

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development
Investments
BRU/Component

Component: Investments

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Component Mission

The mission of the Alaska Division of Investments (ADI) is to

- (1) promote economic development through direct state lending within those industries that are not adequately serviced by the private sector; and
- (2) provide interagency and interdepartmental loan servicing of other loan portfolios.

(CH. 77 SLA99, §24)

Component Services Provided

Provides direct State lending in three active loan programs: Commercial Fishing, Fisheries Enhancement, and Small Business Economic Development. These programs provide financing in industries and areas for which loans are unavailable from the private sector. The Division also services loans for eight inactive loan programs administered by the Department, as well as another nine portfolios for The Alaska Industrial Development & Export Authority, the Departments of Revenue, Health & Social Services, Environmental Conservation, and Military & Veterans Affairs. Loan servicing consists of processing assumption, refinance, and maintenance requests, such as subordination's and collateral releases, payment collection, credit reporting, commercial and mortgage loan accounting, delinquent loan collection, foreclosure and bankruptcy management, repossessed property management and resale, hazardous waste investigation, and investor remittance.

The State offers a number of loan programs throughout various agencies, and the combined functions of loan approval, servicing, collections, and data processing can be performed more efficiently when consolidated into one agency. The complexities involved in some of these functions (e.g., bankruptcies, foreclosure, hazardous waste investigation, and repossessed properties) require a level of expertise that is financially and logistically easier to support when consolidated.

As of June 30, 2000, the Division of Investments was servicing 3790 accounts totaling \$215,140,200.

Component Goals and Strategies

To make loans directly to qualified residents for programs established by the Alaska Legislature.

- Encourage a predominantly resident fishery to request loans for the purchase of limited entry permits, quota shares, vessels, and gear.
- Offer refinancing for commercial fishing boat loans.
- Offer loans for the operation of existing hatcheries.
- Create or save jobs through direct state lending to Alaskans.

To service efficiently the loan programs that are administered by the Department of Community & Economic Development, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

To act as a loan-servicing agency for many of the State's loan programs, ensuring the greatest return on investment that is consistent with public policy.

- Collect money due the loan programs.
- Reduce or maintain the delinquency rates.
- Maintain the average processing times for loan and loan extension applications.
- Maintain the accuracy and timeliness of response to all customer service requests.

Key Component Issues for FY2001 – 2002

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. Both the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund depend heavily on the fish runs and the profitability of the fishing industry. The lack of fish during the 1997/98 season in many parts of the state, most notably in Bristol Bay, caused a large volume of loan extension requests. The 1999 season rebounded in most areas of the state; however, past losses have continued to encumber many fishermen. Fish returns for the 2000 season were above average in some fisheries and below average in others. It is difficult to project the cash flow for these two funds, since loan demand and repayments vary according to the level of success achieved by harvesters during the prior season.

Tax Obligation Loan Program

The Commercial Fishing Revolving Loan Fund was amended by the 2000 legislature to allow ADI to make loans to Alaskan commercial fishing harvesters to pay past due federal tax obligations that could result in the loss of a limited entry permit through a foreclosure action. This program took effect August 1st, 2000 and expires July 31, 2002. The maximum loan amount is \$30,000 for each borrower and ADI anticipates a loan demand of approximately \$1,500,000 over the two-year period.

Major Component Accomplishments for FY2000

VOLUNTEER TAX AND LOAN PROGRAM

Supported the Volunteer Tax and Loan Program (VTLP) through a grant for fisheries business development to the Alaska Business Development Center, Inc. (ABDC). The VTLP received special recognition from the Peter F. Drucker Foundation for the achievements and innovative approach to non-profit management demonstrated by the Program. Additionally, ABDC representatives were invited to attend the ceremonies associated with the Foundation's recognition of the Program in Los Angeles. On behalf of the Drucker Foundation and in coordination with Jane Wesman Public Relations, an article and press release were created detailing ABDC's VTLP and the special recognition received from the Foundation. Jane Wesman distributed the article to 31 major media entities, ABDC participants, and other media entities.

