

Offered: 3/22/84
Referred: Finance

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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CS FOR SENATE BILL NO. 479 (Resources)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act relating to a forest products business loan
guarantee program; and providing for an effective
date."

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

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

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CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

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Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The

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forest products business loan guarantee fund is established in the
Department of Revenue.

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Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

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The department may use money in the fund to guarantee a loan for the
purpose of financing the purchase of 35 percent or more of the stock
or assets of a forest products business by, on behalf of, or for the
benefit of the employees of that business, as provided in AS 45.94.-
050.

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Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The

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commissioner may

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(1) designate agents and delegate powers necessary to

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implement this chapter;

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(2) adopt regulations to implement this chapter;

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(3) make and execute contracts and other instruments to

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implement this chapter;

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(4) acquire real or personal property by purchase, trans-

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fer, or foreclosure when the acquisition is necessary to protect an

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral, and that the net cash flow
4 from the forest products business provides adequate coverage for the
5 debt service on the loan. The applicant shall provide an economic and
6 financial feasibility analysis prepared by a firm acceptable to the
7 department.

8 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
9 is not being used for loan guarantees under this chapter shall be
10 invested as provided for the investment of state treasury surplus
11 under AS 37.10.070. Income from investment shall be transferred to
12 the general fund.

13 Sec. 45.94.050. CONDITIONS OF LOAN GUARANTEES. (a) The depart-
14 ment may guarantee a loan under this chapter if

15 (1) the term of the loan does not exceed 10 years;

16 (2) the loan is secured by the real or personal property,
17 inventory or accounts receivable of the forest products business, or
18 by other collateral acceptable to the department;

19 (3) the loan is originated with and serviced by a state or
20 federally chartered financial institution; and

21 (4) the loan is made to the employees of the forest pro-
22 ducts business, to an employee stock ownership trust, or to one or
23 more corporations or other business associations or entities in which
24 the controlling interest is held by state residents who are employees
25 of the forest products business.

26 (b) The department may provide a guarantee from the fund for up
27 to 50 percent of a loan, but may not guarantee less than \$5,000,000 or
28 more than \$30,000,000 per borrower. The department may not guarantee
29 the payment of annual interest on the guaranteed portion of a loan.

1 (c) After a default by a borrower, the amount of the maximum
2 liability of the fund for a loan guarantee under this chapter is the
3 percentage of the amount in default specified by the department in the
4 guarantee agreement, multiplied by the amount then in default. Pay-
5 ments received toward satisfaction of a default shall be allocated
6 between the lender and the fund according to the percentage specified
7 by the department in the guarantee agreement until the principal
8 balance has been repaid.

9 Sec. 45.94.060. DEFINITIONS. In this chapter

10 (1) "commissioner" means the commissioner of revenue;

11 (2) "department" means the Department of Revenue;

12 (3) "forest products business" means a sole proprietorship,
13 partnership, corporation or other business organization formed for the
14 purpose of harvesting or processing timber or other forest resources;

15 (4) "fund" means the forest products business loan guaran-
16 tee fund.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).