

1981-1982

CONFERENCE AND FREE CONFERENCE COMMITTEES

LIST OF FILES (PAGE 1)

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SB 148

SB 666 (FILE 1)

SB 666 (FILE 2: NOTEBOOK)

SJR 4 - SEE SCOMM 45

SB

148

2ND FREE CONFERENCE COMMITTEE REPORT

DATE: \_\_\_\_\_

Mr. President:

Mr. Speaker:

The 2ND FREE Conference Committee which ~~has had~~ considered CS FOR SENATE BILL NO. 148 (Fin) am (housing loans; eff. date) and HOUSE CS FOR CS FOR SENATE BILL NO. 148 (Fin) (state loan programs under the Alaska Housing Finance Corporation, the Department of Community and Regional Affairs, and the Alaska Industrial Development Authority; eff date)

(WITH LIMITED POWERS ON MULTI-FAMILY DWELLINGS)

under-consideration, recommends that

the amendments shown on Attachment A be adopted.

be adopted.

Senate Members:

Don Gilman  
Senator Gilman, Chairman

Neil Ray  
Senator Ray

Ziegler  
Senator Ziegler

House Members:

Robert Bettisworth  
Representative Bettisworth, Chairman

Ray Metcalfe  
Representative Metcalfe

Miller  
Representative Miller

*would need  
re-wording  
if SBA  
changes*

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money, which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax exempt rates.

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted by Congress, and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt loan programs.

*addition to make more use  
Wording re encouraging gov't guaranteed loans*

DRAFT LETTER OF INTENT FOR FCCSSB 146 ("Due on Sale" portion)

AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term -- the maturities for its first taxable bond sale earlier this month were for 13 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. FCCSSB 148

Title "An Act relating to state loan programs..."

Requested by Department of Revenue/Ak. Housing Finance Corp. Date June 22, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Economic Development

BRU, Program, or Subprogram(s) Affected Alaska Housing Finance Corporation

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		900.0	1,080.0	1,188.0	1,306.8	1,437.5
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	\$5,912.3					

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Capital Appropriation for						
mtg. subsidies and other		900.0	1,080.0	1,188.0	1,306.8	1,437.5
mtg. programs						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Pursuant to the legislative intent of FCCSSB 148, Alaska Housing Finance Corporation may pay an additional fee to lending institutions originating loans in certain rural areas of the State and subsequently sold to the Corporation. The fee will compensate the lending institutions for additional expenses incurred in connection with originating loans in such areas.

Funding of these fees paid by the Corporation will be from annual capital budget appropriations to the Corporation from the General Fund and will not be paid from program receipts or charged against the operating budget of the Corporation.

IV. DATE June 22, 1981

PREPARED BY Alaska Housing Finance Corporation

AGENCY Department of Revenue

PHONE 276-5599

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

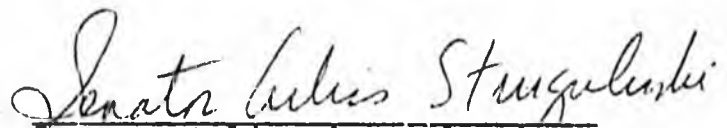
FREE CONFERENCE COMMITTEE  
ON SB 148  
RECOMMENDATIONS ON APPROPRIATIONS

The Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 50 approve the following appropriations which would be consistent with the intent and provisions of FCCS SB 148:

	<u>ALLOCATIONS</u>	<u>APPROPRIATIONS</u>
Alaska Housing Finance Corporation		
Special Mortgage Loan Purchase Program		\$222,000,000
Home Ownership Assistance Program		43,000,000
Mobile Home Loan Purchase Program	\$18,000,000	
Owner-Occupied Rural Mortgage Loan Purchase Program	20,000,000	
Non-owner Occupied Rural Mortgage Loan Purchase Program	5,000,000	
Community and Regional Affairs		
Non-conforming Housing Program		40,000,000
Alaska Industrial Development Authority		
Enterprise Development Fund for Reserve Funds to secure bond issues		8,000,000

The following appropriation is also recommended if FCCS SB 148 is amended to provide for subsidized loans for multi-family rental housing:

Alaska Industrial Development Authority		
Small Enterprise Loan Account for multi-family dwelling loan purchases		20,000,000

  
Senator Arliss Sturgulewski,  
Chairman

Steve  
From: AK HS'g Finance  
Ext 819 /Barauf.

AMENDMENT TO FCCSB 148

Page 3, Line 25

Add new sentence to read as follows:

"The provisions of such regulations prohibiting or restricting the right to assume or the right to provide for the payment of mortgage loans shall be effective for mortgage loans purchased by the Corporation subsequent to July 1, 1981."

MARK CAMERON

Amendment To Letter of Intent

"AIDA shall review the consequences of allowing umbrella bids up to \$2000000...."

Amendment to AIDA

SBA loan purchases only to new SBA's

Original sponsor: Mulcahy

1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 148

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state loan programs under the  
7 Alaska Housing Finance Corporation, the Department of  
8 Community and Regional Affairs, and the Alaska Indus-  
9 trial Development Authority; and providing for an  
10 effective date."

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

12 \* Section 1. AS 18.56.040 is amended to read:

13 Sec. 18.56.040. MEETINGS OF BOARD. (a) The board shall elect a  
14 chairman from among its membership at its annual [FIRST] meeting [IN]  
15 each year. A majority of the members constitute a quorum for organizing  
16 the board, conducting its business and exercising the powers of the  
17 corporation. The board shall meet at the call of its chairman. The  
18 board shall meet not less than once each three months.

19 (b) The board may meet and transact business by electronic media  
20 if

21 (1) public notice of the time and locations where the meeting  
22 will be held by electronic media has been given in the same manner as  
23 if the meeting were held in a single location;

24 (2) participants and members of the public in attendance can  
25 hear and have the same right to participate in the meeting as if the  
26 meeting were conducted in person; and

27 (3) copies of pertinent reference materials, statutes, regu-  
28 lations, and audio-visual materials are reasonably available to parti-  
29 cipants and to the public.

1           (c) A meeting by electronic media as provided in this section has  
2           the same legal effect as a meeting in person.

3 \* Sec. 2. AS 18.56.045 is amended to read:

4           Sec. 18.56.045. MINUTES OF MEETINGS. The board shall keep  
5 minutes of each meeting and send a certified copy to the governor  
6 and to the Legislative Budget and Audit Committee.

7 \* Sec. 3. AS 18.56.096 is amended to read:

8           Sec. 18.56.096. LIMITATION ON POWER TO MAKE OR PURCHASE MORTGAGE  
9 LOANS. The corporation may not make, participate in the making of,  
10 purchase, or participate in the purchase of

11           (1) a first mortgage loan under this chapter that [WHICH]  
12 exceeds the limitations on first mortgage loans purchased by the  
13 Federal National Mortgage Association as to principal amount and loan-  
14 to-value ratio; or [,]

15           (2) a second mortgage loan the amount of which, when combined  
16 with the principal balance of a first mortgage loan on the property,  
17 exceeds the limitation on the amount set out in (1) of this section or  
18 which has a loan-to-value ratio when considered with the principal bal-  
19 ance of the first mortgage loan, that exceeds 90 percent.