WESTERN ALASKA PROGRAM

Applied for in FY 2000 and was awarded a \$3 million dollar grant to fund a new program called the Western Alaska Program. The grant was awarded by the Economic Development Administration and was matched with \$1 million dollars from the Alaska Industrial Development and Export Authority to provide a total of \$4 million dollars for new loans. The program provides loans to projects that create jobs and diversify local economies in areas of the state affected by the 1998 fisheries disaster. Under the first phase of the program, loans will be made to Cities, Boroughs, Tribal Councils and Native Non-Profit Corporations located in Western Alaska. In the second and third phases, loans will be available to individuals and businesses located in these communities. During FY00, 3 loans were approved and processed for a total dollar amount of \$575,000.

Statutory and Regulatory Authority

AS 45.88.010-.050, .500	Alternative Energy Revolving Loan Fund
AS 44.33.240-.275	Child Care Facility Revolving Loan Fund
AS 16.10.300-.370	Commercial Fishing Loan Act
AS 16.10.500-.620	Fisheries Enhancement Revolving Loan Fund
AS 45.98.010-.070	Historical District Revolving Loan Fund
AS 27.09.010-.060	Mining Loan Fund
AS 45.89.010-.070, .500	Residential Energy Conservation Fund
AS 45.95.010-.080	Small Business Revolving Loan Fund
AS 26.15.010-.170	WWII Veterans Revolving Fund
AS 44.88.400-.430	Small Business Economic Development Rev.Loan Fund
AS 44.47.800-.820	Rural Development Initiative Fund
AS 44.33.020	Dept. of Community and Economic Development
3 AAC 41.010-.900	Veterans Loan Assumptions
3 AAC 77.010-.900	Repossessed Property
3 AAC 78.010-.900	Alternative Energy Loans
3 AAC 79.010-.900	Residential Energy Conservation
3 AAC 80.010-.900	Commercial Fishing Loans
3 AAC 81.010-.900	Fisheries Enhancement Loans & Grants
3 AAC 82.010-.900	Child Care Facility Loans
3 AAC 83.010-.900	Historical District Loans
3 AAC 86.010-.900	Small Business Loan Assumptions
3 AAC 87.010-.900	Mining Loans
3 AAC 89.010-.900	Fisheries Enhancement Tax Appropriation
3 AAC 99.800-.820	Small Business Economic Development Loans
3 AAC 170.010-.900	Rural Development Initiative Fund

Key Performance Measures for FY2002

Measure: Small Business Economic Development Revolving Loan Fund - Create or save at least one job for every \$10K loaned in this program.

(Developed jointly with Legislature in FY2001.)

Current Status:

During fiscal year FY00, \$507,522 was loaned to Alaska small businesses. 117 jobs were created and 8 were saved.

Benchmark:

There are no current statistics available at this time.

Background and Strategies:

In many areas of the state, individuals wishing to start a small business have had virtually no chance of receiving financing without assistance from a program such as this. In June 1988 the Economic Development Administration (EDA) approved the Alaska Department of Commerce and Economic Development's original application to establish a Revolving Loan Fund (RLF). The funding approved for the original RLF totaled \$600,000 (\$350,000 from EDA and \$250,000 from the State of Alaska). In 1992 the fund was recapitalized with an additional EDA Grant, in the amount of \$450,000 and matching state funds in the amount of \$200,000. The RLF program has proven to be a very useful tool in the Department's overall rural small business and economic development program. In 1998 the department applied for and was awarded a \$600,000 grant to recapitalize this program. The grant was awarded by the EDA and was matched with \$200,000 from the Alaska Industrial Development and Export Authority to provide a total of \$800,000 for new loans. A total of 7 loans were made during the past fiscal year under this program, resulting in the creation of over 70 jobs in areas of the State that have experienced low per capita income or high unemployment. This division will continue to provide this financing by:

- Marketing this program through brochures, conferences, outreach visitation and the Alaska Business Development Center.

