

Introduced: 3/10/71
Referred: Commerce and
Finance

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 HOUSE BILL NO. 295

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska State Development
7 Corporation."

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

9 * Section 1. AS 44.59.020 is amended to read:

10 Sec. 44.59.020. GOVERNING BODY. Except for those functions to
11 be performed by the executive director, the [THE] corporation's board
12 of directors shall conduct the business of the corporation.

13 * Sec. 2. AS 44.59.030(a) is amended to read:

14 (a) The board consists of the commissioner of commerce and five
15 [SIX] residents of the state and the executive director serving ex
16 officio. Members of the board are appointed by the governor and they
17 serve at his pleasure. Membership on the board is on a nonpartisan
18 basis with due regard to representation from all areas of the state.
19 At least one member shall be appointed from each judicial [MAJOR SENATE]
20 district if, in the opinion of the governor, a qualified person resides
21 in the district. No more than one [ONE-HALF] of the appointed members
22 shall [MUST] be active in the banking business [AND THE OTHER HALF MUST
23 BE FROM THE OTHER PROFESSIONS, BUT SHALL HAVE EXTENSIVE KNOWLEDGE OF
24 FINANCIAL MATTERS].

25 * Sec. 3. AS 44.59.040 is amended to read:

26 Sec. 44.59.040. TERM OF OFFICE. The term of office for an ap-
27 pointed member of the board is three years. The term of office expires
28 on February 1 of each year. Upon initial appointment, two members
29 serve for one year, two members serve for two years, and one [TWO]

1 members serve for three years. A member appointed by the governor to
2 fill a vacancy serves for the unexpired term of the member he succeeds.

3 * Sec. 4. AS 44.59.080 is repealed and re-enacted to read:

4 Sec. 44.59.080. LEGAL COUNSEL. The corporation shall hire or
5 retain legal counsel to advise it in legal matters and represent it
6 in suits. Legal counsel shall provide a legal opinion concerning
7 loans approved and guarantied by the corporation.

8 * Sec. 5. AS 44.59 is amended by adding a new section to read:

9 Sec. 44.59.085. EMPLOYMENT OF PERSONNEL. The board shall hire
10 or retain a bookkeeper. The board may appoint other officers, hire
11 employees and agents, and engage professional and technical service
12 and advice upon an employment or independent-contract basis. The
13 board shall prescribe the duties and compensation of corporation
14 personnel.

15 * Sec. 6. AS 44.59.120 is amended to read:

16 Sec. 44.59.120. EXECUTIVE DIRECTOR [VICE PRESIDENT]. The board
17 shall [MAY] employ an executive director [VICE PRESIDENT] to approve
18 certain loans and manage the corporation. He must have a background in
19 loan appraisal and loan administration and otherwise be professionally
20 trained and experienced in the performance of his duties. His selection
21 is subject to the approval of the governor. The executive director
22 [VICE PRESIDENT] may not have any financial or business interest that
23 might conflict with the approval of loans or the management of the cor-
24 poration in the best public interest. The board shall [MAY] delegate
25 powers and duties to the executive director [VICE PRESIDENT].

26 * Sec. 7. AS 44.59.200(b) and (c) are amended to read:

27 (b) "Class A certificates" shall be issued as evidence of indebted-
28 ness of the corporation either through private or public sales. The
29 maximum principal amount of class A certificates that may be sold is

1 \$15,000,000. Class A certificates are backed by the full resources
2 and credit of the corporation, and take priority in the payment of
3 principal and interest to class B and C certificates. Class A certi-
4 ficates shall be sold at a price which results in an effective interest
5 rate over the life of the certificates of not more than seven [FIVE]
6 per cent a year and upon other terms set by the board, except that
7 the class A certificates outstanding at any time may not exceed five
8 times the principal amount of class B certificates outstanding.

9 (c) "Class B certificates" shall be issued as evidence of indebted-
10 ness of the corporation either through private or public sales. The
11 maximum principal amount of class B certificates that may be sold is
12 \$3,000,000. Class B certificates are backed by the full resources
13 and credit of the corporation and take priority in the payment of
14 principal and interest to class C certificates. Class B certificates
15 shall be sold at a price which results in an effective interest rate
16 over the life of the certificates of not more than eight [SIX] per
17 cent a year and upon other terms set by the board.

