, Manager Mat Su Title Insurance Agency, Inc.,
Treasurer- Mat-Su Homebuilders Association.

SUBJECT: Senate Bill No. 231

Gentlemen:

I direct this more in light towards the State Affairs Committee and specifically towards those legislators who are proposing the above referenced Bill.

I certainly have been under the wrong impression that we the people elect legislators to represent the people of the State of Alaska and not because of grudges about their own personal matters.
As I understand, the persons introducing the above stated Bill are unhappy because they personally have had to pay for title insurance on a re-finance for their personal properties. I certainly commend them for being in a position where they can introduce and ram-rod a new law to meet their own ends.

I am a licensed instructor with the Real Estate Commission; my course is entitled "Introduction to Title Insurance". I would highly recommend these representatives sign up for my course.

Perhaps if they are not aware, there is a method to obtain title insurance for a refinance a a price other than the full fee. Please explain that if they (the owners) refinance at the original lender and that lender does not release the existing lien but MODIFIES the lien, the title insurer may issues an Endorsement to the existing policy.

Of course if they obtain re-financing at a NEW lender the new lender will make them go through the whole course in which case they will be charged for a full title policy, a BANK FEE, CREDIT CHECK, ETC., ETC.,
Wouldn't this mean these "representatives of the people" should then introduce new legislation to do away with the Bank Fee, Credit Check etc.,??

Somehow it does not seem reasonable that the Title Industry should be the scape-goat because certain legislators do not have the intelligence to figure out the system that is set-up and has been running for years to the satisfaction of all concerned. Personally, I would be suprised if the passage of this legislation would not cause the Title Insurers to REFUSE re-finance insurance; certainly I could not afford to examine title, issue policy, pay employees (and the utility bills) for a fee of $75.00.(in the event of re-finance where the borrower goes to a new lender).

Please let me know if there is a way which I, as a voter of the state of Alaska, can introduce legislation to do away with the raises the legislators give themselves or how we pay them to hide out in Juneau where they represent they are for the people but the people can not meet them.

Suite 200
1700 E. Parks Highway
Wasilla, Alaska 99654-7352

McKINLEY TITLE & TRUST INC.

907-376-2220
From Anchorage 694-7598
FAX 907-373-1579

January 29, 1996

TO: All Legislators

RE: Senate Bill 231

Dear Legislator:

I recently spoke with Steve Rieger, the founder of this bill. He is very uneducated in the inter workings of a title company and in how they process their title policies. Furthermore, he does not even understand the different types of policies we as title companies issue. It seems to me this is a personal vendetta against an industry based solely upon his own biased, uneducated experience.

To quote Steve Rieger, "This will ultimately result in Significant customer savings and lower interest payments being made to out-of-state secondary lenders." Give me a BREAK!

Before one attacks an industry, wouldn't it be prudent to get your facts straight.

Hopefully, you as concerned Legislators will see this bill for what it is, and work to defeat it before an industry is destroyed, and many, many people are out of work.

Sincerely,

Mike Anderson

Mike Anderson,
President

MA/amg

TransAlaska Title

Anchorage Office
Corporate Office
400 W. Tudor Road
Anchorage, AK 99503-6614
907-561-1844
FAX 561-1948

Eagle River Office
10928 Eagle River Road
Suite 120
Eagle River, AK 99577-8052
907-694-1456
FAX 694-1474

Fairbanks Office
210 First Avenue
Suite 102
Fairbanks, AK 99701-4848
907-452-2193
FAX 456-4194

Homer Office
3670 Lake Street
Suite 300
Homer, AK 99603-7626
907-235-5201
FAX 235-5203

Juneau Office
2227 N. Jordan Avenue
Juneau, AK 99801-8050
907-789-5252
FAX 789-7395

Kenai Office
130 Trading Bay Road
Suite 390
Kenai, AK 99611-7716
907-283-7503
FAX 283-7719

Kodiak Office
326 Center Street
Suite 209
Kodiak, AK 99615-7302
907-486-8338
FAX 486-8383

Seward Office
909 3rd Avenue, Box 469
Seward, AK 99664-0469
907-224-5272
FAX 224-5281

Soldotna Office
176 N. Birch Avenue
Soldotna, AK 99669-7508
907-262-5708
FAX 262-9594

Wasilla Office
165 E. Parks Highway
Suite 101
Wasilla, AK 99654-7038
907-376-5248
FAX 376-6010

January 29, 1996

Re: Senate Bill #231

To whom it may concern:

I would like to take this time to respond to Senate Bill #231 by making it known that I completely disagree and sincerely hope that this thing does not pass. This bill would shut a lot of doors in our industry and that means the loss of many jobs through out the state. I don't feel this bill would be serving a good purpose for anyone, whether they are related to the title industry or private individuals looking to transfer property.