- Participating in the Economic Development Funding Forum, talking with other lenders regarding this program.
- Continuing to improve our presence on the Internet by making the loan program information available for viewing and downloading application forms.
- Utilizing the rural staff of Division of Community and Business Development (CBD) to promote this program.

Measure: Commercial Fishing Revolving Loan Fund - Maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher.

(Developed jointly with Legislature in FY2001.)

Current Status:

Through FY99, the proportion of permits held by Alaskans was 78%, an increase of 1% over the last three years.

Benchmark:

Other than our twenty-five year loan history, there are no other programs similar to this loan program.

Background and Strategies:

The commercial fishing industry continues in flux as world markets adapt to the changing supply of fish from fish farms as well as the more traditional fishing fleets. The salmon markets have been significantly affected, and as a result, they have been extremely volatile for the past several years. It is important that Alaska maintains its place in the worldwide salmon market during these changing times to assure our place for the future. This loan program offers a relatively modest financing program for Alaska resident commercial fishing harvesters. The division's effort is to maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. To achieve this goal this division will:

- Work with Alaska resident fishermen requesting financing for the purchase of permits.
- Work with Alaska resident fishermen requesting financing for gear, vessel upgrades and/or improvements.
- Travel to fishing communities all over the state to assist them in their planning for financing their on-going fishing businesses.
- Travel to fishing communities all over the state to assist them in solving tax related problems.
- Continue to work with the Alaska Business Development Center, assisting fishermen through our Fisheries Business Assistance Grant.

Measure: Fisheries Enhancement Revolving Loan Fund - Provide hatchery reared salmon to Alaska commercial fisheries at a harvest value of \$40M or more per year.

(Developed jointly with Legislature in FY2001.)

Current Status:

During calendar year 1999 (the most current information available), the harvest value of the hatchery reared salmon was \$46.8M. Preliminary Alaska Department of Fish & Game figures for the 2000 season put the number somewhere around \$62.7, making it the fifth largest contribution since the inception of the program.

Benchmark:

There is no comparable program.

Background and Strategies:

In 1976, the Alaska Legislature responded to the need for increased production of salmon by creating the Fisheries Enhancement Revolving Loan Fund (FERLF). The purpose of this program was to promote enhancement of the State's fisheries. This division will continue to promote this enhancement by:

- Granting long-term, low interest loans for hatchery planning, construction and operation.
- Providing grants to Regional Corporations for organization and planning purposes.
- Work with hatcheries to insure that adequate funds are available for their continued operation.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • Small Business Economic Development Revolving Loan Fund - Create or save at least one job for every \$10K loaned in this program. • Commercial Fishing Revolving Loan Fund - Maintain the proportion of commercial fishing permits held by Alaskans at 75% or higher. • Fisheries Enhancement Revolving Loan Fund - Provide hatchery reared salmon to Alaska commercial fisheries at a harvest value of \$40M or more per year. 			X		