20 \* Sec. 4. AS 18.56.098(a) is amended to read:

21           (a) The corporation shall establish a special mortgage loan  
22 purchase program. Under the special mortgage loan purchase program,  
23 the corporation may purchase first or second mortgage loans, including  
24 graduated payment mortgage loans, made [(1)] for the purchase, improve-  
25 ment, or rehabilitation of residences [; OR (2) FOR THE REFINANCING OF  
26 A MORTGAGE LOAN ON A RESIDENCE IF THE PURPOSE OF THE REFINANCING IS TO  
27 PROVIDE MONEY FOR THE IMPROVEMENT OR REHABILITATION OF THE RESIDENCE].

28 \* Sec. 5. AS 18.56.098(c) is amended to read:

29           (c) The corporation may pledge mortgage loans purchased by the

1 corporation under (a) of this section, mortgage loans assigned to the  
 2 corporation for the special mortgage loan purchase program, and mortgage  
 3 loans purchased with amounts appropriated to the corporation for the  
 4 special mortgage loan purchase program to pay the principal, interest,  
 5 and redemption premium, if any, on bonds or bond anticipation notes  
 6 issued by the corporation for the special mortgage loan purchase pro-  
 7 gram and may expend amounts appropriated to the special mortgage loan  
 8 purchase program for mortgage loan subsidies or other purposes of the  
 9 program as necessary to cause the interest rate on mortgage loans pur-  
 10 chased under the special mortgage loan purchase program and retained  
 11 by the corporation or sold under AS 18.56.099 to equal the rates speci-  
 12 fied in this section.

13 \* Sec. 6. AS 18.56.098(e) is amended to read:

14 (e) The corporation shall establish regulations in accordance  
 15 with AS 18.56.088 to implement the special mortgage loan purchase  
 16 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE  
 17 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES  
 18 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions  
 19 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]  
 20 the right to assume or the right to provide for the payment of mortgage  
 21 loans purchased under (a) of this section by a person other than the  
 22 mortgagor. A provision in a mortgage loan purchased by the corporation  
 23 which prohibits or restricts the right to assume or the right to pro-  
 24 vide for the payment of mortgage loans is enforceable. The corpora-  
 25 tion shall enforce the regulations adopted under this subsection.

26 \* Sec. 7. AS 18.56.098 is amended by adding new subsections to read:

27 (g) The corporation shall establish the interest rate on a first  
 28 mortgage loan purchased under (a) of this section in accordance with  
 29 the following:

ADD: The provisions of such regulations prohibiting or restricting the right to assume or  
 the right to provide for the payment of mortgage loans shall be effective for mortgage loans  
 purchased by the corporation subsequent to July 1, 1991.

-3-

FCCSSB 148

1           (1) The interest rate on the first \$90,000 of a mortgage  
2 loan purchased with the proceeds of the first issue of taxable bonds of  
3 the corporation is 10 percent or the cost of funds, whichever is less.

4           (2) The interest rate on the first \$90,000 of a mortgage  
5 loan purchased with the proceeds of a second or subsequent issue of  
6 taxable bonds of the corporation shall be determined as follows:

7           (A) If the cost of funds of an issue of taxable bonds  
8 is more than the cost of funds of the preceding issue of taxable  
9 bonds, the interest rate shall be increased by an amount equal to,  
10 the difference between the cost of funds of the two bond issues.

11           (B) Except as provided in (C) and (D) of this paragraph  
12 and (3) of this subsection, the interest rate may not be less than  
13 10 percent and may not be reduced.

14           (C) If the difference between the cost of funds of an  
15 issue of taxable bonds and the interest rate established for a  
16 mortgage loan purchased with the proceeds of the previous issue  
17 would be equal to or less than three percent, the interest rate on  
18 mortgage loans purchased with the proceeds of that taxable bond  
19 issue and subsequent taxable bond issues is three percent less  
20 than the cost of funds of the taxable bond issue that is used to  
21 purchase the mortgage loan.

22           (D) The interest rate on a mortgage loan purchased with  
23 the proceeds of a taxable bond issue may not be less than 10  
24 percent unless the cost of funds of the taxable bond issue is less  
25 than 10 percent, in which case the interest on a mortgage loan  
26 purchased with the proceeds of a taxable bond issue is equal to  
27 the cost of funds.

28           (3) An interest rate determined under this subsection on the  
29 first \$90,000 of a mortgage loan shall be reduced by one percentage

1 point if the loan is made to an eligible veteran under AS 18. .101.

2 (4) The interest rate for the amount of a mortgage loan  
3 purchased under (a) of this section that exceeds \$90,000 is equal to  
4 the cost of funds to the corporation attributable to that part of the  
5 loan.

6 (5) The interest rate on a mortgage loan purchased from  
7 money appropriated to the corporation is the rate the corporation  
8 determines is appropriate by application of the provisions of (1) - (4)  
9 of this subsection. The rate may be based on an estimate of the cost  
10 of funds of a proposed issue or issues of bonds.

11 (6) The interest rate on the first \$90,000 of a mortgage  
12 loan purchased from the proceeds of bonds that are exempt from taxation  
13 under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) is 10  
14 percent or the cost of the funds, whichever is less. A higher or lower  
15 interest rate shall be established on the entire loan amount if required  
16 under the Mortgage Subsidy Bond Tax Act.

17 (7) In this subsection

18 (A) "cost of funds" means the true interest cost ex-  
19 pressed as a rate on bonds of the corporation plus an additional  
20 percentage as determined by the corporation to represent the  
21 allocable expenses of operation, costs of issuance, and mortgage  
22 servicing;

23 (B) "taxable bonds" means bonds bearing interest that  
24 is taxable under the provisions of the Mortgage Subsidy Bond Tax  
25 Act of 1980 (26 U.S.C. 103A) issued to finance the purchase of  
26 first mortgage loans.

27 (h) The corporation shall establish the interest rate on a second  
28 mortgage loan purchased under (a) of this section in the manner estab-  
29 lished for computing the interest rates on a first mortgage loan under

1 (g) of this section except that the outstanding principal balance of  
2 the existing first mortgage loan is subtracted from \$90,000 to determine  
3 the amount of the loan that is eligible for an interest rate on a  
4 second mortgage loan determined by reference to (g) of this section.

5 \* Sec. 8. AS 18.56.101 is amended to read:

6 Sec. 18.56.101. ELIGIBILITY FOR VETERANS' INTEREST RATES. The  
7 following persons are eligible veterans for the purposes of AS 18.56.-  
8 098(g) and (h) [AS 18.56.098(d)]:

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

13 (A) who at the time of induction into the service was a  
14 resident of the territory or state, who had been a resident for  
15 not less than one year immediately before his induction, and who  
16 returned to the territory or state within one year after discharge  
17 as a resident with the intention of remaining in the territory or  
18 state; or

19 (B) who, not being a bona fide resident of the territory  
20 or state at the time of entry into the service, has been a resident  
21 of the territory or state for at least one year at the time of the  
22 loan application and has been a resident of the territory or state  
23 for least five years; and

24 (C) whose discharge was under honorable conditions;

25 (2) the widow or widower of a member of the armed forces of  
26 an eligible veteran if

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

29 (B) the member or veteran served in the armed forces

1 for at least 90 days after April 6, 1917; and

2 (C) his discharge was under honorable conditions;

3 (3) a person who has served in the Alaska Army National  
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia or  
5 who has served in a reserve unit of the United States armed forces in  
6 Alaska if the reserve unit required, as a minimum, one weekend each  
7 month of duty and 15 consecutive days of active duty training each year  
8 for not less than five years and whose discharge was under honorable  
9 conditions.