I would sincerely hope that you will keep the above in mind when voting on Senate Bill #231.

Sincerely,

S. Kincade

Shannan K. Kincade
Homer Branch Manager

KACHEMAK BAY TITLE AGENCY, INC.
3691 BEN WALTERS LANE #1
HOMER, ALASKA 99603
PHONE (907) 235-8196
FAX (907) 235-2420

January 24, 1996

Sen Bert Sharp
State of Alaska
Juneau AK

VIA FAX 465-2070

RE: Senate Bill 231

Dear Senator Sharp:

Senate Bill 231 has not been thoroughly analized by those sponsoring the bill. The bill, if enacted, will cause severe negative effects on the real estate and mortgage industry and could potentially eliminate title insurance in Alaska.

The Division of Insurance has continually regulated our industry and has required us to submit rates which would assure financial solvency in title companies so that sufficient reserves are held to cover claims and losses in a downturn economy. Our rates are subject to approval by the insurance commissioner. By eliminating just such a rate structure to allow for discounts could jeprodize this solvency to the extent that insurance companies could no longer find it beneficial to write insurance in Alaska. In an industry who has only 2 major underwriters (down from 7 10 years ago) the additional loss of even one could change the industry to a monopoly, eliminating not only an underwriter but the many title agencies owned and operated by local companies and individuals.

The portion of the bill prohibiting insurers from charging more than $75.00 to issue a policy or endorsement to add an additional insured or lender within 15 years eliminates the Division of Insurance regulation prohibiting discounts from the filed rates. Unfortunately it does not take into consideration the cost of producing the product or whether a title insurer is willing to issue such endorsement or policy at that cost.

The cost of maintaining a title plant to the title agent is a major cost. It takes staffing, time and expense to maintain a title plant in accordance with Alaska Statutes to meet the minimum requirements of a title plant. $75.00 is not an adequate amount to produce a report or policy regardless of the time between issurance of a policy on the same parcel. A small agency like the majority of offices in this state could not remain in a strong solvent position for an extended period of time.

With the unwillingness of the title insurers to write policies at this rate, refinancing of homes would become obsolete. Federal law requires title insurance on mortgage loans. If they are unable to acquire these policies, there will no longer be a mortgage market in this state. It has taken Alaska years to develop an out-of-state financing market and we would be eliminating that market with SB 231. (Don't forget the purpose of establishing AHFC was to create a mortgage market since none existed in this state) Borrowers would be unable to obtain federal funding on loans such as FHA, FARM HOME, and FNMAE or even potentially on AHFC who requirements are sometimes more stringent that FHA with regards to title insurance minimum requirements.

It appears that the sponsors of this bill have not thought out the long range affects of such a bill, but have merely created a cost they feel would be acceptable without understanding either the industry or the costs to maintain the records or produce the product.

I recommend before proceeding with this bill you look toward a better understanding of title insurance, rate structures (there are many states who have excellent rating systems; ie New Mexico) and to review the proposed model title agents act and title act which our Division of Insurance has been working on on a national level for several years before making any further decisions on this issue.

This is a lose-lose situation with no winners.

Sincerely,

Mary Ann Rowe

Mary Ann Rowe
President

December 15, 1995

RECEIVED JAN 1 6 1996

Senator Steve Rieger
Alaska State Legislature
State Capital
Juneau, Alaska 99801-1182

Dear Sir,

I am writing at the request of Mr. Don Koch (State of Alaska Insurance Commissioner's Office) to describe to you my dealings with Title Insurance Agency (TIA) a Juneau title insurance company. Mr. Koch has asked me to describe this transaction to you because it is his understanding that you are working to modify the title insurance fee structure.

In September, 1995, my husband and I purchased a home in Juneau. The sellers offered to purchase title insurance in our name as part of the transaction. We accepted cash in lieu of title insurance at closing, however, the sellers had acquired a preliminary Commitment for Title Insurance with TIA. Prior to closing, I had researched the title at the Recorder's Office here in Juneau, and although I deemed Title Insurance desirable, I thought that the best time to purchase the policy was at the time our loan closed, the loan having been applied for prior to property sale. During the loan process, I told the bank that the sellers had initiated the title insurance process, and that I wished to complete it as part of the loan. This was acceptable to the bank and TIA.

