

Original sponsor: Rules Committee

Offered: 6/2/80
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 1021

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Alaska Development Authority;
7 consolidating certain state loan programs and placing
8 those loan programs under the administration of the
9 Alaska Development Authority; eliminating the lending
10 powers of certain state agencies relating to loans
11 which the Alaska Development Authority may make; pro-
12 viding for the financing of certain state loans by the
13 issuance of revenue bonds; creating in the Department
14 of Revenue a division of collections for delinquent
15 state loans; and providing for an effective date."

16 * Section 1. AS 45 is amended by adding a new chapter to read:

17 CHAPTER 96. ALASKA DEVELOPMENT AUTHORITY.

18 ARTICLE 1. ORGANIZATION.

19 Sec. 45.96.005. CREATION OF AUTHORITY. There is created the
20 Alaska Development Authority. The authority is a public corporation of
21 the state in the Department of Commerce and Economic Development, but
22 with separate and independent legal existence.

23 Sec. 45.96.010. MEMBERSHIP OF AUTHORITY. (a) The membership of
24 the authority consists of the lieutenant governor who shall be the chief
25 executive officer of the authority and two additional members who are
26 heads of principal departments of the executive branch of state govern-
27 ment appointed by the governor.

28 (b) By June 30, 1982, the governor shall appoint two additional
29 members of the authority who are residents of the state and who are not

1 public officers or employees of the state.

2 (c) The members of the authority shall conduct the business of the
3 authority. If a member who is the head of a principal department of the
4 executive branch is unable to attend a meeting of the authority, he may
5 file with the authority an appointment in writing of his deputy or
6 assistant to act in his place as a member at the meeting. For all
7 purposes of this chapter, the designee is a member of the authority at
8 the meeting.

9 (d) A member of the authority who is not the head of a principal
10 executive department serves for a term of four years. Initial appoint-
11 ments of the public members shall be one member serving for three years
12 and one member serving for four years. Members of the authority who are
13 heads of principal departments of the executive branch serve at the
14 pleasure of the governor.

15 (e) If a vacancy occurs in the membership of the authority, the
16 governor shall make an appointment, effective immediately, for the
17 unexpired portion of the term.

18 (f) A member of the authority who is not the head of a principal
19 executive department shall receive \$100 compensation for each day spent
20 on official business of the authority and may be reimbursed by the
21 authority for actual and necessary expenses at the same rate paid to
22 members of state boards under AS 39.20.180.

23 Sec. 45.96.015. QUORUM. Three members of the authority constitute
24 a quorum for the transaction of business of the authority.

25 Sec. 45.96.020. EXECUTIVE DIRECTOR; PERSONNEL. (a) The members
26 of the authority shall employ and determine the salary of an executive
27 director to manage the authority. The members may delegate powers and
28 duties to the executive director. The executive director may employ
29 other personnel of the authority with the approval of the members of the

1 authority.

2 (b) The executive director is in the exempt service under AS 39.25.
3 Other employees of the authority are in the classified service under
4 AS 39.25.

5 Sec. 45.96.025. ALASKA LOAN PROGRAMS FUND. There is established
6 in the authority the Alaska loan programs fund. The fund shall be
7 administered by the authority except as otherwise provided in this
8 chapter. The fund consists of money and assets appropriated to it by
9 the legislature and money deposited in it by the authority from other
10 sources. Money in the fund may be used by the authority only for the
11 purpose of making or purchasing loans in accordance with this chapter.

12 ARTICLE 2. FINANCIAL PROVISIONS.

13 Sec. 45.96.030. REVENUE BONDS AND BOND ANTICIPATION NOTES. (a)
14 The authority may issue revenue bonds and revenue bond anticipation
15 notes to provide financing to carry out its purposes under this chapter.

16 (b) The principal and interest on these bonds or bond anticipation
17 notes are payable from assets of the authority. Bond anticipation notes
18 may be payable from the proceeds of the sale of bonds or from the pro-
19 ceeds of sale of other bond anticipation notes or, if bond or bond
20 anticipation note proceeds are not available, the bond anticipation
21 notes may be paid from other assets of the authority. Bonds or bond
22 anticipation notes may also be secured by a pledge of a grant or con-
23 tribution from the federal or state government, a corporation, asso-
24 ciation, institution or person, or a pledge of money, income, or reve-
25 nues of the authority from any source.

26 (c) Bonds or bond anticipation notes may be issued under (a) of
27 this section as provided by resolution of the authority, in one or more
28 series and shall (1) be dated; (2) bear interest at the prescribed rate
29 per year or within the maximum rate; (3) be in a certain denomination or

1 form, either coupon or registered; (4) carry the conversion or registra-
2 tion provisions; (5) have rank or priority; (6) be executed in a certain
3 manner and form; (7) be payable from the sources in the medium of pay-
4 ment and place or places inside or outside the state; (8) be subject to
5 authentication by a fiscal agent; and (9) be subject to terms of redemp-
6 tion, with or without premium as the resolution of the authority may
7 provide. Bonds and bond anticipation notes mature at a time determined
8 by the authority. Before the preparation of definitive bonds or bond
9 anticipation notes, the authority may issue interim receipts or tempo-
10 rary bonds or bond anticipation notes, with or without coupons, exchange-
11 able for bonds or bond anticipation notes when the definitive bonds or
12 bond anticipation notes have been executed and are available for de-
13 livery.

14 (d) Bonds or bond anticipation notes may be sold in the manner, on
15 the terms, and at the price the authority determines.

16 (e) If an officer whose actual or facsimile signature appears on
17 bonds or notes or coupons attached to them ceases to be an officer before
18 the delivery of the bond, note or coupon, his signature is valid as if he
19 had remained in office until delivery.

20 (f) In authorizing or issuing bonds or bond anticipation notes,
21 the authority may, with holders of the bonds or bond anticipation notes,
22 make covenants as may be necessary or desirable, to better secure bonds
23 or notes or which, in the discretion of the authority, will tend to make
24 bonds or notes more marketable and shall, for each issue, create a
25 principal and interest account for repayment of the principal and in-
26 terest of that issue.

27 Sec. 45.96.040. VALIDITY OF PLEDGE. The pledge of assets or
28 revenues of the authority to the payment of the principal or interest of
29 obligations of the authority is valid and binding from the time the

1 pledge is made, and assets or revenues pledged are immediately subject
2 to the lien of the pledge without physical delivery or further action.
3 The lien of a pledge is valid and binding against all parties having
4 claims of any kind in tort, contract, or otherwise against the authority,
5 regardless of whether those parties have notice of the lien of the
6 pledge. Nothing prohibits sale of assets of the authority subject to a
7 pledge, except that a sale may be restricted by the resolution providing
8 for the issuance of the obligations.

9 Sec. 45.96.050. REMEDIES. A holder of obligations issued under
10 the provisions of this chapter or coupons attached to them if not re-
11 stricted by the resolution, either at law or in equity, may enforce all
12 rights granted under the coupons or under any other contract executed by
13 the authority under this chapter, and may enforce and compel the per-
14 formance of all duties required by this chapter to be performed by the
15 authority or by an officer of it.

16 Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations of the
17 authority and interest coupons attached to the obligations are nego-
18 tiable instruments under the laws of this state, subject only to appli-
19 cable registration provisions.

20 Sec. 45.96.070. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
21 of the authority issued under this chapter are securities in which all
22 public officers and public entities of the state and its political sub-
23 divisions, all insurance companies, trust companies, banking associ-
24 ations, investment companies, executors, administrators, trustees, and
25 other fiduciaries may properly and legally invest funds, including
26 capital in their control or belonging to them. These obligations may be
27 deposited with the state or municipal officer of an agency or political
28 subdivision of the state for any purpose for which the deposit of bonds,
29 notes, or obligations of the state is authorized by law.

1 Sec. 45.96.080. REFUNDING OBLIGATIONS. (a) The authority may
2 provide for the issuance of refunding obligations for the purpose of
3 refunding outstanding obligations issued under this chapter, or bonds
4 issued by the state, political subdivisions of the state, or agencies or
5 instrumentalities of the state, including the payment of redemption
6 premium on them and interest accrued or to accrue to the date of redemp-
7 tion of the obligations. The issuance of the obligations, the maturi-
8 ties and other details of them, the rights of the holders of them, and
9 the rights, duties and obligations of the authority in respect of them
10 are governed by the provisions of this chapter which relate to the
11 issuance of appropriate obligations.

12 (b) Refunding obligations may be sold or exchanged for outstanding
13 obligations issued under this chapter. If sold, the proceeds may be
14 applied, in addition to other authorized purposes, to the purchase,
15 redemption or payment of the outstanding obligations. Pending the
16 application of the proceeds of refunding obligations, with any other
17 available funds, to the payment of the principal (accrued interest and
18 any redemption premium on the obligations being refunded, and if so
19 provided or permitted in the authorization for issuance of the refunding
20 obligations, to the payment of any interest on the refunding obligations
21 and any expenses in connection with the refunding), the proceeds may be
22 invested in direct obligations of, or obligations the principal of and
23 the interest on which are unconditionally guaranteed by, the United
24 States of America which mature or which will be subject to redemption,
25 at the option of the holders of them, not later than the respective
26 dates when the proceeds, together with the interest accruing on them,
27 will be required for the purposes intended.