10 \* Sec. 9. AS 18.56 is amended by adding a new section to read:

11 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to  
12 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
13 103A) the amount of mortgage revenue bonds that may be issued in the  
14 state under sec. 103A(g)(4) of that Act is allocated solely to the  
15 corporation. A municipality may not issue mortgage revenue bonds under  
16 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
17 permitted to do so by the corporation. The amount of mortgage revenue  
18 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
19 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
20 shall be deducted from the total amount permitted by that Act.

21 (b) The provisions of this section apply to home rule municipali-  
22 ties.

23 \* Sec. 10. AS 18.56 is amended by adding a new section to read:

24 Sec. 18.56.107. LOAN ORIGINATION AND SERVICE FEES FOR RURAL  
25 AREAS. Loan origination and service fees charged for a loan made or  
26 purchased in a rural area with money received by the corporation after  
27 July 1, 1981, may be higher than loan origination and service fees  
28 charged for other loans made or purchased by the corporation and the  
29 corporation may pay a portion of the higher fees.

1 \* Sec. 11. AS 18.56.110 is amended by adding a new subsection to read:

2 (g) Notwithstanding AS 18.56.090(12) and (a) of this section, the  
3 corporation may not issue bonds, other than refunding bonds, in any  
4 12-month period beginning after June 30, 1982, in an amount that exceeds  
5 the amount of bonds authorized to be issued during the preceding 12-  
6 month period, unless a different amount is authorized by the legisla-  
7 ture.

8 \* Sec. 12. AS 18.56.200(c) is amended to read:

9 (c) The corporation shall include in its annual report under (b),  
10 of this section an estimate of the investment activity of the corpora-  
11 tion in mortgage loans under this chapter for the following 12-month  
12 period and an estimate of the amount of bonds to be issued for the  
13 investments. [NOTWITHSTANDING AS 18.56.090(12) OR 18.56.110(a), THE  
14 CORPORATION MAY NOT ISSUE BONDS OTHER THAN REFUNDING BONDS DURING ANY  
15 12-MONTH PERIOD BEGINNING AFTER JUNE 30, 1981, IN AN AMOUNT THAT EXCEEDS  
16 THE AMOUNT APPROVED BY LAW FOR THAT 12-MONTH PERIOD.]

17 \* Sec. 13. AS 18.56.200 is amended by adding a new subsection to read:

18 (d) The corporation shall include in its annual report under (b)  
19 of this section a summary of its efforts to implement a program to ex-  
20 tend the operation of the loan programs authorized under this chapter  
21 to <sup>rural</sup> communities, ~~with populations of less than 15,000.~~

22 \* Sec. 14. AS 18.56.210 is amended by adding a new paragraph to read:

23 (13) "bond" or "obligation" means a bond or note of the  
24 corporation or a mortgage participation certificate issued with respect  
25 to mortgages of the corporation.

26 \* Sec. 15. AS 44.47.370 is amended by adding a new paragraph to read:

27 (8) originate and service direct loans made to qualified  
28 buyers in accordance with AS 44.47.360 - +4.47.560.

29 \* Sec. 16. AS 44.47.380 is amended to read:

1           Sec. 44.47.380. NONCONFORMING HOUSING LOAN FUND. There is created  
2 in the Department of Community and Regional Affairs the nonconforming  
3 housing loan fund consisting of money appropriated to it by the legis-  
4 lature. The director shall administer the nonconforming housing loan  
5 fund in accordance with AS 44.47.360 - 44.47.560 and shall use the  
6 money in the nonconforming housing loan fund to originate, purchase, or  
7 participate in the purchase of

8           (1) nonconforming housing mortgage loans;

9           (2) loans made for building materials for nonconforming  
10 housing;

11           (3) loans made for renovations or improvements to noncon-  
12 forming housing;

13           (4) loans made for the construction of owner-occupied non-  
14 conforming housing other than loans to builders or contractors or loans  
15 that compensate an owner for his labor or services in constructing his  
16 own housing.

17 \* Sec. 17. AS 44.47 is amended by adding a new section to read:

18           Sec. 44.47.385. ELIGIBLE LOCATIONS. (a) The director may make  
19 loans from the nonconforming housing loan fund only for nonconforming  
20 housing loans to qualified buyers for nonconforming housing.

21           (b) Not more than 20 percent of the total principal amount of  
22 loans made for nonconforming housing may be made in cities of organized  
23 boroughs and service areas of unified municipalities where the popula-  
24 tion of the city or service area exceeds 3,500.

25           (c) For purposes of (b) of this section, population shall be de-  
26 termined with reference to the 1980 preliminary census report as pub-  
27 lished in "Alaska 1980 Population" and released January 1, 1981, by the  
28 Department of Labor.

29           (d) In allocating money under (b) of this subsection, if a home

1 proposed for financing is in more than one service area, that home  
2 shall be considered to be in the service area with the smallest popula-  
3 tion.

4 \* Sec. 18. AS 44.47.390 is amended to read:

5 Sec. 44.47.390. LIMITATIONS ON USE OF NONCONFORMING HOUSING LOAN  
6 FUND. The director may not use the money in the nonconforming housing  
7 loan fund to

8 (1) originate a direct loan or purchase or participate in  
9 the purchase of a nonconforming housing mortgage loan which exceeds the  
10 limitations on mortgage loans purchased by the Federal National Mortgage  
11 Association as to principal amount or loan-to-value ratio;

12 (2) originate a direct loan or purchase or participate in  
13 the purchase of a loan made for building materials for nonconforming  
14 housing

15 (A) which exceeds \$45,000 or exceeds

16 (i) 80 percent of the appraised value of the work  
17 completed on the nonconforming housing for which the loan is made  
18 if the nonconforming housing is pledged as collateral for the  
19 loan; or

20 (ii) 80 percent of the value of other property  
21 which is pledged as security for the loan and which is satis-  
22 factory to the director as collateral;

23 (B) unless the terms of the loan agreement require  
24 inspections and certifications, as required by regulations of the  
25 director, at the expense of the borrower; and

26 (C) unless the period of time allowed for repayment of  
27 the loan is equal to or less than 15 years [THE LESSER OF

28 (i) THREE YEARS; OR

29 (ii) THE MAXIMUM PERIOD OF TIME ESTABLISHED BY

1 REGULATION BY THE DIRECTOR BASED ON THE PREVAILING PRACTICE  
2 AMONG PRIVATE FINANCIAL INSTITUTIONS IN THE GENERAL AREA IN  
3 WHICH THE LOAN IS MADE FOR LOANS FOR THE PURCHASE OF BUILDING  
4 MATERIALS];

5 (3) originate direct loans or purchase or participate in the  
6 purchase of a nonconforming housing mortgage loan which is secured by  
7 real property the marketable title to which is shown in accordance with  
8 AS 44.47.420(b)(2) if the total amount of outstanding nonconforming  
9 housing mortgage loans held by the division exceeds 10 times the amount  
10 of money in the restricted title loss reserve account (AS 44.47.430) [;

11 (4) PURCHASE OR PARTICIPATE IN THE PURCHASE OF CONSTRUCTION  
12 LOANS].