When we closed the loan on November 9, 1995, TIA charged us $1392.00 for an owner's Title policy plus $339.60 to insure the bank, for a total of $1731.60. At closing, we informed TIA that we were going to be closing the same loan again at a lower interest rate as soon as possible because of confusion with the right-of-recision clause at the bank, and because the bank had already "locked" or pre-sold our loan. TIA personnel indicated that they were aware that the second loan transaction was in process at this time.

On December 8, 1995 we closed our "second" loan, however, no money changed hands other than loan interest payments. We were not given a right of recision on this "second" loan. In other words, we did not pay off the principle of the "first-loan" and <u>then</u> secure a new loan at a lower rate under normal loan conditions. The settlement statement from the "second" loan listed lender's Title Insurance for the amount of the loan as a prepaid expense and therefor was not deducted from 'loan proceeds'.

Approximately four days after closing, a representative from the bank called and asked us to bring in a check for $970 for lenders Title Insurance. I indicated to the bank that we had already paid $1731.60, which included duplicate coverage for the property. Interestingly, late in November I had received a letter (dated 11/22/95) from TIA with our title policy that stated "The premium paid for a title insurance policy is primarily a service fee that covers the expense of searching and analyzing land records to compile a title's history" (copy attached). On 12/14/95, with this letter in mind, I went to the Recorder's Office and manually searched the Record book for all entries under my or my husband's name, or our property description, for the period 11/4/95 to 12/8/95. This took thirteen minutes. I then used the Recorder's computerized system, and the search took three minutes. I then went to TIA, hoping to discuss an adjustment to the $970 charge.

At TIA, I talked at length with the person who closed our loan and she, and her associate who joined the discussion, voluntarily indicated the following:

1. TIA is required by law to charge 110% of the published fee for ALTA title insurance, even though the time between closings was brief.
2. TIA acts as an agent for the National Bank of Alaska (lender).
3. TIA would <u>not</u> consider the 2 existing policies plus the new policy as three mutually exclusive policies. That is, any flaws in the title could only be claimed against the latest (third) policy, because the deed had changed hands since the first policy (which had a higher insured value) was issued.
4. That title research for the last policy probably did take them 2 minutes.
5. That I should talk to the president of TIA, Toni O'Brien later that afternoon.

About 3:15 on Thursday (12/14) afternoon, I called Ms. O'Brien and introduced myself. I related my story to her and she said that her employees were correct and she couldn't help me. I asked for her assistance in resolving this matter with the insurance commissioner's office and she declined.

Following the conversation with Ms. O'Brien, I talked with Mr. Koch. Mr. Koch listened attentively and explained title insurance policy pricing structure to me, and also stated that given the latest policy timing and circumstances, he believed that I would be eligible for a 30% discount from the fee structure (or a cost of $705.60 vs. the $970.20 billed).

On the morning of Friday December 15 I went into the bank, checkbook open in hand, and asked the loan closing agent to please comply with the procedures outlined in the loan (write us a letter describing the title insurance fee omission in the closing papers) and, as per the loan agreement, I would respond within 30 days. I explained to her that I thought there was a possibility that TIA would reduce the latest title insurance fee, and that I intended to use the 30 days to pursue this. I also told her that if she was not comfortable with this arrangement, then I would immediately pay the title insurance fee in full, and negotiate for a refund if it became available. During this conversation we were interrupted by the manager of the loan department who told me that the bank had decided to "eat" the title insurance fee. I followed this conversation with a letter to the manager documenting the conversation.

As I noted above, Mr. Koch asked me to relate this experience to you because it is his understanding that you are evaluating title insurance fee structure. If I can be of any assistance, please do not hesitate to call me at 790-4370.

Sincerely,

Jan Nauman

Jan Nauman
P.O Box 210506
Auke Bay, Alaska 99821

cc: Mr. Don Koch, Office of the Insurance Commissioner

encl: 11/22/95 Letter from TIA to Nauman

TITLE INSURANCE AGENCY

9097 Glacier Highway
Juneau, Alaska 99801

Phone (907) 789-1671
FAX (907) 789-2375

November 22, 1995

Mr. and Mrs. Clynton R. Nauman
P.O. Box 210506
Auke Bay, Alaska 99821

Dear Mr. and Mrs. Nauman,

Enclosed please find your original Owner's Title Insurance Policy. Owner's title insurance is a contract that secures you, the buyer of real property, against loss due to flawed transfer of title to that real property. Policies are written for an indefinite term and a single premium is paid in full at closing. The premium paid for a title insurance policy is primarily a service fee that covers the expense of searching and analyzing land records to compile a title' history.

Please feel free to contact us should you have any questions. We appreciate you allowing TIA to be of service during this transaction.