28 Sec. 45.96.090. CREDIT OF STATE NOT PLEDGED. Obligations issued
29 under this chapter are not a debt, liability, or obligation of the state

1 but are payable solely from the revenues or assets of the authority.
2 Each obligation issued under this chapter shall contain on its face a
3 statement that the authority is not obligated to pay it nor the interest
4 on it except from the revenues or assets pledged for it and that neither
5 the faith and credit nor the taxing power of the state or of a political
6 subdivision of the state is pledged to the payment of the principal of
7 or interest on the obligation.

8 Sec. 45.96.100. TAX EXEMPTION. All property of the authority is
9 public property devoted to an essential public and governmental function
10 and purpose and is exempt from all taxes of the state or a political
11 subdivision of the state. Bonds issued under this chapter are issued by
12 a body corporate and public of this state and for an essential public
13 and governmental purpose, and the bonds and the interest and income on
14 and from the bonds and all income of the authority are exempt from
15 taxation except for transfer, inheritance, and estate taxes.

16 Sec. 45.96.110. SALE OF BONDS. (a) The authority may sell bonds
17 at public or private sale until July 1, 1984. After July 1, 1984, the
18 authority may sell bonds only at public sale.

19 (b) Before selling an issue or series of bonds at public sale, the
20 authority shall give notice inviting sealed bids in the manner it may
21 prescribe. If satisfactory bids are received, the bonds offered for
22 sale shall be awarded to the highest responsible bidder. If the author-
23 ity determines that the bids received are not satisfactory as to price
24 or responsibility of the bidders, it may reject all bids received.

25 Sec. 45.96.120. ALLOCATED RESERVE ACCOUNT. (a) For the purpose
26 of securing obligations of the authority, a special account in the
27 authority called the allocated reserve account is established. The
28 allocated reserve account consists of money transferred to it as pro-
29 vided in (b) of this section. The authority shall pay the amounts

1 necessary to finance the capital reserve account established under AS
2 45.96.140, the fire insurance and liability reserve account under AS 45.-
3 96.155, and the loss reserve account under AS 45.96.150 from the allo-
4 cated reserve account. All other expenditures from the allocated re-
5 serve account shall be in accordance with annual appropriations.

6 (b) The commissioner of revenue shall annually transfer to the
7 allocated reserve account established by (a) of this section

8 (1) 15 percent of the annual receipts paid the state from
9 mineral lease rentals for state land and from royalties derived from
10 minerals produced on state land; and

11 (2) 50 percent of the annual income from the Alaska permanent
12 fund (art. IX, sec. 15 of the state constitution) which is available for
13 distribution under AS 37.13.140.

14 Sec. 45.96.125. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose
15 of securing obligations of the authority, a special account within the
16 general fund called the unallocated reserve account is established.
17 The unallocated reserve account consists of all money in excess of
18 \$150,000,000 remaining in the general fund at the end of a fiscal year
19 which has not been obligated and all other assets remaining in the
20 general fund at the end of a fiscal year which have not been obligated.

21 (b) The legislature may, by appropriation, finance the allocated
22 reserve account created in AS 45.96.120 from money in the unallocated
23 reserve account.

24 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of
25 securing each issue of its obligations, the authority shall establish a
26 special account called the debt service reserve account and shall pay
27 into the account from the proceeds of the sale of that issue of its
28 obligations the maximum amount permissible under federal law and regu-
29 lations for tax-exempt obligations which may be invested without limi-

1 tation as to yield. All money held in a debt service reserve account
2 may be used as required, when money is not available from the principal
3 and interest account or the capital reserve account, only for (1) the
4 payment of the principal of obligations, (2) the purchase or redemption
5 of obligations, (3) the payment of interest on obligations, or (4) the
6 payment of any redemption premium required to be paid when those obli-
7 gations are redeemed before maturity. An amount remaining in a debt
8 service reserve account when the issue the account secures is fully
9 retired shall be paid to the allocated reserve account.

10 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-
11 curing each issue of its obligations, the authority shall establish a
12 special account called the capital reserve account. The authority shall
13 pay into the capital reserve account from the allocated reserve account
14 upon its establishment, an amount equal to five percent of the principal
15 amount of the obligations issued and sold and upon subsequent sales, if
16 any, of obligations of the issue secured, an additional amount equal to
17 five percent of the principal amount of the obligations sold. At the
18 end of each fiscal year the authority shall withdraw from each capital
19 reserve account and pay to the allocated reserve account any amount in
20 the capital reserve account in excess of five percent of the remaining
21 principal balance of the obligations secured or, if the amount in the
22 capital reserve account is less than five percent of the remaining
23 principal balance of the obligations secured, pay into the capital
24 reserve account from the allocated reserve account the amount necessary
25 to bring the reserve to five percent. All money held in a capital
26 reserve account may be used as required, when money is not available
27 from the principal and interest account, only for (1) the payment of the
28 principal of obligations, (2) the purchase or redemption of obligations,
29 (3) the payment of interest on obligations, or (4) the payment of any

1 redemption premium required to be paid when those obligations are re-
2 deemed before maturity. Income or interest earned by a capital reserve
3 account shall be paid to the allocated reserve account. Any amount
4 remaining in a capital reserve account when the issue the account se-
5 cures is fully retired shall be paid to the allocated reserve account.

6 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of
7 protecting the financial integrity of the authority, a special account
8 called the loss reserve account is established in the authority. The
9 authority shall pay into the loss reserve account from the allocated
10 reserve account an amount equal to five percent of the estimated total
11 amount of all loans to be made by the authority during the first fiscal
12 year of operation. At the first of the succeeding fiscal year and each
13 fiscal year thereafter, the authority shall pay into the loss reserve
14 account from the allocated reserve account the amount necessary to bring
15 the balance of the loss reserve account to five percent of the total
16 amount of loans projected to be outstanding during that fiscal year.

17 (b) If during the fiscal year the total amount of loans outstanding
18 exceeds the amount projected to be outstanding, the authority shall pay
19 into the loss reserve account from the allocated reserve account the
20 amount needed to bring the balance of the loss reserve account to five
21 percent of the amount of loans outstanding.

22 (c) Money in the loss reserve account may only be used for losses
23 realized from loans made under this chapter, except when, at the begin-
24 ning of a fiscal year, the balance of the loss reserve account exceeds
25 five percent of the remaining principal balance of the total amount of
26 loans projected to be outstanding during the fiscal year, the amount in
27 excess of five percent shall be paid to the allocated reserve account
28 until all amounts paid to the loss reserve account and the capital
29 reserve account from the allocated reserve account have been repaid and

1 then to the earned income account of the authority.

2 Sec. 45.96.155. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. For
3 the purpose of protecting the authority against loss resulting from fire
4 or liability, a special account called the fire insurance and liability
5 reserve account is established in the authority. The authority may
6 issue loans without requiring proof of insurance against fire and liabil-
7 ity if an additional charge of six-tenths of one percent per year is
8 made. The receipts from this charge shall be deposited in the fire
9 insurance and liability reserve account and may only be used to reim-
10 burse the authority for losses which occur on property for which the
11 charge provided by this section was in effect at the time of loss.

12 Sec. 45.96.160. INVESTMENTS. (a) All investments of the author-
13 ity's cash balances and of reserves for specific bond issues or statu-
14 torily required reserves are managed for the authority by the director
15 of the division of treasury in the Department of Revenue. The director
16 shall determine investment policy and manage the investments under the
17 same criteria applicable to other state investments he manages except as
18 provided in AS 45.96.170.

19 (b) The director of the division of treasury shall provide monthly
20 reports to the Legislative Budget and Audit Committee relating to the
21 investments described in (a) of this section, including

- 22 (1) a summary of long-range and short-term investment policy;
23 (2) a list of investments made during the previous month;
24 (3) an evaluation of the performance of investments made;
25 (4) other information requested by the Legislative Budget and
26 Audit Committee.

27 Sec. 45.96.170. INVESTMENT OF RESERVE ACCOUNTS. (a) The director
28 of the division of treasury in the Department of Revenue shall invest
29 money in the reserve accounts established by this chapter, other than

1 money in the debt service reserve account, only in

2 (1) obligations of, or obligations insured or guaranteed by
3 the United States or agencies or instrumentalities of the United States;

4 (2) obligations secured by reserves paid in by the United
5 States or agencies or instrumentalities of the United States or obliga-
6 tions of corporations in which the United States is a shareholder or
7 member; or

8 (3) corporate bonds rated "A" or better by a nationally
9 recognized rating service.

10 (b) Money in the debt service reserve account may only be invested
11 in obligations described in (a)(1) or (2) of this section.

