

Offered: 5/16/84  
Referred: Rules

Original sponsors: Kerttula and  
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1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 479 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

12 Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The  
13 forest products business loan guarantee fund is established in the  
14 Department of Revenue.

15 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.  
16 The department may use money in the fund to guarantee a loan for the  
17 purpose of financing the purchase of 35 percent or more of the stock  
18 or assets of a forest products business by, on behalf of, or for the  
19 benefit of the employees of that business, as provided in AS 45.94.-  
20 050.

21 Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The  
22 commissioner may

23 (1) designate agents and delegate powers necessary to  
24 implement this chapter;

25 (2) adopt regulations to implement this chapter;

26 (3) make and execute contracts and other instruments to  
27 implement this chapter;

28 (4) acquire real or personal property by purchase, trans-  
29 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 maximum liability of the  
2 fund for a loan guarantee under this chapter is equal to the amount  
3 then in default multiplied by a percentage equal to the guaranteed  
4 percentage of the loan. Payments received toward satisfaction of a  
5 default shall be allocated between the lender and the fund according  
6 to the guaranteed percentage of the loan until the principal balance  
7 has been repaid.

8           Sec. 45.94.060. DEFINITIONS. In this chapter

- 9                   (1) "commissioner" means the commissioner of revenue;  
10                   (2) "department" means the Department of Revenue;  
11                   (3) "forest products business" means a sole proprietorship,  
12 partnership, corporation or other business organization formed for the  
13 purpose of harvesting or processing timber or other forest resources;  
14                   (4) "fund" means the forest products business loan guaran-  
15 tee fund.

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