18 * Sec. 8. AS 44.59 is amended by adding a new section to read:

19 Sec. 44.59.275. GUARANTY LOSS RESERVE FUND. The corporation
20 shall maintain a guaranty loss reserve fund. Each year the board
21 shall credit a sum equal to one-fourth per cent of all operating
22 capital loans it has guaranteed to the fund. Guaranty losses shall
23 be charged to the guaranty loss reserve fund. If a guaranty loss
24 charged to the fund is recovered, it shall be credited to the guaranty
25 loss reserve fund.

26 * Sec. 9. AS 44.59.310 is amended to read:

27 Sec. 44.59.310. CORPORATE LENDING. (a) The corporation may
28 accept applications for development loans and extend credit directly
29 for the total amount of a loan, or on the basis of no greater than 90

1 per cent participation by the corporation and no less than 10 per cent
2 participation by a bank.

3 (b) When the corporation makes a participating loan, it [THE
4 CORPORATION] and the participating bank shall share the same ratable
5 interest in the collateral securing a loan.

6 * Sec. 10. AS 44.59 is amended by adding a new section to read:

7 Sec. 44.59.315. OPERATING CAPITAL GUARANTY. In addition to
8 direct and participating loans for fixed assets, the corporation may
9 also guarantee up to 90 per cent of operating capital loans made by
10 banks or other financial institutions.

11 * Sec. 11. AS 44.59.330 is amended to read:

12 Sec. 44.59.330. CORPORATION'S INTEREST. The rate of interest
13 charged on direct loans or for the corporation's share of a development
14 loan shall be determined by the board, except that it may not be greater
15 than the legal contract rate of interest as set by state law. The
16 corporation may also charge reasonable loan commitment fees.

17 * Sec. 12. AS 44.59.340 is amended to read:

18 Sec. 44.59.340. BANK'S RATE OF INTEREST. A [THE] participating
19 bank shall fix the rate of interest charged by it. However, the rate
20 of interest may not exceed the legal contract rate of interest
21 prescribed by law.

22 * Sec. 13. AS 44.59.360 is amended to read:

23 Sec. 44.59.360. APPLICATION FOR LOAN. Participating development
24 [DEVELOPMENT] loans must be applied for and presented to the corpora-
25 tion for approval through the participating bank.

26 * Sec. 14. AS 44.59.370 is amended to read:

27 Sec. 44.59.370. BANK'S FEES. (a) A [THE] participating bank
28 shall administer the loans and may charge the borrower a reasonable
29 loan fee for this service.

1 (b) When the corporation makes a participating loan it [THE
2 CORPORATION] shall enter into a servicing agreement with a partici-
3 pating bank. The servicing agreement may provide a participating bank
4 with a fee equal to one-quarter of one per cent interest on the
5 corporation's share of the loan.

6 * Sec. 15. AS 44.59.390 is amended to read:

7 Sec. 44.59.390. GENERAL LIMITATIONS ON LOANS. (a) In making
8 development loans, the board and executive director shall consider
9 the proposed collateral, the integrity and the management ability
10 of the borrower, and the borrower's past and prospective earnings.

11 (b) Before approving a development loan, the board and the
12 executive director shall consider the purpose of the loan. The board
13 and the executive director may make only loans that are economically
14 advantageous to the state and the general public welfare.

15 (c) The board and the executive director may make a development
16 loan to a responsible borrower only if other credit is not readily
17 available on reasonable terms. Before granting a development loan,
18 the board and the executive director shall determine, so far as it
19 is reasonably possible, that the first opportunity to grant the loan
20 is given to banking or financial institutions in the state.

21 * Sec. 16. AS 44.59 is amended by adding a new section to read:

22 Sec. 44.59.395. REPAYMENT. The board and the executive director
23 shall establish amortization plans for repayment of loans, which may
24 include delayed payments of principal and interest for not to exceed
25 five years.

26 * Sec. 17. AS 44.59.400 is amended to read:

27 Sec. 44.59.400. REGULATIONS FOR LOANS. The board may adopt
28 regulations for loan policy and procedure, except that a regulation
29 may not conflict with an indenture agreement or a provision of this

1 chapter. The board shall, however, designate the specific kinds
2 and monetary limits of loans which the executive director can make
3 without the prior approval of the board.

4 * Sec. 18. AS 44.59 is amended by adding a new section to read:

5 Sec. 44.59.415. COOPERATION. The executive director shall
6 cooperate with federal and state agencies which make similar loans or
7 construct public works facilities which could have an eventual effect
8 upon the project the corporation is assisting.

9 * Sec. 19. AS 44.59 is amended by adding a new section to read:

10 Sec. 44.59.435. REFINANCING LIMITATION. The corporation may not
11 refinance any portion of a loan it made before the effective date of
12 this Act.