12 Sec. 45.96.180. BUDGET. The operating budget of the authority is
13 by appropriation from the general fund unless the legislature specifi-
14 cally appropriates from the unallocated reserve account. The operating
15 budget is subject to the Executive Budget Act (AS 37.07).

16 Sec. 45.96.190. ACCOUNTING AND REPORTS. Accounting for the author-
17 ity shall be provided by the Department of Commerce and Economic Develop-
18 ment. Reports shall be made by the department to the Legislative Budget
19 and Audit Committee at least once a month. These reports shall include
20 an itemization of each loan which has been in default for a period in
21 excess of 30 days and the measures taken for each to insure compliance
22 with terms and conditions of the loan. The Legislative Budget and Audit
23 Committee shall provide quarterly reports to the legislature summarizing
24 the information it receives under this section and under AS 45.96.160(b)
25 and including comments and suggestions the committee determines to be of
26 interest to the legislature relating to the administration of the loan
27 program. Other reports shall be made as prescribed by the Department of
28 Commerce and Economic Development.

29 ARTICLE 3. LOANS.

1 Sec. 45.96.200. LOAN PROCEDURES. (a) The authority shall estab-
2 lish district loan offices in Juneau, Fairbanks, and Anchorage and may
3 establish other loan offices as necessary which shall be managed by
4 district directors. Each loan office shall provide information con-
5 cerning the loan programs under this chapter, other state loan programs
6 or grant programs, federal loan or grant programs, and, to the extent
7 feasible, private loan information.

8 (b) For loans not exceeding \$350,000 exclusive of interest and
9 charges, a district loan committee consisting of the district director
10 of the district loan office and two loan officers other than the loan
11 officer processing the loan may approve the loan.

12 (c) For loans exceeding \$350,000, the loan must be approved by an
13 executive loan committee consisting of the executive director of the
14 authority, the commissioner of commerce and economic development or his
15 designee, and the director of the division of economic enterprise of the
16 Department of Commerce and Economic Development or his designee.

17 Sec. 45.96.210. ALASKA LOAN PROGRAMS EVALUATION COMMITTEE. (a)
18 There is established in the Department of Commerce and Economic Develop-
19 ment the Alaska Loan Programs Evaluation Committee consisting of the
20 executive director of the authority and the directors, or their desig-
21 nees, of the following divisions: (1) the division of economic enter-
22 prise in the Department of Commerce and Economic Development, and (2)
23 the division of collections in the Department of Revenue.

24 (b) The Alaska Loan Programs Evaluation Committee shall notify
25 recipients of loans under this chapter who have been delinquent in their
26 loan repayments for a period in excess of 30 days. Upon notice of
27 delinquency, a borrower may request reevaluation and assistance from the
28 committee. If a borrower requests reevaluation, the committee shall
29 consider the terms and conditions of the loan as well as all other

1 pertinent information to determine whether there are feasible alterna-
2 tive terms and conditions which will protect the interest of the state
3 and prevent the default of the loan.

4 (c) In performing the duties described in (b) of this section, the
5 Alaska Loan Programs Evaluation Committee has access to all nonconfiden-
6 tial records, data, information, and statistics of all departments,
7 boards, commissions, agencies, and institutions of the state. The
8 committee also has access to the records or other information of a
9 borrower which are pertinent to its investigation. Failure on the part
10 of a borrower to provide the records or information is grounds for
11 refusal by the committee to reevaluate the loan.

12 (d) If the Alaska Loan Programs Evaluation Committee determines
13 that alternative terms and conditions are available which will protect
14 the interest of the state and prevent default of a loan, it may re-
15 negotiate the loan in accordance with those terms.

16 Sec. 45.96.220. DIVISION OF COLLECTIONS. There is established in
17 the Department of Revenue the division of collections. The director of
18 the division of collections is in the classified service under AS 39.25
19 and shall receive an annual salary within range 27 of the salary schedule
20 established in AS 39.27.011 or within one range below the range on which
21 the highest paid deputy commissioner in the department is paid if that
22 range is higher than range 27. In order to qualify for the position of
23 director, a person must be an attorney licensed to practice in this
24 state with at least four years of practice in business law.

25 Sec. 45.96.225. COLLECTION POLICY. If a borrower who received
26 notice of delinquency in accordance with AS 45.96.210 does not request
27 reevaluation, or if the Alaska Loan Programs Evaluation Committee deter-
28 mines that renegotiation of the existing terms and conditions is not
29 feasible or justified, and the loan is not brought current within 30

1 days after the notice of delinquency is mailed, the loan shall be trans-
2 ferred to the loss reserve account and transmitted for collection to the
3 division of collections. A monthly report of the status of the collec-
4 tion effort shall be made by the director of the division of collections
5 to the Legislative Budget and Audit Committee. The total principal and
6 interest due shall be transferred from the loss reserve account estab-
7 lished in AS 45.96.150 to the fund upon assignment of a loan to the
8 division of collections.

9 Sec. 45.96.240. RESIDENTIAL HOUSING. Subject to AS 45.96.427, the
10 authority may, for the purpose of providing housing for persons who meet
11 the eligibility requirements of AS 45.96.360,

12 (1) make or participate in the making of construction loans
13 to sponsors, developers, and builders for land development projects or
14 residential housing;

15 (2) make or participate in the making of mortgage loans from
16 the fund to sponsors, developers, builders, and purchasers of residen-
17 tial housing;

18 (3) purchase or participate in the purchase of mortgage loans
19 made to sponsors, developers, builders, owners, and purchasers of resi-
20 dential housing;

21 (4) acquire real property, or an interest in real property,
22 in the name of the authority, by purchase, transfer or foreclosure, when
23 the acquisition is necessary or appropriate to protect a loan in which
24 the authority has an interest; sell, transfer and convey that property
25 to a buyer; and, if the sale, transfer or conveyance cannot be effected
26 with reasonable promptness or at a reasonable price, rent or lease the
27 property to a tenant pending the sale, transfer or conveyance;

28 (5) sell, at public or private sale, to any purchaser, in-
29 cluding the Federal National Mortgage Association, all or any part of a

1 mortgage or other instrument securing a construction, land development,
2 mortgage or temporary loan of any type permitted by this section;

3 (6) purchase, in order to meet the requirements of the sale
4 of its mortgages to the Federal National Mortgage Association, stock of
5 the Federal National Mortgage Association;

6 (7) sell all or any part of a mortgage or other instrument or
7 document securing a construction, land development, mortgage or tempo-
8 rary loan of any type permitted by this section to the teachers' re-
9 tirement system (AS 14.25) if the borrower is a teacher subject to the
10 provisions of AS 14.25 or to the public employees' retirement system
11 (AS 39.35) if the borrower is a public employee included in the system;
12 a security instrument sold under this paragraph must be fully guaranteed
13 as to payment of principal and interest by the authority.

14 Sec. 45.96.242. NONCONFORMING HOUSING LOANS. (a) The authority
15 may make or purchase

16 (1) nonconforming housing mortgage loans;

17 (2) loans made for building materials for nonconforming
18 housing;

19 (3) loans made for renovations or improvements to noncon-
20 forming housing.

21 (b) The authority may not

22 (1) make or purchase a nonconforming housing mortgage loan
23 under this section

24 (A) which exceeds \$125,000; or

25 (B) the term of which exceeds 30 years;

26 (2) make or purchase a loan for building materials for non-
27 conforming housing

28 (A) which exceeds

29 (i) 80 percent of the appraised value of the work

1 completed on the nonconforming housing for which the loan is
2 made if the nonconforming housing is pledged as collateral for
3 the loan; or

4 (ii) 80 percent of the value of other property which
5 is pledged as security for the loan and which is satisfactory
6 to the director as collateral;

7 (B) unless the terms of the loan agreement require
8 inspections and certifications, as required by the authority, at
9 the expense of the borrower; and

10 (C) unless the period of time allowed for repayment of
11 the loan is equal to or less than the lesser of

12 (i) three years; or

13 (ii) the maximum period of time established by the
14 authority based on the prevailing practice among private
15 financial institutions in the general area in which the loan
16 is made for loans for the purchase of building materials;

17 (3) make or purchase construction loans for nonconforming
18 housing.

19 (c) "Nonconforming housing" means housing which does not conform
20 to minimum building standards under any other state or federal program
21 that provides loans for housing purchases.