Sincerely,

Brenda

Brenda Hulet

Fin. Com. office

Don ~~Cook~~ Koch / Dir of Insurance
P.O. Box 110805 / Juneau 99811-0805.

send out a [illegible] of what's going on.

1. Eligible for 20% discount
2. Rate split between title agent and title insurance co. (4½% loss ratio)

100,000 → $602

~~Representative~~ Rieger causing audit of Insurance

Sen. ~~Sen~~ Steve Rieger = State Leg Affairs State Cap Juneau AK 99801-118

Calista Corporation

601 W. 5th Avenue, Suite 200 • Anchorage, AK 99501-2225 • (907) 279-5516 Facsimile (907) 272-5060

February 1, 1996

Senator Steve Reiger
Room 516
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Reiger:

I would like to express our strong opposition to Senate Bill 231 that relates to title insurance. Please allow me to delineate some of our concerns about this legislation.

As you are aware, Calista Corporation does have an interest in various title insurance companies throughout the state. After speaking to those people, we are apprehensive about the introduction of this senate bill and the detrimental effects it will have on these agencies and their employees.

Our title companies, as well as others, employ hundreds of Alaskans statewide and the profits generated by them benefit our local economy. By restricting and regulating their rate structure, the effects upon the industry would be devastating. Let's protect and enhance those local Alaskan jobs in the private sector rather than increasing the unemployment lines. It should be the legislature's primary mission to improve the economy instead of taking regressive steps that would effectuate a reversal.

The fees and rates charged by title agencies are its "bread and butter" in order to provide an adequate service to its customers. By introducing an artificially low cap the negative impact to the industry will be as follows:

- unreasonably low rates which would be insufficient to cover expenses
- it would be a financial drain on Alaskan title companies, therefore threatening their survival
- and finally, it will reduce the number of insurance providers and close the doors of many Alaskan title companies.

Title companies appear to be singled-out in the refinance process when other businesses profit from these transactions such as lending institutions. If you were to impose similar sanctions on this industry imagine the resounding, negative ripple effect it would produce by these providers.

Senator Steve Reiger
February 1, 1996
Page 2

It is our opinion that this bill is ill-advised and we oppose its passage.

Sincerely,

CALISTA CORPORATION

Richard Romer

Richard Romer
1st Vice President, Corporate Development

cc: Senate President Drue Pearce
Speaker of the House Gail Phillips
Senator Steve Frank
Senator Mike Miller
Senator Bert Sharp
Senator Robin Taylor
Senator Lyman Hoffman
Senator Rick Halford
Senator Albert Adams
Senator Georgianna Lincoln
Senator Fred Zharoff
Senator Lyda Green
Senator Loren Leman
Representative Richard Foster
Representative Ivan M. Ivan
Representative Mark Hanley
Representative Don Long
Representative Irene Nicholia
Representative Jerry Mackie.
Representative Joe Green
Representative Ramona Barnes
Representative Ben Grussendorf
Representative Gene Kubina
Representative Terry Martin
Representative Eldon Mulder
Representative Beverly Masek
Representative Carl Moses
Representative Jerry Sanders
Representative Bill Williams

First American Title Company of Alaska

510 W. TUDOR, SUITE 1 ANCHORAGE, ALASKA 99503 PHONE (907) 562-0510 FAX (907) 562-0173

Senator Bert M. Sharp
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Re: CSSB 231 -- An Act relating to title insurance

Dear Senator Sharp:

Senate Bill 231, as currently written, radically changes the way title insurance is regulated in the State. We believe that these changes are detrimental to the public, and the bill should therefore be defeated.

As it stands, when filing rates, title insurers must show that the rates are fair and non-discriminatory, and sufficient to assure fiscal solvency. By changing the definition of "rate" under the title insurance code (A.S. 22.66), none of these self-evidently sensible requirements would apply.

As it stands now, title insurance agents compete with each other based on service; service will suffer if competition is based solely on rates. Our basic rate for title insurance has not changed since 1968. Only two title underwriters write policies in Alaska, where many more did in the past, because it is only marginally profitable to be in the industry here; in making it less so, this bill dashes any chance for increased competition and therefore better service to the public.

Finally, the bill may have an adverse fiscal impact on the State. Title insurers pay a 1% tax on all premiums collected. If premiums go down, less money will be collected; the Department of Commerce has attached a fiscal note to the bill stating that impact could eventually be as much as $174,000.00 lost.

Please vote against Senate Bill 231. If you have any questions, please do not hesitate to contact me.

Very truly yours,

FIRST AMERICAN TITLE COMPANY
OF ALASKA

Steve Jewett, President