13 \* Sec. 19. AS 44.47 is amended by adding a new section to read:

14 Sec. 44.47.395. OPERATING LOSS RESERVE ACCOUNT. (a) There is  
15 established an operating loss reserve account for the purpose of meet-  
16 ing legal expenses incurred through the foreclosure of properties  
17 acquired by the director under AS 44.47.370(6) and making repairs to  
18 these properties so that they may be sold to new buyers.

19 ~~(b) The operating reserve loss account consists of money appro-~~  
20 priated by the legislature. To the extent that money is paid out of  
21 the operating loss reserve account for the purposes stated in this  
22 section, this money shall be replaced with money received as interest  
23 on loans authorized by this chapter.

24 \* Sec. 20. AS 44.47.400 is amended to read:

25 Sec. 44.47.400. SECURITY FOR LOANS. (a) The director shall  
26 adopt regulations in accordance with the Administrative Procedure Act  
27 (AS 44.62) establishing acceptable security for loans originated or  
28 purchased in whole or in part under AS 44.47.380.

29 (b) A person may pledge as security for the repayment of a loan

1 originated or purchased in whole or in part under AS 44.47.380 a pre-  
2 ference right he holds to receive title to land he occupies as a pri-  
3 mary place of residence, primary place of business, subsistence camp-  
4 site, or as headquarters for reindeer husbandry. The preference right  
5 must be conveyed to the person by the Native corporation to which the  
6 land was granted under section 14 of the Alaska Native Claims Settle-  
7 ment Act (85 Stat. 688, 43 U.S.C. secs. 1601 - 1626, as amended by P.L.  
8 94-204) before it may be pledged as security under this subsection.  
9 The commissioner of community and regional affairs shall prescribe  
10 procedures and standard forms for establishing, pledging, and appraising  
11 the value of a preference right held by a person to secure the repay-  
12 ment of a loan originated or purchased in whole or in part under AS 44.-  
13 47.380.

14 \* Sec. 21. AS 44.47.410 is repealed and reenacted to read:

15 Sec. 44.47.410. INTEREST ON LOANS. The interest rate on a mort-  
16 gage loan originated or purchased in whole or in part under AS 44.-  
17 47.380 is equal to the interest rate, as determined under AS 18.56.098-  
18 (g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(g) from  
19 the proceeds of the most recent applicable issue of taxable bonds  
20 before the origination or purchase of the mortgage loan originated or  
21 purchased under AS 44.47.380.

22 \* Sec. 22. AS 44.47.420(a) is amended to read:

23 (a) Before the director originates or purchases a nonconforming  
24 housing mortgage loan in whole or in part, the director may require a  
25 borrower to show marketable title to real property offered as security  
26 for the loan to be purchased.

27 \* Sec. 23. AS 44.47.430(b) is amended to read:

28 (b) The director may withdraw money from the restricted title  
29 loss reserve account in an amount equal to the loss to the division on

1 a nonconforming housing mortgage loan originated or purchased in whole  
2 or in part by the division if marketable title to the real property  
3 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).  
4 Money withdrawn from the restricted title loss reserve account under  
5 this section shall be deposited in the nonconforming housing loan fund.

6 \* Sec. 24. AS 44.47.460 is amended to read:

7 Sec. 44.47.460. LOAN ORIGINATION AND SERVICING. (a) Before  
8 purchasing or participating in the purchase of a loan, the director  
9 shall enter into a loan servicing agreement with the private financial  
10 institution from which the loan is to be purchased.

11 (b) The director may execute service agreements with private  
12 lending institutions to service loans originated by the division.

13 (c) Under the servicing agreement, the private financial insti-  
14 tution shall administer the loan and may charge the division a negoti-  
15 ated origination or servicing fee on the division's share of the loan.  
16 When appropriate, the [THE] private financial institution may also  
17 charge the borrower a reasonable origination fee not to exceed one  
18 percent.

19 (d) Loan origination and servicing agreements entered into under  
20 this section may provide for higher fees for loans made for nonconform-  
21 ing housing located outside of cities of organized boroughs and service  
22 areas of unified municipalities that have a population in excess of  
23 3,500, than for other loans made for nonconforming housing. The divi-  
24 sion may pay a portion of the higher fees.

25 \* Sec. 25. AS 44.47.470 is amended to read:

26 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
27 participating in the purchase of a nonconforming housing mortgage loan,  
28 the director may have or may require the borrower to have an appraisal  
29 made of the fair market value of the real property, including struc-

1 tures on the real property, for which the loan is made. In conducting  
2 an appraisal under this section, the appraiser shall give full value to  
3 insulation and other features of construction in structures on the real  
4 property which add to the energy efficiency of the structures.

5 \* Sec. 26. AS 44.47.490 is amended to read:

6 Sec. 44.47.490. ASSISTANCE BY DIVISION PERSONNEL. (a) The  
7 director may establish field offices under this chapter, may [SHALL]  
8 hire [AT LEAST] one or more lending officers, [OFFICER] and may [SHALL]  
9 contract for the services of

10 (1) real property appraisers who are familiar with rural  
11 construction; and

12 (2) engineers who are familiar with engineering problems in  
13 arctic and subarctic regions.

14 (b) The personnel described in (a) of this section may [SHALL]  
15 make [REGULAR] visits to [EACH OF] the regions established under AS 44.-  
16 47.510(a) to provide preconstruction and post-construction inspections  
17 of real property for which loans are originated or purchased by the  
18 division in whole or in part under AS 44.47.380 and to provide assis-  
19 tance to private financial institutions and their borrowers in the  
20 regions. Authority for final approval of loans may not be exercised by  
21 the personnel described in this section.

22 \* Sec. 27. AS 44.47.510(b) is amended to read:

23 (b) Unless otherwise required by an appropriation, the director  
24 shall allocate the money in the nonconforming housing loan fund among  
25 the regions established under (a) of this section for the purpose of  
26 originating or purchasing each type of loan described in AS 44.47.380.  
27 In making an allocation under this subsection, the director shall  
28 consider the past and potential lending activity of private financial  
29 institutions in the region as well as the need for loans in the region.