22 Sec. 45.96.250. COMMERCIAL LOANS. (a) Subject to AS 45.96.427,
23 the authority may make loans from the fund to

24 (1) individual farmers, homesteaders, and partnerships or
25 corporations composed of farmers and homesteaders, for development of
26 farms, for storage and processing of farm produce, for livestock, ma-
27 chinery and equipment, for farm irrigation, and for working capital for
28 farm operations;

29 (2) an individual commercial fisherman who has had a commer-

1 cial fishing license for at least one of the previous five years, for
2 the repair, restoration or upgrading of existing vessels and gear and
3 for the purchase of entry permits and gear and the construction and
4 purchase of vessels; loans made under this paragraph are subject to the
5 provisions of AS 45.96.270 and 45.96.280;

6 (3) local development companies to assist the new financing
7 of industrial and manufacturing plant construction, conversion or ex-
8 pansion, including the acquisition of land, to the extent necessary to
9 secure a loan for a portion of the cost from the Small Business Adminis-
10 tration under 15 U.S.C. sec. 696 (section 502 of the Act of Congress
11 entitled "Small Business Investment Company Act of 1958" as amended);

12 (4) develop, rehabilitate, and expand business activities in
13 the state;

14 (5) child care facilities in the state to comply with the
15 appropriate licensing standards for child care facilities or to comply
16 with the requirements for certification by the Department of Education
17 subject to the following conditions:

18 (A) the applicant shall submit to the authority a plan
19 for the use of the loan which is approved by the commissioner of
20 commerce and economic development;

21 (B) the applicant shall demonstrate that the proposed
22 loan will enable the child care facility to obtain a license from
23 the Department of Health and Social Services or a certificate from
24 the Department of Education;

25 (C) the applicant shall apply to the Department of
26 Community and Regional Affairs for and receive a certificate of
27 need;

28 (6) small businesses to acquire, finance or refinance or
29 equip businesses;

1 (7) loggers and forest products manufacturers and processors
2 for logging operations and equipment, forest products manufacturing or
3 processing plants, and for working capital for logging operations and
4 forest products manufacturing or processing;

5 (8) public utilities (except publicly owned or nonprofit
6 utilities), as defined in AS 42.05.701(2)(A) and (C), for the following
7 purposes and under the following conditions:

8 (A) loans may be used for capital construction projects
9 relating to hydroelectric generation or to potable water supply,
10 including surface storage and groundwater sources, transmission of
11 water from surface storage to the existing distribution system, and
12 development of hydroelectric generating facilities including trans-
13 mission of power to a load center; loans may also be used to con-
14 struct, acquire, finance, and operate power production facilities
15 limited to fossil fuel, wind power, tidal, geothermal, or solar
16 energy production and waste energy conservation facilities;

17 (B) loans may be made to applicants for new or existing
18 projects including expenses incurred in securing necessary permits
19 and licenses, design of the project, and construction of capital
20 improvements;

21 (C) existing hydroelectric and water supply projects may
22 be expanded or rehabilitated with loans under this paragraph if the
23 rehabilitation and expansion is a capital improvement project;

24 (D) loans shall be repaid to the authority by the public
25 utilities from revenue derived from the sale of electric power or
26 water;

27 (E) the utility shall demonstrate in its loan appli-
28 cation that the project is economically and technically feasible
29 and, taking into account the low interest on loans under this chap-

1 ter, is the most economical means of furnishing the proposed ser-
2 vice;

3 (9) other businesses for equipment and operations related to
4 harvesting, manufacturing and processing other resources in the state.

5 (b) Notwithstanding AS 45.96.400 and 45.96.410, a loan under
6 (a)(2) of this section may not run longer than 15 years or exceed 90
7 percent of the appraised value of the collateral used to secure the loan.

8 Sec. 45.96.260. CERTIFICATE OF NEED FOR CHILD CARE FACILITIES.

9 (a) The Department of Community and Regional Affairs shall determine
10 whether to award a certificate of need to a child care facility applying
11 for a loan under AS 45.96.250(a)(5) on the basis of the following
12 criteria:

13 (1) the number of existing slots in licensed child care
14 facilities in the geographic area of the applicant;

15 (2) the number of children in the geographic area who need
16 child care;

17 (3) the proposed capacity of the applicant facility;

18 (4) other factors determined to be relevant by the department
19 and set out in regulations adopted by the Department of Community and
20 Regional Affairs.

21 (b) The Department of Community and Regional Affairs shall submit
22 its decision and the reasons for it to the applicant within 60 days of
23 receipt of the application.

24 Sec. 45.96.270. LOANS TO COMMERCIAL FISHERMEN. A loan under
25 AS 45.96.250(a)(2) shall be secured by a first lien and appropriate
26 security agreements, except that a lien in favor of the state is not
27 required for a loan guaranteed fully by the federal government under the
28 Federal Ship Financing Act of 1972 (46 U.S.C. secs. 1271 - 1279b; 86
29 Stat. 909), as amended. In the case of a security agreement given to

1 secure a loan made under AS 45.96.270(a)(2) and covering a vessel docu-
2 mented under the laws of the United States and so long as the Ship
3 Mortgage Act of 1920 (46 U.S.C. secs. 911 - 984; 41 Stat. 1000), as
4 amended, and the Shipping Act of 1916 (46 U.S.C. secs. 801 - 842; 39
5 Stat. 728), as amended, remain ambiguous with respect to whether or not
6 a state or state agency qualifies as a citizen of the United States for
7 purposes of those Acts, the first lien requirement of this section may
8 be satisfied by the recordation and endorsement of a first preferred
9 ship mortgage under the Ship Mortgage Act of 1920, and by perfection of
10 a security interest under the Uniform Commercial Code - Secured Trans-
11 actions (AS 45.05.690 - 45.05.794), if the approval of the United States
12 Secretary of Commerce is obtained under 46 U.S.C. sec. 839 for the
13 transfer to the department of the interest in a vessel documented under
14 the laws of the United States. In the case of a security agreement
15 given to secure a loan made under AS 45.96.250(a)(2) and covering a
16 vessel documented under the laws of the United States, the first lien
17 requirement of this section may also be satisfied by use of a trust deed
18 and bond issue under it, if the trustee is a citizen of the United
19 States and obtains a first preferred ship mortgage on the vessel under
20 the Ship Mortgage Act of 1920, and the approval of the United States
21 Secretary of Commerce is obtained under 46 U.S.C. secs. 839 and 961 for
22 the transfer of the bond or bonds to the department if the trustee is
23 not a trustee approved by the Secretary of Commerce under 46 U.S.C.
24 secs. 808, 835 and 961.

25 Sec. 45.96.280. LOANS FOR PURCHASE OF LIMITED ENTRY PERMITS. (a)
26 A loan under AS 45.96.250(a)(2) for the purchase of a limited entry
27 permit may be made only upon certification by the Alaska Commercial
28 Fisheries Entry Commission (AS 16.43.020) that the fisherman is a person
29 who qualifies as a transferee for the permit under AS 16.43 and the

1 regulations adopted by the commission.

2 (b) Upon approval by the authority, the permit to be purchased may
3 be pledged as security for a loan for the purchase of a limited entry
4 permit, if

5 (1) the certificate for the pledged permit lists the author-
6 ity as the legal owner of the permit;

7 (2) the certificate for the pledged permit lists the debtor
8 as the equitable owner of the permit;

9 (3) all annual permit cards issued under the pledged permit
10 list the name of the debtor;

11 (4) all obligations and responsibilities of a permit owner
12 are assumed by the debtor;

13 (5) co-signers or other sureties for performance under the
14 note are not vested with any rights in the pledged limited entry permit
15 and their obligation is limited to satisfaction of the note and payment
16 of costs directly incurred by the authority in administering the loan.

17 (c) The authority is not liable for an act or omission resulting
18 from limited entry permit ownership nor will that act or omission affect
19 the authority's title to the limited entry permit or the authority's
20 rights under it.

21 (d) Upon satisfaction of the note by the debtor, the authority
22 shall certify to the Alaska Commercial Fisheries Entry Commission that
23 the note has been satisfied.

24 (e) Upon certification as provided in (d) of this section, the
25 Alaska Commercial Fisheries Entry Commission shall amend the limited
26 entry permit certificate to list the debtor as the legal owner.

27 Sec. 45.96.290. PUBLIC PURPOSES. (a) The authority may lend
28 money to municipalities with populations of less than 5,000 according to
29 the most recent survey conducted by the United States Bureau of the

1 Census and to those corporations eligible under (d) of this section.
2 Loans to municipalities shall be made through the purchase by the
3 authority of municipal bonds. Loans to nonprofit corporations shall be
4 made through purchase by the authority of revenue bonds issued on behalf
5 of the nonprofit corporation by the municipality in which the project to
6 be financed by the loan is constructed. If the loan to a nonprofit
7 corporation is for construction outside a municipality, the revenue
8 bonds to be purchased by the authority shall be issued by the state bond
9 committee on behalf of the nonprofit corporation. The cost of a loan
10 made under this subsection shall be the same as the cost of borrowing to
11 the authority. A loan made under this subsection may not exceed
12 \$5,000,000 and is subject to the following conditions:

13 (1) The borough or city attorney shall certify that all legal
14 requirements relating to required bond elections, if necessary, and to
15 bond issuance have been met, or if the bonds are issued outside a muni-
16 cipality, the certification shall be made by the Department of Law.

17 (2) The bonds shall be prepared by the municipality's attor-
18 ney, approved by the attorney general, and need not be in definitive
19 form.

