

Offered: 5/25/84  
Referred: Rules

Original sponsors: Kerttula and  
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1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR 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, in accordance with AS 45.94.050, use money in the  
17 fund to guarantee a loan for the purpose of operating or expanding a  
18 forest products business in the state, or for the acquisition of an  
19 interest in a forest products business in the state.

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

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

24 (2) adopt regulations to implement this chapter;

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

27 (4) acquire real or personal property by purchase, trans-  
28 fer, or foreclosure when the acquisition is necessary to protect an  
29 interest in the fund; and

1 (5) receive, and protect against the disclosure of, trade  
2 secrets or other confidential information reasonably necessary to  
3 conduct the review required by AS 45.94.050.

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

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

15 Sec. 45.94.050. CONDITIONS OF MAKING A LOAN GUARANTEE. (a) The  
16 department may guarantee a loan under this chapter under the following  
17 conditions:

18 (1) the term of the loan may not exceed 10 years;

19 (2) the loan must be secured by the real or personal  
20 property, inventory or accounts receivable of the forest products  
21 business, or by other collateral acceptable to the department;

22 (3) the loan must originate with and be serviced by a state  
23 or federally chartered financial institution;

24 (4) if the loan is for the purpose of acquiring an interest  
25 in a forest products business in the state

26 (A) the persons acquiring the interest must be resi-  
27 dents of the state and qualified to operate and manage the busi-  
28 ness;

29 (B) the interest acquired may not be less than 35

1 percent of the stock or assets of the business;

2 (C) the acquisition must be necessary for the con-  
3 tinued operation of the business; and

4 (D) the commissioner must find, on the basis of the  
5 financial and feasibility analysis and proposed operating plan  
6 submitted under AS 45.94.030(b), that the acquisition will  
7 materially increase the likelihood of success of the business,  
8 and that additional debt service will be offset by beneficial  
9 operation or management changes; and

10 (5) if the loan is for the purpose of expanding or op-  
11 erating a forest products business in the state, the commissioner must  
12 find, on the basis of the financial and feasibility analysis and  
13 proposed operating plan submitted under AS 45.94.030(b), that the  
14 expansion of operating capital will increase employment or avoid a  
15 decrease in employment in the area in which the business is located,  
16 and that additional debt service will be offset by the probable  
17 savings or earnings from the expansion of operating capital.

18 (b) The department may provide a guarantee from the fund for up  
19 to 50 percent of a loan, but may not guarantee more than \$30,000,000  
20 per borrower. The department may not guarantee the payment of annual  
21 interest on the guaranteed portion of a loan.

22 (c) After a default by a borrower, the maximum liability of the  
23 fund for a loan guarantee under this chapter is equal to the amount in  
24 default multiplied by the guaranteed percentage of the loan. Payments  
25 received toward satisfaction of a default shall be allocated between  
26 the lender and the fund according to the guaranteed percentage of the  
27 loan until the principal balance has been repaid.

28 Sec. 45.94.060. DEFINITIONS. In this chapter

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

- 1                   (2) "department" means the Department of Revenue;
- 2                   (3) "forest products business" means a sole proprietorship,  
3 partnership, corporation or other business organization formed for the  
4 purpose of harvesting or processing timber or other forest resources;
- 5                   (4) "fund" means the forest products business loan guaran-  
6 tee fund.

7       \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
8 10.070(c).