1 The director may reallocate the money among the regions as he considers  
2 necessary.

3 \* Sec. 28. AS 44.88.010 is amended to read:

4 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-  
5 lature finds, determines and declares that

6 (1) there exist areas of the state in which seasonal and  
7 nonseasonal unemployment exists;

8 (2) this unemployment is a serious menace to the health,  
9 safety and general welfare, not only to the people in those areas, but  
10 also to the people of the entire state;

11 (3) the state lacks the basic manufacturing, industrial, and  
12 ~~small~~ <sup>and essential business</sup> [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
13 and the other facilities referred to in (5) of this subsection [AS 44.-  
14 88.010(a)(5)] necessary to permit adequate development of its natural  
15 resources and the balanced growth of its economy;

16 (4) the establishment and expansion of industrial, manufac-  
17 turing, and ~~small~~ <sup>and essential business</sup> [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
18 enterprises in Alaska and the other facilities referred to in (5) of  
19 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-  
20 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES  
21 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES  
22 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural  
23 resources and the long-term economic growth of the state, and will di-  
24 rectly and indirectly alleviate unemployment in the state;

25 (5) the achievement of the goal of full employment, and of  
26 establishment and continuing operation and development of industrial,  
27 manufacturing, ~~and small~~ <sup>and essential business</sup> [BUSINESS, TOURISM, MINING AND COMMERCIAL  
28 FISHING] enterprises, <sup>and other enterprises</sup> in the state, including facilities for air and  
29 water transportation, facilities for pollution control and waste dis-

1 posal, facilities for the local furnishing of gas, facilities for  
 2 water, and facilities for industrial parks, will be accelerated and  
 3 facilitated by the creation of an instrumentality of the state with  
 4 powers to incur debt and to make and insure loans to finance, and to  
 5 assist private lenders to make loans to finance, the establishment,  
 6 operation, and development of industrial, manufacturing, ~~and~~ <sup>business</sup> small  
 7 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ] enterprises, ~~and~~  
 8 <sup>other enterprises,</sup> including facilities for air and water transportation, facilities for  
 9 pollution control and waste disposal, facilities for the local furnish-  
 10 ing of gas, facilities for water, ~~and~~ facilities for industrial parks,  
 11 [, FOR PRIVATE OPERATION]; ~~and~~

12 (6) it is in the public interest to promote the prosperity  
 13 and general welfare of all citizens of the state by stimulating commer-  
 14 cial and industrial growth and expansion by encouraging an increase of  
 15 private investment by banks, investment houses, insurance companies,  
 16 and other financial institutions, including pension and retirement  
 17 funds, to help satisfy the need for economic expansion;

18 (7) it is in the state's interest to import private capital  
 19 to create new economic activity which would not otherwise take place in  
 20 the state.

21 (b) It is declared to be the policy of the state, in the interests  
 22 of promoting the health, security and general welfare of all the people  
 23 of the state, and a public purpose, to increase job opportunities and  
 24 otherwise to encourage the economic growth of the state, including the  
 25 development of its natural resources, through the establishment and  
 26 expansion of manufacturing, industrial, ~~and small~~ <sup>business</sup> [BUSINESS, TOURISM,  
 27 MINING AND COMMERCIAL FISHING] enterprises, ~~and~~ <sup>other enterprises,</sup> and the other facilities  
 28 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating  
 29 the public corporation with power, duties and functions as provided in

1 this chapter.

2 \* Sec. 29. AS 44.88.050(a) is amended to read:

3 (a) A majority of the members of the authority constitutes a  
 4 quorum for the transaction of business or the exercise of a power or  
 5 function at a meeting of the authority. In case of a tie vote on a  
 6 motion or resolution pending before the authority the motion or resolu-  
 7 tion shall be presented to the governor and if approved by him, is  
 8 considered adopted by the authority. The authority may meet and trans-  
 9 act business by electronic media if (1) public notice of the time and  
 10 locations where the meeting will be held by electronic media has been  
 11 given in the same manner as if the meeting were held in a single loca-  
 12 tion; (2) participants and members of the public in attendance can hear  
 13 and have the same right to participate in the meeting as if the meeting  
 14 were conducted in person; and (3) copies of pertinent reference mater-  
 15 ials, statutes, regulations, and audio-visual materials are reasonably  
 16 available to participants and to the public. A meeting by electronic  
 17 media as provided in this subsection has the same legal effect as a  
 18 meeting in person.

19 \* Sec. 30. AS 44.88.050 is amended by adding a new subsection to read:

20 (d) The authority shall keep minutes of each meeting and send a  
 21 certified copy to the governor and to the Legislative Budget and Audit  
 22 Committee.

23 \* Sec. 31. AS 44.88.070 is amended to read:

24 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
 25 authority is to promote, develop and advance the general prosperity and  
 26 economic welfare of the people of Alaska, to relieve problems of unem-  
 27 ployment, and to create additional employment by providing various  
 28 means of financing and means of facilitating the financing of indus-  
 29 trial, manufacturing, ~~and small~~ <sup>business</sup> [BUSINESS, TOURISM, MINING, AND COM-

1 ~~COMMERCIAL FISHING~~ enterprises, and the other facilities referred to in  
2 AS 44.88.010(a)(5) within the state.

3 \* Sec. 32. AS 44.88.080(12) is amended to read:

4 (12) to purchase or insure loans to finance the costs of  
5 manufacturing, industrial, ~~and small~~ <sup>business</sup> [BUSINESS, TOURISM, MINING, AND  
6 COMMERCIAL FISHING] enterprise ~~and other enterprise~~ projects;

7 \* Sec. 33. AS 44.88.080(18) is amended to read:

8 (18) to facilitate the expansion of a secondary market for the  
9 resale of federally or commercially insured loans made to finance the  
10 costs of projects in Alaska held by federal and state chartered finan-  
11 cial institutions or by the Alaska Commercial Fishing and Agriculture  
12 Bank [COMMERCIAL BANKS IN ALASKA].

13 \* Sec. 34. AS 44.88 is amended by adding a new section to read:

14 Sec. 44.88.085. FEES CHARGED BY AUTHORITY. (a) An application  
15 fee may not be charged for an application for authority participation  
16 in a loan under AS 44.88.158.

17 (b) The commitment fee for a loan commitment by the authority may  
18 not exceed two percent of the principal amount of the loan.

19 \* Sec. 35. AS 44.88.090(g)(1) is repealed and reenacted to read:

20 (1) issue bonds, other than refunding bonds, in any 12-month  
21 period beginning after June 30, 1982, in an amount that exceeds the  
22 amount of bonds authorized to be issued during the preceding 12-month  
23 period, unless a different amount is authorized by the legislature; or

24 \* Sec. 36. AS 44.88.105(a) is amended to read:

25 (a) For the purpose of securing one or more issues of its bonds,  
26 the authority may establish one or more special funds, called "capital  
27 reserve funds", and shall pay into those capital reserve funds the  
28 proceeds of the sale of its bonds and other money which may be made  
29 available to the authority from other sources for the purposes of the

1 capital reserve funds. A capital reserve fund may be established only  
2 if the authority determines that the establishment of the fund would  
3 enhance the marketability of the bonds, and if those costs of a pro-  
4 ject, as defined in AS 44.88.220, which are to be financed with the  
5 proceeds of the bonds, do not exceed \$10,000,000. Money in a capital  
6 reserve fund, except as provided in this section, may be used as re-  
7 quired only for (1) the payment of the principal of, and interest on,  
8 bonds or of the sinking fund payments with respect to those bonds; (2)  
9 the purchase or redemption of the bonds; or (3) the payment of a  
10 redemption premium required to be paid when the bonds are redeemed  
11 before maturity. However, money in a capital reserve fund may not be  
12 withdrawn if the withdrawal would reduce the amount in the capital  
13 reserve fund to less than the capital reserve requirement, except for  
14 the purpose of making payment, when due, of principal, interest,  
15 redemption premiums on the bonds, and sinking fund payments when other  
16 money of the authority is not available for the payments. Income or  
17 interest earned by, or increment to, a capital reserve fund, from the  
18 investment of all or part of the fund, may be transferred by the author-  
19 ity to other funds or accounts of the authority if the transfer does  
20 not reduce the amount of the capital reserve fund below the capital  
21 reserve fund requirement.