20 (3) The bonds shall be for a term commensurate with purpose,
21 but in no event for more than 30 years average life.

22 (b) The authority may submit a bid for all general obligation
23 bonds offered on a competitive basis by a home rule borough or city or
24 general law borough or city of any class incorporated under the laws of
25 the state if the borough or city provides its bid form to the director
26 at least 10 days before the opening of the bid. The request for bids
27 and the bid proposal shall provide for issuing all or a portion of the
28 bonds based upon the best combination of bids. The bid shall be deter-
29 mined on the basis of the Daily Bond Buyer 20 bond average as follows:

1 (1) For general obligation bonds with a rating of "A" or
2 higher, the bid shall be

3 (A) 100 points under the average for the first five
4 years maturity;

5 (B) 75 Points under the average for the next five years
6 maturity;

7 (C) 50 points under the average for the next five years
8 maturity;

9 (D) 25 points under the average for the next five years
10 maturity;

11 (E) 0 points under the average for the next five years
12 maturity;

13 (F) 25 points above the average for the next five years
14 maturity.

15 (2) For general obligation bonds with a rating of "Baa" or
16 lower or which are unrated, the bid shall be

17 (A) 50 points under the average for the first five years
18 maturity;

19 (B) 25 points under the average for the next five years
20 maturity;

21 (C) 0 points under the average for the next five years
22 maturity;

23 (D) 25 points above the average for the next five years
24 maturity;

25 (E) 50 points above the average for the next five years
26 maturity;

27 (F) 75 points above the average for the next five years
28 maturity.

29 (3) If there are no bids, the authority may shall purchase

1 the bonds at a six percent interest rate for all maturities.

2 (c) The authority may submit a bid for all revenue bonds offered
3 (1) on a competitive basis by a home rule borough or city or general law
4 borough or city of any class; (2) on behalf of a nonprofit corporation
5 performing any of the functions described in AS 29.48 for which revenue
6 sharing is received directly or indirectly by the nonprofit corporation;
7 or (3) on behalf of a nonprofit corporation described in (d) of this
8 section if the borough, city, or nonprofit corporation provides its bid
9 form to the authority at least 10 days before the opening of the bid.
10 The request for bids and the bid proposal shall provide for issuing all
11 or a portion of the bonds based upon the best combination of bids. The
12 bid shall be determined on the basis of the Daily Bond Buyer 20 bond
13 average as follows:

- 14 (1) 50 points under the average for the first five years
15 maturity;
- 16 (2) 25 points under the average for the next five years
17 maturity;
- 18 (3) 0 points under the average for the next five years matur-
19 ity;
- 20 (4) 25 points above the average for the next five years
21 maturity;
- 22 (5) 50 points above the average for the next five years
23 maturity;
- 24 (6) 75 points above the average for the next five years
25 maturity;

26 (d) A nonprofit corporation is eligible for a loan under this
27 section if

- 28 (1) it is designated as tax exempt under sec. 501(c)(3) and
29 (4) of the Internal Revenue Code of 1954; or

1 (2) it is created by statute and performs a state function.

2 (e) The major part of the proceeds of a bond issue purchased by
3 the authority under this section shall be used for purposes which are
4 tax exempt under federal law and regulation in effect at the time the
5 bonds are issued.

6 (f) The limitations in AS 45.96.370 - 45.96.410 do not apply to
7 loans or purchases made under this section.

8 Sec. 45.96.300. DEFAULT ON MUNICIPAL BONDS. (a) Notwithstanding
9 any provision of law, if a department or agency of the state is the
10 custodian of money payable to a municipality, after written notice to
11 the department or agency head from the commissioner of revenue that the
12 municipality is in default on the payment of principal or interest on
13 municipal bonds held or owned by the authority, the department or agency
14 shall withhold the payment of the money from that municipality and pay
15 over the money to the authority for the purpose of paying principal of
16 and interest on bonds held or owned by the authority.

17 (b) If money is not available to make any payment of principal and
18 interest when due on a bond issue, the chief executive officer of the
19 municipality which issued the bonds shall notify the commissioner of
20 revenue at least 20 days in advance of the pending default that a de-
21 fault is pending.

22 Sec. 45.96.310. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the
23 purpose of securing each tax-exempt bond issue of municipalities of the
24 state guaranteed or issued under this chapter, there is established a
25 special account called the municipal bond capital reserve account. The
26 commissioner of revenue shall make written requests to the legislature
27 for appropriations from the unallocated reserve account to a municipal
28 bond capital reserve account established under this section, upon its
29 establishment, in amounts equal to five percent of the obligations

1 issued and sold after July 1, 1980, and upon subsequent sales, if any,
2 of obligations of the issue secured additional amounts equal to five
3 percent of the obligations sold. At the end of each fiscal year the
4 commissioner of revenue shall withdraw from each municipal bond capital
5 reserve account and pay to the unallocated reserve account any amount in
6 the municipal bond capital reserve account in excess of five percent of
7 the obligations secured. If the amount in the municipal bond capital
8 reserve account is less than five percent of the obligations secured,
9 the commissioner of revenue shall make a written request to the legisla-
10 ture for an appropriation to the municipal bond capital reserve account
11 from the unallocated reserve account in an amount necessary to bring the
12 reserve to five percent. All money held in a municipal bond capital
13 reserve account shall be used as required, when money is not available
14 from the principal and interest account, only for (1) the payment of the
15 principal of obligations, (2) the purchase or redemption of obligations,
16 (3) the payment of interest on obligations, or (4) the payment of any
17 redemption premium required to be paid when those obligations are re-
18 deemed before maturity. Income or interest earned by a municipal bond
19 capital reserve account shall be paid to the unallocated reserve account.
20 Any amount remaining in a municipal bond capital reserve account when
21 the issue the account secures is fully retired shall be paid to the
22 unallocated reserve account.

23 Sec. 45.96.320. INDUSTRIAL DEVELOPMENT LOANS. (a) The authority
24 may lend money from the fund to a business conducting exempt activities
25 under sec. 103(b)(4), (5), and (6) of the Internal Revenue Code of 1954
26 for those activities, either directly or through purchase by the author-
27 ity of industrial development bonds issued on behalf of the business by
28 the state bond committee.

29 (b) A loan may be made under this section only if upon payment of

1 the loan the project financed by the loan will be the property of

2 (1) the municipality in which the activity is conducted,
3 unless the municipality has provided otherwise by a resolution adopted
4 before approval of the loan; or

5 (2) the state if the activity is not conducted within a
6 municipality.

7 (c) A corporation, partnership, or firm doing business in the
8 state is eligible for a loan under this section if

9 (1) the governing body of the municipality in which the
10 activity is conducted has been given notice of the project and the
11 application for loan or purchase and has approved the project and appli-
12 cation, or has not notified the authority in writing that it disapproves
13 the loan within 60 days of receipt of notice; or

14 (2) if the activity to be financed by the loan is not to be
15 conducted in a municipality, the commissioner of community and regional
16 affairs approves the project.

17 (d) A corporation, partnership, or firm which requests a loan of
18 at least \$5,000,000 but not more than \$10,000,000 for a project under
19 this section may request the issuance of a special series of bonds for
20 its project if it has a credit rating of "A" or better. The authority
21 may request the state bond committee to issue the special series of
22 bonds on behalf of the corporation, partnership, or firm instead of
23 making a direct loan for the project.

24 Sec. 45.96.330. PROJECT COSTS ELIGIBLE FOR BONDING. All costs of
25 a qualified project are eligible for bonding under AS 45.96.290 - 45.96.-
26 320. These costs include, but are not limited to, (1) the cost of neces-
27 sary studies, surveys, plans and specifications, architectural, engineer-
28 ing or other special services; (2) the cost of real property acquisition,
29 site preparation and development; (3) the cost of purchasing, construc-

1 ting, reconstructing and improving real property; (4) the cost of acquir-
2 ing machinery and equipment necessary to a project; (5) an allocable por-
3 tion of the administrative and operating expenses of the issuer of the
4 bonds; (6) the cost of financing the project, including interest on
5 bonds; (7) the cost of other items, including indemnity and surety bonds
6 and premiums on insurance, legal fees, fees and expenses of trustees,
7 depositories, and financial advisors, and the cost of paying agents for
8 the bonds issued as the issuer of the bonds considers necessary.

9 Sec. 45.96.340. EDUCATION. (a) The authority may make scholar-
10 ship loans to students who have graduated from an accredited high
11 school.

12 (b) Proceeds from a scholarship loan may only be used for trans-
13 portation, books, tuition and required fees, and for room and board.
14 The loan may only be used to attend a career education program approved
15 by the Alaska Commission on Postsecondary Education or a college or
16 university accredited by the accreditation association for the region in
17 which the college or university is located.

18 (c) To maintain a scholarship loan a student must continue to be
19 enrolled as a full-time student in good standing in a work study program
20 approved by the Department of Education, in a career education program,
21 or in a college or university designated under (b) of this section.