Investments
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,275.5	2,430.7	2,373.1
72000 Travel	62.0	31.2	31.2
73000 Contractual	605.5	637.0	889.4
74000 Supplies	100.1	37.9	37.9
75000 Equipment	63.9	4.8	4.8
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	210.0	220.0	20.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,317.0	3,361.6	3,356.4
Funding Sources:			
1007 Inter-Agency Receipts	81.2	48.1	48.9
1035 Veterans Revolving Loan Fund	147.8	150.7	107.4
1036 Commercial Fishing Loan Fund	2,597.2	2,661.4	2,698.8
1057 Small Business Loan Fund	3.3	3.3	3.4
1067 Mining Revolving Loan Fund	5.0	5.0	5.1
1068 Child Care Revolving Loan Fund	5.8	5.8	6.0
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	325.5	333.1	332.6
1071 Alternative Energy Revolving Loan Fund	148.7	151.7	151.7
Funding Totals	3,317.0	3,361.6	3,356.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	56.5	59.6	59.9	62.6	62.6
Veterans Revolving Loan Fund	51095	0.0	0.0	0.9	1.3	1.3
Commercial Fishing Loan Fund	51100	7,652.4	5,602.8	4,043.0	3,801.2	3,801.2
Small Business Loan Fund	51180	353.9	578.7	433.8	635.3	635.3
Mining Revolving Loan Fund	51230	80.4	54.8	2.0	2.6	2.6
Child Care Revolving Loan Fund	51235	33.4	19.8	16.0	18.1	18.1
Historical District Revolving Loan Fund	51240	96.0	14.7	11.3	13.0	13.0
Fisheries Enhance. Revolving Loan Fund	51245	5,736.7	1,022.8	1,357.1	2,614.4	3,614.4

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Alternative Energy Revolving Loan Fund	51250	137.0	22.9	9.7	0.0	0.0
Rural Development Initiative Fund	51387	10.7	26.4	0.0	0.0	0.0
Unrestricted Fund	68515	7,119.2	5,656.1	6,788.1	7,545.5	7,545.5
Unrestricted Total		21,276.2	13,058.6	12,721.8	14,694.0	15,694.0
Restricted Revenues						
Interagency Receipts	51015	81.2	48.1	48.1	48.9	48.9
Veterans Revolving Loan Fund	51095	147.8	150.7	150.7	107.4	107.4
Commercial Fishing Loan Fund	51100	2,597.2	2,661.4	2,661.4	2,698.8	2,698.8
Small Business Loan Fund	51180	3.3	3.3	3.3	3.4	3.4
Mining Revolving Loan Fund	51230	5.0	5.0	5.0	5.1	5.1
Child Care Revolving Loan Fund	51235	5.8	5.8	5.8	6.0	6.0
Historical District Revolving Loan Fund	51240	2.5	2.5	2.5	2.5	2.5
Fisheries Enhance. Revolving Loan Fund	51245	325.5	333.1	333.1	332.6	332.6
Alternative Energy Revolving Loan Fund	51250	148.7	151.7	151.7	151.7	151.7
Restricted Total		3,317.0	3,361.6	3,361.6	3,356.4	3,356.4
Total Estimated Revenues		24,593.2	16,420.2	16,083.4	18,050.4	19,050.4

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Proposed Changes in Levels of Service for FY2002

None.

**Summary of Component Budget Changes
From FY2001 Authorized to FY2002 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	3,361.6	3,361.6
Adjustments which get you to start of year:				
-Update Executive Administration and Support Cost Allocation Plan	0.0	0.0	-22.5	-22.5
Adjustments which will continue current level of service:				
-Year 2 Labor Costs - Net Change from Fy 2001	0.0	0.0	17.3	17.3
FY2002 Governor	0.0	0.0	3,356.4	3,356.4

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Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	44	44	Annual Salaries	1,806,687
Part-time	0	0	COLA	25,746
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	651,396
			<i>Less 4.46% Vacancy Factor</i>	<i>(110,729)</i>
			Lump Sum Premium Pay	0
Totals	44	44	Total Personal Services	2,373,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Spvr I	0	0	1	0	1
Accounting Tech I	0	0	5	0	5
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	3	0	3
Administrative Clerk I	0	0	1	0	1
Administrative Clerk II	0	0	2	0	2
Administrative Clerk III	1	0	1	0	2
Administrative Manager I	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Division Director	0	0	1	0	1
Loan Closer I	1	0	5	0	6
Loan Closer II	0	0	1	0	1
Loan/Collection Manager	0	0	2	0	2
Loan/Collection Off I	2	0	4	0	6
Loan/Collection Off II	1	0	4	0	5
Micro/Network Tech I	0	0	1	0	1
Secretary	0	0	1	0	1
Totals	5	0	39	0	44