22 \* Sec. 37. AS 44.88.105 is amended by adding new subsections to read:

23 (f) The authority may not establish a capital reserve fund to  
24 secure an issue of bonds in an amount in excess of \$1,000,000 unless at  
25 least 20 percent of the principal amount of the loan for the project is  
26 retained by a federal or state chartered financial institution or the  
27 Alaska Commercial Fishing and Agriculture Bank.

28 (g) The authority may establish reserve funds, other than capital  
29 reserve funds, to secure one or more issues of its bonds. The authority

1 may deposit in a reserve fund established under this subsection the  
2 proceeds of sale of its bonds and other money which may be made avail-  
3 able from any other source. A reserve fund established under this  
4 subsection must comply with (a) - (c) of this section. The authority  
5 may allow a reserve fund established under this subsection to be  
6 depleted without complying with (d) of this section.

7 \* Sec. 38. AS 44.88.155 is repealed and reenacted to read:

8 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise  
9 development fund is established in the authority. The enterprise  
10 development fund is a trust fund for the uses and purposes of this  
11 chapter. The enterprise development fund consists of money or assets  
12 appropriated or transferred to the authority and other money or assets  
13 deposited in it by the authority.

14 (b) The authority may establish in the enterprise development  
15 fund a small enterprise loan account, a loan insurance account, and  
16 other accounts it considers appropriate.

17 (c) Money and other assets of the enterprise development fund may  
18 be used to secure bonds of the authority, and shall be held and invested  
19 by the authority in the types of investments described in AS 37.10.-  
20 070(a) and AS 39.35.110(a)(9) and (14); <sup>or shall</sup> ~~Money in the enterprise devel-~~  
21 ~~opment fund may also~~ be used to purchase loans for projects as defined  
22 in AS 44.88.220.

23 (d) A loan purchased in whole or in part by the authority, other  
24 than a loan which is financed with the proceeds of bonds of the author-  
25 ity and secured only by a project applicant or a project,

26 (1) may not exceed

27 (A) \$10,000,000; or

28 (B) \$500,000 if the loan is purchased under AS 44.88.-

29 158;

1 (2) may not exceed the cost of the project or 75 percent of  
2 the appraised value of the project, whichever is less, unless the  
3 amount of the loan in excess of this limit is federally insured or  
4 guaranteed or is insured by a qualified mortgage insurance company;

5 (3) may not be for a term longer than three-quarters of the  
6 authority's estimate of the life of the project or 25 years from the  
7 date the loan is made, whichever is earlier;

8 (4) shall contain complete amortization provisions satisfac-  
9 tory to the authority requiring periodic payments by the borrower;

10 (5) shall be in the form and contain the terms and provi-  
11 sions with respect to insurance, repairs, alterations, payment of taxes  
12 and assessments, default reserves, delinquency charges, default reme-  
13 dies, acceleration of maturity, secondary liens and other matters the  
14 authority prescribes;

15 (6) shall be secured as to repayment by a mortgage or other  
16 security instrument in the manner the authority determines is feasible  
17 to assure timely repayment under a loan agreement entered into with the  
18 borrower;

19 (7) may not be made unless

20 (A) at least 10 percent of the principal amount of the  
21 loan is retained by the originator of the loan; or

22 (B) 100 percent of the principal amount of the loan is  
23 guaranteed by the United States or an agency or instrumentality of  
24 the United States;

25 (8) must be

26 (A) at least partially guaranteed by the United States  
27 or an agency or instrumentality of the United States, subject to  
28 the provisions of AS 44.88.158; or

29 (B) financed from the proceeds of bonds; or

1 (C) expected by the authority to be financed from the  
2 proceeds of bonds.

3 (e) The authority may adopt regulations for the administration of  
4 the enterprise development fund which may include, without limitation,  
5 provisions for fees and agreements relating to application, loan com-  
6 mitment, servicing, and origination of loans by other lenders.

7 (f) The authority may enter into agreements as to the use of the  
8 money in the enterprise development fund, including without limitation,  
9 trust or custody arrangements with banks or trust companies. It may  
10 also pledge, assign, or grant the agreement, interests under an agree-  
11 ment, or interests in the enterprise development fund as may be neces-  
12 sary or appropriate to provide for payment and security for bonds of  
13 the authority.

14 \* Sec. 39. AS 44.88.157 is amended by adding new subsections to read:

15 (j) Notwithstanding (a) - (i) of this section, the authority may  
16 establish additional insurance accounts to secure special obligation  
17 bonds, and may pay into an insurance account established under this  
18 subsection money made available from an appropriation or any other  
19 source. An insurance account established under this subsection is not  
20 subject to the requirements of (d) and (g) of this section.

21 (k) A loan may not be insured from a loan insurance account  
22 within the enterprise development fund if the loan is for a project the  
23 cost of which exceeds \$10,000,000.

24 (l) A loan in excess of \$1,000,000 may not be insured from a loan  
25 insurance account within the enterprise development fund unless at  
26 least 20 percent of the principal amount of the loan is retained by a  
27 federal or state chartered financial institution or the Alaska Commer-  
28 cial Fishing and Agriculture Bank.

29 \* Sec. 40. AS 44.88.158 is repealed and reenacted to read:

1           Sec. 44.88.158. SMALL ENTERPRISE LOAN ACCOUNT. (a) A small  
2 enterprise loan account is established in the enterprise development  
3 fund. The account may be composed of money or assets appropriated or  
4 transferred to the authority, interest on investments and loans of the  
5 small enterprise loan account, the unpledged income of the enterprise  
6 development fund, and other money or assets deposited in it by the  
7 authority.

8           Prospective  
9           Only) (b) The authority may use money in the small enterprise loan  
10 account to purchase the guaranteed portion of a loan made by a private,  
11 financial institution, <sup>after June 30, 1981</sup> to a small enterprise to pay the cost of a pro-  
12 ject, as defined in AS 44.88.220, if the loan is guaranteed by the  
13 United States or an agency or instrumentality of the United States,  
14 including, but not limited to, the Small Business Administration, the  
15 National Marine Fisheries Service, and the Farmers Home Administration,  
16 ~~and if the loan is originated after June 30, 1981~~

17           (c) The authority may purchase loans originated by the Alaska  
18 Rural Rehabilitation Corporation which are made to agricultural enter-  
19 prises. Loans purchased under this subsection may be secured by sub-  
20 stitute collateral if the amount of the loan does not exceed 75 percent  
21 of the value of the total collateral for the loan. Loans may be pur-  
22 chased under this subsection only from money appropriated to the small  
23 enterprise loan account for that purpose.

24 \* Sec. 41. AS 44.88 is amended by adding a new section to read:

25           Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan  
26 that qualifies for tax-exempt financing <sup>is equal to</sup> ~~may not exceed~~ the interest  
27 rate on loans of the authority prevailing at the time the loan is  
28 purchased for projects having tax-exempt financing. In this subsection,  
29 "tax-exempt financing" means financing from the proceeds of the sale of  
a series of bonds on which the interest is exempt from federal income  
tax.