22 (d) A scholarship loan is noninterest bearing while a student is
23 enrolled under (c) of this section or is receiving a deferment of pay-
24 ments under (g) of this section if appropriated money is available for
25 payment of the interest to the authority.

26 (e) The repayment period for a scholarship loan is 10 years.
27 Unless a deferment of payments has been granted under (g) of this sec-
28 tion, repayment shall begin when the student terminates his studies. In
29 case of hardship, the Alaska Loan Programs Evaluation Committee may

1 extend repayment of a loan for an additional period of up to five years.

2 (f) If, upon completion of the course of study for which a scholar-
3 ship loan was granted, the borrower repays 60 percent of the principal
4 amount of the loan with interest with no delinquency, the remaining
5 40 percent owing shall be forgiven if appropriated money is available
6 for payment of the amount forgiven to the authority.

7 (g) The Alaska Loan Programs Evaluation Committee shall defer
8 repayment of a scholarship loan during any of the following:

9 (1) the first year after a student terminates his studies;

10 (2) return by the student to student status as provided in

11 (c) of this section;

12 (3) performance by the student of military or required alter-
13 native service; or

14 (4) 50 percent or greater disability of the student, as
15 certified by competent medical authority.

16 Sec. 45.96.350. TOURISM, HISTORICAL AND OUTDOOR RECREATION LOANS.

17 (a) The authority may make loans from the fund to a business directly
18 involved in the tourist industry.

19 (b) Upon endorsement and plan approval by a local historical
20 district commission established under AS 29.48.108 and the recommen-
21 dation of a majority of the members of the Historic Sites Advisory Com-
22 mittee, a loan may be made from the fund to a person, firm, business, or
23 municipality subject to applicable laws for the restoration, improve-
24 ment, rehabilitation, or maintenance of a structure which is

25 (1) within the boundaries of an historical district estab-
26 lished under AS 29.48.110;

27 (2) identified as important in state or national history as
28 provided in AS 29.48.110(b); or

29 (3) another building or structure within an historical dis-

1 trict that is suitable for superficial modification so that it can
2 conform to the period or motif of the surrounding buildings or struc-
3 tures that are the reason for the area's designation as an historical
4 district.

5 (c) Loans may be made from the fund for the nonfederal share of
6 costs of a project to acquire, develop, or extend an outdoor recreation
7 site and facility.

8 Sec. 45.96.360. ELIGIBILITY FOR LOANS. To be eligible for a loan
9 under this chapter, a person must have been a resident of the state for
10 at least five years on the date of application for the loan and must be
11 18 years of age or older. A corporation is eligible for a loan under
12 this chapter if more than 60 percent of its shareholders have been
13 residents of the state for at least five years on the date of the appli-
14 cation for the loan, the chief executive officer and all members of the
15 governing board of the corporation have been residents of the state for
16 at least five years on the date of application for the loan, and the
17 chief executive officer and members of the governing board assume full
18 individual liability for repayment of the loan. A loan to a corporation
19 is immediately due and payable if the corporation ceases to meet the
20 eligibility requirements of this section. The eligibility requirements
21 of this section do not apply to loans made under AS 45.96.320. An
22 individual is ineligible for a loan under this chapter if

23 (1) an earlier loan to him from the state or from an agency
24 of the state has been discharged in bankruptcy unless the defaulted loan
25 was repaid in full and 10 years have elapsed from the date of repayment;
26 or

27 (2) he is 60 days or more delinquent on a loan from the state
28 or from an agency of the state on the effective date of this Act or on a
29 loan made under this chapter, but if the delinquency is cured eligibil-

1 ity of the individual is restored 10 years after the delinquency is
2 cured.

3 Sec. 45.96.370. MAXIMUM LOAN AMOUNTS. (a) A loan made under
4 AS 45.96.240 for the purchase or construction of residential housing may
5 not exceed (1) \$90,000 for a single-family dwelling; (2) \$130,000 for a
6 duplex; (3) \$170,000 for a triplex; (4) \$210,000 for a fourplex. A loan
7 made for the purchase or construction of residential housing in excess
8 of four units shall be treated as a commercial building loan subject to
9 the limitations in (b)(1) of this section.

10 (b) A commercial loan made under AS 45.96.250 may not exceed

11 (1) \$1,000,000 to a borrower for business activities; farm
12 development; agricultural irrigation systems; purchase, construction,
13 renovation, or repair of commercial buildings; fish processing; fishing
14 vessels and gear; logging operations and equipment; timber manufacturing
15 and processing; nonrenewable resource extraction; or other commercial
16 activity not specifically provided for in this section;

17 (2) \$350,000 to a borrower for farm chattels other than
18 irrigation systems;

19 (3) 10 percent of the gross receipts of the farm for the
20 previous fiscal year up to a maximum of \$250,000 for farm working capi-
21 tal;

22 (4) 10 percent of the gross receipts of the fisherman for the
23 previous fiscal year up to a maximum of \$250,000 for working capital for
24 fishing.

25 (c) A loan for a single project described in (b)(1) or (2) of this
26 section may exceed the maximum limit but may not exceed \$10,000,000 for
27 a loan described in (b)(1) or \$1,100,000 for a loan described in (b)(2)
28 if

29 (1) the loan is made to more than one but not more than 10

1 individuals participating in the project and the loan to each individual
2 does not exceed the applicable maximum limit; or

3 (2) the loan is made to a corporation and more than one but
4 not more than 10 individuals owning stock in that corporation assume
5 personal liability for the loan in an amount which as to each individual
6 does not exceed the applicable maximum limit.

7 (d) A loan may not be made under (c) of this section if a bor-
8 rower or an owner of stock in a corporate borrower has unpaid debt on a
9 loan made under (c) of this section.

10 (e) A loan to an associate of the borrower is considered to be a
11 loan to the borrower. For the purposes of this section, "associate of
12 the borrower" means

13 (1) a corporation or other organization of which the borrower
14 is an officer, director or partner, or is, directly or indirectly, the
15 beneficial owner of 10 percent or more of any class of equity securi-
16 ties;

17 (2) a person who is, directly or indirectly, the beneficial
18 owner of 10 percent or more of any class of equity securities of the
19 borrower;

20 (3) a trust or other estate in which the borrower has a
21 substantial beneficial interest or as to which the borrower serves as
22 trustee or in a similar fiduciary capacity;

23 (4) a relative or spouse of the borrower or a relative of the
24 spouse, who has the same home as the borrower;

25 (5) a person directly or indirectly controlling, controlled
26 by, or under common control with, the borrower.

27 (f) The maximum loan amounts established in (a) - (d) of this
28 section shall increase in proportion to increases in the consumer price
29 index for Anchorage. The consumer price index for Anchorage for July 1,

1 1978, is the basis for determining annual percentage increases in the
2 maximum loan amounts.

3 (g) A loan made under AS 45.96.340 may not exceed

4 (1) \$4,000 per year for undergraduate students; or

5 (2) \$8,000 per year for graduate students;

6 Sec. 45.96.380. AREA COST DIFFERENTIAL. (a) The maximum loan
7 amounts established in AS 45.96.370(a) and (b) shall be increased by the
8 area cost differential (ACD) determined by the formula $ACD = LCC/BCC \times$
9 $LCOL/BCOL$ where

10 (1) LCC is the cost of construction in the area in which the
11 facility to be financed by the loan is located;

12 (2) BCC is the cost of construction in the city or borough
13 having the lowest cost of construction in the state;

14 (3) LCOL is the cost of living in the area in which the
15 facility to be financed by the loan is located;

16 (4) BCOL is the cost of living in the city or borough having
17 the lowest cost of living in the state.

18 (b) For purposes of this section the Department of Transportation
19 and Public Facilities shall annually determine the cost of construction
20 and the cost of living in each area of the state under regulations
21 promulgated by the department establishing standards for the determi-
22 nation.

23 Sec. 45.96.390. ADDITIONAL LOAN LIMITATIONS. The maximum loan
24 amounts established in AS 45.96.370(b) and 45.96.380 shall be further
25 limited, based upon the actual technical and managerial experience in
26 Alaska of the borrower relating to the project or activity for which the
27 loan is made, as follows:

28 (1) if the borrower's experience in Alaska is less than two
29 years, he may receive up to 50 percent of the maximum amount;

1 (2) if the borrower's experience in Alaska is two to three
2 years, he may receive up to 70 percent of the maximum amount;

3 (3) if the borrower's experience in Alaska is three to four
4 years, he may receive up to 80 percent of the maximum amount;

5 (4) if the borrower's experience in Alaska is four to five
6 years, he may receive up to 90 percent of the maximum amount;

7 (5) if the borrower's experience in Alaska is five years or
8 more, he may receive 100 percent of the maximum amount.