1 (b) The interest rate on a loan purchased by the authority with  
 2 money in the small enterprise loan account from the proceeds of the  
 3 sale of a series of taxable bonds <sup>is ~~not~~ equal to</sup> ~~may not exceed~~ the true interest  
 4 cost, expressed as a rate, of the most recent sale of taxable bonds of  
 5 comparable term by the authority, plus an additional percentage to  
 6 represent allocable expenses of operation, costs of issuance, and  
 7 mortgage servicing costs of the authority. [If the authority has not  
 8 sold taxable bonds of comparable term within three months of the time  
 9 the loan is purchased, the interest rate on the loan may not exceed the  
 10 true interest cost, expressed as a rate, that the authority estimates  
 11 would be payable on taxable bonds issued by the authority to provide  
 12 money to make the loan, plus an additional percentage to represent  
 13 allocable expenses of operation, costs of issuance, and mortgage ser-  
 14 vicing costs of the authority.] In this subsection, "taxable bonds"  
 15 means bonds on which the interest is subject to federal income tax.

16 (c) The interest rate on a loan purchased by the authority with  
 17 money in the small enterprise loan <sup>that is</sup> account not from the proceeds  
 18 of the sale of a series of taxable bonds <sup>is</sup> the most recent index of  
 19 corporate <sup>AA</sup> ~~AA~~ bond yields as published by Moody's <sup>Investors Service.</sup> ~~rating service.~~

20 \* Sec. 42. AS 44.88 is amended by adding a new section to read:

21 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of  
 22 the total outstanding balance of loans purchased from a financial  
 23 institution under this chapter becomes delinquent for 90 days or more,  
 24 the authority shall discontinue purchasing loans from that financial  
 25 institution until the delinquency is reduced to less than two percent.

26 \* Sec. 43. AS 44.88.220(2) is amended to read:

27 (2) "business enterprise" means a single proprietorship,  
 28 corporation, firm, partnership, or other association of persons organ-  
 29 ized in any manner, for any business purpose, other than [WHICH IS NOT

*Including but not limited to plants or facilities which qualify for tax-exempt bonding*

1 ORGANIZED] on a nonprofit basis;

2 \* Sec. 44. AS 44.88.220(5) is amended to read:

3 (5) "project" means [INCLUDES]

4 (A) a plant or facility used or intended for use in  
5 connection with <sup>B) a business enterprise</sup> making, processing, preparing, or producing in any  
6 manner, goods, products or substances of any kind or nature <sup>including plants and facilities to be used</sup> in  
7 connection with developing or utilizing a natural resource, or  
8 extracting, smelting, transporting, converting, assembling or  
9 producing in any manner, minerals, raw materials, chemicals,  
10 compounds, alloys, fibers, commodities and materials, products or  
11 substances of any kind or nature, any plant or facility used or  
12 intended for use as an industrial park or in connection with air  
13 and water transportation, or any plant or facility for the preven-  
14 tion, limitation or control of air or water pollution, for the  
15 disposal of sewage or solid waste, for the local furnishing of  
16 gas, or for the furnishing of water; *[Signature]*

17 (B) commercial activity by a small [BUSINESS] enterprise  
18 [, TOURISM ENTERPRISE, MINING ENTERPRISE AND COMMERCIAL FISHING  
19 ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SEC-  
20 TION];

21 \* Sec. 45. AS 44.88.220(8) is amended to read:

22 (8) "project cost" or "cost of a project" means all or any  
23 part of the aggregate costs determined by the authority to be necessary  
24 to finance the construction, expansion, or acquisition of a project,  
25 including without limitation the cost of acquiring real or tangible  
26 personal property, and, in connection with real property, the cost of  
27 constructing buildings and improvements, the cost of constructing means  
28 of access to and from the project, the cost of constructing extensions  
29 of utility systems to the site of the project; the cost of a project

1 includes, without limitation, the cost of financing the project, in-  
2 terest charges before, during or after construction, expansion, or  
3 acquisition of the project, costs related to the determination of the  
4 feasibility, planning, design or engineering of the project and, to the  
5 extent determined necessary by the authority, administrative expenses,  
6 the cost of machinery or equipment to be used in the operation of the  
7 project and expenses of installation, replacement or rehabilitation,  
8 and all other costs, charges, fees and expenses which may be determined  
9 by the authority to be necessary to finance the construction, expansion,  
10 or acquisition;

11 \* Sec. 46. AS 44.88.220(12) is repealed and reenacted to read:

12 (12) "small enterprise" means a business enterprise which is  
13 a project applicant with gross income of \$10,000,000 or less for its  
14 annual reporting period ending immediately before the application to  
15 the authority for a loan;

16 \* Sec. 47. AS 44.88.220 is amended by adding a new paragraph to read:

17 (16) "commercial activity" includes work in process or activ-  
18 ity involving stock in trade, accounts receivable, or the refinancing  
19 of existing indebtedness, subject to the provisions of AS 44.88.158.

20 \* Sec. 48. The Alaska Housing Finance Corporation may issue bonds in the  
21 principal amount of \$592,000,000 during the fiscal year ending June 30,  
22 1982.

23 \* Sec. 49. Subject to the limitation of AS 44.88.090(g), the Alaska  
24 Industrial Development Authority may issue bonds in the principal amount of  
25 \$400,000,000 during the fiscal year ending June 30, 1982.

26 \* Sec. 50. The following laws are repealed: AS 18.56.090(1), 18.56.-  
27 098(d) and (f)(3), and AS 44.88.220(13), (14), and (15).

28 \* Sec. 51. This Act takes effect immediately in accordance with AS 01.-  
29 10.070(c).

H O U S E   A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

"(C) \$3,000,000 or \$50,000 for each dwelling unit, whichever is less, if the loan is made for a multi-family dwelling enterprise;"

Page 23, after line 21, insert:

*Until June 30, 1982,*  
"(d) <sup>^</sup>The authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. *Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.*

(e) The authority shall adopt regulations to establish priorities for the purchase of loans for multi-family dwelling enterprises which take into account the need for multi-family housing in the state as reflected by vacancy rates in multi-family housing in different areas of the state."

Page 24, after line 19, insert: *the portion of* *by the authority*

"(d) The interest rate on <sup>^</sup>a loan purchased <sup>^</sup>for a multi-family dwelling enterprise shall be one percent more than the interest rate,

as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after "TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of <sup>eight</sup> ~~three~~ or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

H O U S E   A M E N D M E N T S

TO: FCCSSB 148

Page 20, line 27 after "\$10,000,000;" delete "or"

Page 20, line 29 after "158;" insert "or"

Page 20, after line 29, insert:

"(C) \$3,000,000 or \$50,000 for each dwelling unit, whichever is less, if the loan is made for a multi-family dwelling enterprise;"

Page 23, after line 21, insert:

"(d) Until June 30, 1982, the authority may use the assets of the small enterprise loan account to purchase a loan made to a project applicant for a multi-family dwelling enterprise. Loans may be purchased under this subsection only from money appropriated to the small enterprise loan account for that purpose.

(e) The authority shall adopt regulations to establish priorities for the purchase of loans for multi-family dwelling enterprises which take into account the need for multi-family housing in the state as reflected by vacancy rates in multi-family housing in different areas of the state.

Page 24, after line 19, insert:

"(d) The interest rate on the portion of a loan purchased by the authority for a multi-family dwelling enterprise shall be one percent more than the interest rate, as determined under AS 18.56.098(g)(1) and (2), on a mortgage loan purchased under AS 18.56.098(g) or (h) from the proceeds of the most recent issue of taxable bonds before the loan purchased for a multi-family dwelling enterprise."