9 Sec. 45.96.400. VALUE LIMITATION. Notwithstanding the provisions
10 of AS 45.96.370 - 45.96.390, a loan made under this chapter, unless it
11 is a loan made under AS 45.96.320 or 45.96.340, may not exceed

12 (1) 90 percent of the appraised value of real property
13 pledged as security for the loan;

14 (2) 95 percent of the appraised value of real property
15 pledged as security for the loan if

16 (A) the loan is for residential housing and is made in
17 an area where Federal Housing Administration mortgage insurance is
18 not available; or

19 (B) the loan is for an owner-occupied, single-family
20 dwelling;

21 (3) 80 percent of the appraised value of the tangible personal
22 property pledged as security for the loan.

23 Sec. 45.96.410. MAXIMUM TERMS OF LOANS. Except as provided in
24 AS 45.96.340(e), the term of a loan made under this chapter may not
25 exceed the useful life of the property pledged as security for the loan
26 or

27 (1) 30 years on a loan secured by real property;

28 (2) 15 years or the life of the equipment on a loan secured
29 by equipment used for production of income;

1 (3) seven years on a loan secured by tangible personal pro-
2 perty or on a loan made under AS 45.96.340;

3 (4) one year on a loan for working capital.

4 Sec. 45.96.420. RATE OF INTEREST. (a) The rate of interest
5 charged to borrowers under this chapter shall be the amount determined
6 by the authority to be sufficient to cover anticipated cost of money to
7 the authority and, for borrowers other than municipalities, one percent
8 over the anticipated cost of money to the authority to be deposited in
9 the loss reserve account plus the amount required for any necessary
10 insurance. However, the rate of interest charged a municipality may be
11 lower if necessary to prevent bonds issued under this chapter from being
12 arbitrage bonds under sec. 103(c) of the Internal Revenue Code of 1954,
13 as amended. The determination of the anticipated cost of money to the
14 authority made by the authority is conclusive. Rates of interest less
15 than the rate established by this subsection may be charged if the
16 renewable resource development fund or another state fund pays the
17 difference between the cost of money to the authority and the interest
18 rate charged or if an appropriation is made to pay the difference.

19 (b) The rate of interest determined in accordance with (a) of this
20 section shall be reduced by one percent if the loan is made to a veteran
21 or is made for agricultural purposes. If the loan is made to a veteran,
22 the World War II veterans' revolving fund, created in AS 26.15.090,
23 shall pay the difference between the rate determined in (a) of this
24 section and the rate charged to the borrower. If the loan is made for
25 agricultural purposes, the agricultural revolving loan fund, created in
26 AS 03.10.040, shall pay the the difference between the rate determined
27 in (a) of this section and the rate charged to the borrower. If the
28 loan is made to a veteran and for agricultural purposes, the rate of
29 interest shall be reduced by two percent and each fund shall pay one-

1 half the difference.

2 (c) When the World War II veterans' revolving fund's assets become
3 depleted so that it can no longer pay the difference, the provisions of
4 (b) of this section relating to loans made to veterans apply only if
5 appropriation is made for the purpose of paying the difference. When
6 the agricultural revolving loan fund's assets become depleted so that it
7 can no longer pay the difference, the renewable resources development
8 fund shall pay a portion of the interest determined by the division of
9 treasury to be appropriate.

10 Sec. 45.96.425. ELIGIBILITY FOR VETERANS' INTEREST RATES. (a)
11 The following persons are eligible for special interest rates for
12 veterans established in AS 45.96.420(b):

13 (1) a person who served in the armed forces of the United
14 States for 90 days or more, or whose service was for less than 90 days
15 because of injury or disability incurred in the line of duty, after
16 April 6, 1917,

17 (A) who at the time of induction into the service was a
18 resident of the territory or state, who had been a resident for not
19 less than one year immediately before his induction, and who re-
20 turned to the territory or state within one year after discharge as
21 a resident with the intention of remaining in the territory or
22 state; or

23 (B) who, not being a resident of the territory or state
24 at the time of his entry into the service, has been a resident of
25 the state for at least one year at the time of the loan application
26 and has been a resident of the territory or state for a total of at
27 least five years; and

28 (C) whose discharge was other than dishonorable;

29 (2) the widow or widower of a member of the armed forces or

1 an eligible veteran if

2 (A) the member or veteran was a resident of the terri-
3 tory or state for one year before induction into the service;

4 (B) the member or veteran served in the armed forces for
5 at least 90 days after April 6, 1917; and

6 (C) his discharge was other than dishonorable;

7 (3) a person who has served in the Alaska Army National
8 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for
9 not less than five years or who has served in a reserve unit of the
10 United States armed forces in Alaska if the reserve unit required, as a
11 minimum, one weekend each month of duty and 15 consecutive days of
12 active duty training each year for five years and who has received a
13 discharge other than dishonorable.

14 Sec. 45.96.427. LIMITATION ON POWER TO MAKE LOANS. (a) The
15 authority may purchase a loan described in AS 45.96.240 or 45.96.250
16 made in a rural or urban area of the state if, after reasonable efforts,
17 the lender is unable to sell the loan to any other purchaser.

18 (b) The authority may make a loan described in AS 45.96.240 or
19 45.96.250 in an urban area of the state if the borrower, after reason-
20 able efforts, is unable to obtain the loan from any other lender in that
21 area.

22 (c) In this section

23 (1) "rural area of the state" means the unorganized borough
24 or a city of any class with a population of less than 5,000 or an or-
25 ganized borough of any class with a population of less than 10,000;

26 (2) "urban area of the state" means an area of the state
27 which is not a rural area of the state.

28 Sec. 45.96.430. EMPLOYMENT PRACTICES. (a) In the performance of
29 contracts let by a recipient of a loan under this chapter for construc-

1 tion, repair, preliminary surveys, engineering studies, consulting,
2 maintenance work or any other retention of services necessary to com-
3 plete any project for which the loan was made, 95 percent residents
4 shall be employed if they are available and qualified. If 10 or fewer
5 persons are employed under the contract, then 90 percent residents shall
6 be employed if they are available and qualified.

7 (b) The authority shall incorporate into all lending instruments
8 issued under this chapter the provisions of (a) of this section and a
9 provision calling for immediate foreclosure of the loan for violation of
10 the provisions of (a) of this section.

11 (c) In addition to immediate foreclosure of his loan, as provided
12 in (b) of this section, a borrower who violates the provisions of (a) of
13 this section is ineligible for any loan under this chapter for 10 years
14 following the violation.

15 (d) Municipalities and state agencies and departments when con-
16 tracting for services concerning any aspects of administration and
17 financing of the authority shall comply with AS 36.10.

18 Sec. 45.96.440. COOPERATION WITH OTHER AGENCIES. All departments,
19 agencies and public corporations of the state shall provide information,
20 services and facilities to the authority on request. The authority
21 shall reimburse the department, agency or corporation for expenses
22 reasonably incurred under this section.

23 Sec. 45.96.450. BANK PARTICIPATION. (a) Loans made under this
24 chapter may be made in participation with a financial institution. The
25 participating financial institution may act as agent for the authority
26 in the initial processing of applications for loans. Fees for such
27 services shall be agreed upon.

28 (b) If a financial institution participates in a loan, the author-
29 ity and the participating institution shall share the same ratable.

1 interest in the collateral securing the loan. Loan payments made by the
2 borrower shall be distributed between the financial institution and the
3 authority on a pro rata basis.

4 (c) The participating financial institution shall fix the rate of
5 interest charged by it but may not exceed the legal contract rate of
6 interest prescribed by law.

7 (d) The maximum service fee for administering a loan which may be
8 charged by a participating financial institution is one-half of one
9 percent.

10 Sec. 45.96.460. ASSURANCE REQUIRED. (a) For each loan made by
11 the authority, the loan agreement shall include an assurance by the
12 borrower that no person who provides services to the borrower in pre-
13 liminary phases of a project for which the loan is made, including all
14 studies made in connection with the project,

15 (1) will participate in the implementation stages of that
16 project; or

17 (2) will represent more than one interest in connection with
18 the project.

19 (b) A list of all persons performing preliminary services for a
20 loan applicant shall be furnished to the authority as part of the loan
21 application, and a list of all persons with whom the borrower has con-
22 tractual relations in respect to the project after the application for
23 loan is made shall be submitted to the authority at intervals set by the
24 authority.

25 ARTICLE 4. ALLOCATION OF MONEY TO AGENCIES.

26 Sec. 45.96.470. ALLOCATION OF MONEY TO AGENCIES. (a) Beginning
27 July 1, 1980, and annually thereafter, the authority shall allocate a
28 portion of its proceeds from bonds and bond anticipation notes to the
29 following agencies to enable those agencies to carry out their purposes:

- 1 (1) Alaska State Housing Authority (AS 18.55);
2 (2) regional housing authorities created under AS 18.55.-
3 996(b);
4 (3) Alaska Gas Pipeline Financing Authority (AS 44.55);
5 (4) Alaska Power Authority (AS 44.56).

6 (b) Beginning July 1, 1981, and annually thereafter, the authority
7 shall allocate a portion of its proceeds from bonds and bond anticipa-
8 tion notes to the following agencies to enable those agencies to carry
9 out their purposes:

- 10 (1) Alaska Medical Facility Authority (AS 18.26);
11 (2) Alaska Municipal Bond Bank Authority (AS 44.58).

12 (c) The authority shall determine the amount, if any, which shall
13 be allocated under (a) and (b) of this section to the agencies listed in
14 (a) and (b) of this section based upon the authority's determination of
15 the amount needed by each agency, the amount needed by the authority to
16 perform its functions, and the amount available for allocation.

17 ARTICLE 5. GENERAL PROVISIONS.

18 Sec. 45.96.480. REPORTS. The authority shall prepare and submit
19 to the legislature by January 30 of each year a report summarizing its
20 activities under this chapter and suggesting legislation relating to the
21 operation of its program under this chapter.

22 Sec. 45.96.490. DEFINITIONS. In this chapter,

- 23 (1) "authority" means the Alaska Development Authority;
24 (2) "the fund" means the Alaska loan programs fund created in
25 AS 45.96.025.

26 * Sec. 2. AS 03.10.050 is repealed and re-enacted to read:

27 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
28 administer the loan fund.

29 * Sec. 3. AS 18.100.050 is amended to read:

1 Sec. 18.100.050. ELIGIBILITY FOR GRANTS [LOANS]. Only public or
2 nonprofit private corporations are eligible for grants [LOANS] under
3 this chapter. The nonprofit corporations must be designated as tax
4 exempt under sec. 501(c)(3) and (4) [501(e)(3) AND (4)] of the Internal
5 Revenue Code of 1954.

6 * Sec. 4. AS 18.100.070(a) is amended to read:

7 (a) There is created within the Department of Community and Re-
8 gional Affairs a senior citizens housing development fund. Subject to
9 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-
10 partment shall make grants [OR LOANS] to municipalities or to corpora-
11 tions designated as tax exempt under sec. 501(c)(3) and (4) of the
12 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER AS 18.100.050]
13 for the purpose of developing senior citizen housing. [A GRANT FROM THE
14 PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

15 * Sec. 5. AS 18.100.070(b) is amended to read:

16 (b) Application for a grant [OR LOAN] under (a) of this section
17 shall be in the form prescribed by the department. The application
18 shall demonstrate the need for senior citizen housing in the area to be
19 served, the feasibility of the proposed project, and an adequate manage-
20 ment plan which shall demonstrate the ability of the eligible recipient
21 to sustain the proposed project.

22 * Sec. 6. AS 37.10.070(a)(9) is amended to read:

23 (9) loans made under the provisions of AS 45.96 [AS 03.10 AND
24 AS 26.15];

25 * Sec. 7. AS 41.22.020(a) is amended to read:

26 (a) In addition to uses of fund money authorized in AS 41.22.010,
27 money of the fund shall be utilized to make grants to municipalities, of
28 up to one-half the nonfederal share of costs of projects described in
29 AS 41.22.010 which are initiated by a municipality [, AND LOANS OF

1 AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE OPTION PAYMENTS ON
2 PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF WHICH FEDERAL FUNDS ARE
3 ANTICIPATED].

4 * Sec. 8. AS 41.35.180(5) is repealed and re-enacted to read:

5 (5) consult with local historical district commissions re-
6 garding the establishment of historical districts under AS 29.48.108 -
7 29.48.110 and recommend, if appropriate, the formulation of additional
8 criteria for the designation of historical districts under AS 29.48.-
9 110(b).

10 * Sec. 9. AS 39.25.120(2) is amended to read:

11 (2) the directors, division of personnel, division of public
12 health, division of medical assistance, and those other directors of the
13 major divisions of the principal departments of the executive branch as
14 are specifically designated by the governor, except the director of the
15 division of collections is in the classified service and may not be
16 designated as partially exempt;

17 * Sec. 10. AS 45.96.120(a) is amended to read:

18 (a) For the purpose of securing obligations of the authority, a
19 special account in the authority called the allocated reserve account is
20 established. The allocated reserve account consists of money appro-
21 riated [TRANSFERRED] to it as provided in (b) of this section. The
22 authority shall pay the amounts necessary to finance the capital reserve
23 account established under AS 45.96.140, the fire insurance and liability
24 reserve account under AS 45.96.155, and the loss reserve account under
25 AS 45.96.150 from the allocated reserve account. All other expenditures
26 from the allocated reserve account shall be in accordance with annual
27 appropriations.

28 * Sec. 11. AS 45.96.120(b) is repealed and re-enacted to read:

29 (b) It is the intention of the legislature to appropriate to the

1 allocated reserve account on an annual basis an amount equal to (1) 15
2 percent of the annual receipts paid the state from mineral lease rentals
3 for state land and from royalties derived from minerals produced on
4 state land; and (2) one-half of the income from the Alaska permanent
5 fund established in AS 37.13.010.

6 * Sec. 12. TERMINATION OF REVENUE BONDING ACTIVITIES OF AGENCIES. (a)

7 After June 30, 1980, the following agencies may not issue revenue bonds other
8 than refunding bonds:

- 9 (1) Alaska State Housing Authority (AS 18.55);
- 10 (2) regional housing authorities created under AS 18.55.996(b);
- 11 (3) Alaska Gas Pipeline Financing Authority (AS 44.55);
- 12 (4) Alaska Power Authority (AS 44.56).

13 (b) After June 30, 1981, the following agencies may not issue revenue
14 bonds other than refunding bonds:

- 15 (1) Alaska Medical Facility Authority (AS 18.26);
- 16 (2) Alaska Municipal Bond Bank Authority (AS 44.58).

17 * Sec. 13. (a) All state agencies, departments, commissions, corpora-
18 tions, divisions or other instrumentalities administering or having authority
19 over or control of a loan program or loan fund affected by secs. 2 - 5, 7, 8,
20 and 15 of this Act shall stop accepting applications for loans no later than
21 January 1, 1981. The Alaska Development Authority shall accept applications
22 for loans from the Alaska loan programs fund beginning January 1, 1981.

23 (b) Appropriations, state employees, records, equipment, and other
24 property of state agencies administering a loan program affected by secs. 2 -
25 5, 7, 8, and 15 of this Act are transferred to the Alaska Development
26 Authority. The Alaska Development Authority shall assign the state
27 employees transferred to it from other state agencies to staff the district
28 and subdistrict offices of the authority.

29 * Sec. 14. The Alaska Development Authority may not issue bonds and bond

1 anticipation notes in a total amount greater than \$250,000,000. The Alaska
2 Development Authority shall include in its annual report to the legislature
3 under AS 45.96.480 enacted in sec. 1 of this Act a statement of the total
4 amount of bonds and bond anticipation notes issued by the Alaska Development
5 Authority and may also include in the report suggestions to increase, de-
6 crease or remove the limitation imposed by this section and the reasons for
7 the suggestions.

8 * Sec. 15. The following laws are repealed: AS 03.10.010, 03.10.020(1),
9 (4), and (5), 03.10.030, 03.10.054; AS 16.10.300, 16.10.310(a)(1), (4), and
10 (5), 16.10.320; AS 18.100.030(1) and (4), 18.100.040 - 18.100.060; AS 26.15.-
11 010(b) - (d), 26.15.040 - 26.15.060, 26.15.110 - 26.15.160; AS 37.10.079;
12 AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.33.245(a)(1), 44.33.-
13 245(b), 44.33.250 - 44.33.260; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c),
14 45.86.050 - 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4),
15 45.90.030; AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040,
16 45.98.060.

17 * Sec. 16. The unobligated general fund surplus as of June 30, 1980, in
18 excess of \$150,000,000 shall lapse into a special account in the general
19 fund. Notwithstanding AS 37.10.070, the commissioner of revenue shall direct
20 the director of the division of treasury to invest money in the special
21 account from June 30, 1980, to December 31, 1980, in purchases of evidences
22 of indebtedness acquired or to be acquired after June 30, 1980, and before
23 December 31, 1980, from state loan programs which were in existence on
24 January 1, 1980. Loans purchased with money in the special account must bear
25 interest at an annual rate of nine and one-half percent. Notwithstanding the
26 provisions in existing loan programs, all state loans to be purchased with
27 money in the special account bear interest at an annual rate of nine and
28 one-half percent. Before January 31, 1981, the governor shall certify to the
29 legislature the balance remaining in the special account and that balance may

1 be appropriated to the principal of the Alaska permanent fund established by
2 AS 37.13.010.

3 * Sec. 17. Sections 10 and 11 of this Act take effect on the date that
4 the Alaska Supreme Court decides that AS 45.96.120 enacted by sec. 1 of this
5 Act provides for an unconstitutional dedication of revenue under art. IX,
6 sec. 7 of the state constitution.

7 * Sec. 18. Sections 2 - 5, 7, 8, and 15 of this Act take effect June 30,
8 1981.

9 * Sec. 19. Sections 1, 6, 9, 12 - 14, and 16 - 19 of this Act take effect
10 June 30, 1980.

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