Page 25, line 20, after TION];" insert "and"

Page 25, after line 20, insert:

"(C) a multi-family dwelling enterprise;"

Page 26, line 16, delete "a new paragraph" and insert "new paragraphs"

Page 26, after line 16, insert:

"(16) 'multi-family dwelling enterprise' is a rental or cooperative dwelling of eight or more units;"

Page 26, line 17, delete "(16)" and insert "(17)"

June 23

Gilman calls meeting back to order 3:00 pm June 23

Gilman reconsiders his vote

p 23, after line 21: insert: "until June 30, 1982"

"loans may be purchased under this subsector only for loans appropriated specifically for that purpose"

"the portion of a loan purchased by the authority for a multiple family dwelling enterprise

bank participation will be added on top.

Then switch to Senate definition of multi <sup>family</sup> dwelling enterprise. (eight or more)

---

Letter of intent

(change ~~to~~ new (f)

"by Feb 1"

"[make specific reference to ~~state~~ how this is a one-time pilot program]"

Agree that there will not be any letter of intent regarding regional designation.

Gilman moves House language, with exception of eight units rather than three, ~~and~~

Ezlegler & Gilman agree. Gilman says Ray will sign

Bathworth asks if we can make recommendation regarding the funding for SBA money. Gilman says that this is outside of the purview of the committee. Metcalfe moves to send a letter -- Gilman moves ~~it's~~ <sup>it's</sup> ~~out~~ <sup>out</sup> of order

Second Free Conference Committee Report

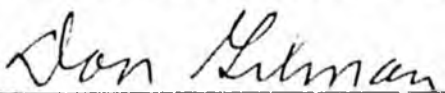
The letter of intent shall be amended to include the following section under AIDA:

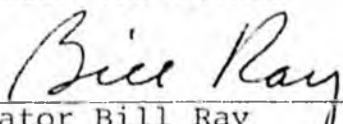
f. That the multi-family dwelling program provided for in FCCS CSSB 148 is a pilot program and may not be continued, and that the staff of AIDA develop a financing plan or a set of alternative financing plans for multi-family housing, including estimates of demand and subsidy cost, if any, to the State. AIDA shall present its plans by February 1, 1982 to the Legislature for consideration in the 1982 session.

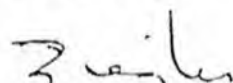
2nd FREE CONFERENCE COMMITTEE  
ON SB 148  
RECOMMENDATION FOR APPROPRIATION

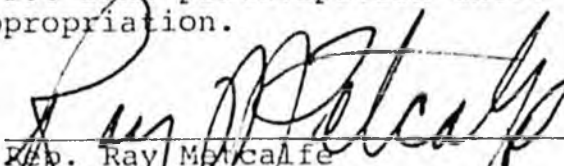
The 2nd Free Conference Committee on SB 148 recommends that the Free Conference Committee on HB 297 appropriate \$20,000,000 from the general fund to the Alaska Industrial Development Authority, small enterprise loan account for the purchase of loans for multi-family dwelling enterprises. This appropriation should have a lapse date of June 30, 1982.

The above action would be consistent with provisions adopted by the 2nd Free Conference Committee on SB 148 which authorized the Alaska Industrial Development Authority to purchase loans for multi-family dwellings of eight or more units with 10% bank participation until June 30, 1982, subject to appropriation.

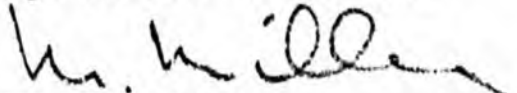
  
\_\_\_\_\_  
Senator Don Gilman

  
\_\_\_\_\_  
Senator Bill Ray

  
\_\_\_\_\_  
Senator Robert Ziegler

  
\_\_\_\_\_  
Rep. Ray McCalfe

  
\_\_\_\_\_  
Rep. Robert Bettisworth

  
\_\_\_\_\_  
Rep. Mike Miller

The Free Conference Committee on HCS CSSB 148 (Finance) intends the following on FCCS CSSB 148:

AHFC Second Mortgages

- a) that the Alaska Housing Finance Corporation implement a program of purchasing second mortgages for acquisition of residences as soon as possible after determining the potential demand for the program, the ability to finance the program through the sale of bonds and mortgage pass-through certificates and that a second mortgage purchase program does not adversely affect the first mortgage bond financing program;
- b) that AHFC implement a program of purchasing second mortgages for home improvement provided that:
  - 1) it conducts a study to determine:
    - A) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,
    - B) the potential demand for second mortgages for home improvements; and,
    - C) whether the second mortgage program will adversely affect the first mortgage program;
  - 2) copies of the study are submitted to the Legislature; and,
  - 3) the corporation determines, based on results of the study, that it is advisable to undertake such a program and informs the Legislature of its determination.
- c) that if the corporation decides to implement a second mortgage program for home improvement:
  - 1) up to \$20 million or any excess, whichever is greater, of the appropriation special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,
  - 2) the second mortgage program for home improvement be implemented no later than February 15, 1982.

## All AHFC Mortgage Programs

a) that AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term-- the maturities for its first taxable bond sale earlier this month were for 15 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

### AHFC Rural Mortgages

- a) that the corporation increase its outreach, services, and provision of information about its programs in rural areas and small communities:
- b) that the corporation meet demand for mortgage loans in rural areas and small communities.
- c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

### AIDA

- a) that the Alaska Industrial Development Authority give first priority for use of an estimated \$2 million per month of cash flow during fiscal year 1982 from existing assets of the authority to the purchase of federally guaranteed loans for working capital, inventory, accounts receivable, and refinancing of existing indebtedness:
- b) that the authority allocate up to 30 percent, if demand exists, of this cash flow for the purchase of loans described above which are for \$100,000 or less;
- c) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.
- d) that the authority submit a report to the Legislature on the performance and results of its purchase of federally guaranteed loans;
- e) that if a financing is secured by the moral obligation of the State or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.
- f) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money; which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax-exempt rates.

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

#### Nonconforming Housing Loans

a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans:

b) that the Department of Community and Regional Affairs may originate loans in areas of the State where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

#### Business Loans

a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the Department to make such loans is repealed by Sec. 71, Ch. 106, SLA 1980.

**Ba**  
 Bonds which are rated **Ba** are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

**B**  
 Bonds which are rated **B** generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

**Caa**  
 Bonds which are rated **Caa** are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

**Ca**  
 Bonds which are rated **Ca** represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

**C**  
 Bonds which are rated **C** are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's Corporate Bond Yield Averages

	Corporate by Ratings				Corporate by Groups			Public Utility Bonds				Industrial Bonds				Railroad Bonds							
	Av. Corp.	Aaa	Aa	A	Baa	P.U.	Ind.	R.R.	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa	Aaa	Aa	A	Baa			
1975																							
June	9.55	8.77	9.13	9.67	10.62	9.81	9.29	9.40	June	8.93	9.34	10.10	10.85	June	8.61	8.91	9.23	10.39	June	---	8.56	9.68	9.97
July	9.54	8.84	9.13	9.61	10.55	9.81	9.26	9.37	July	9.04	9.38	10.01	10.80	July	8.62	8.88	9.22	10.30	July	---	8.54	9.67	9.90
Aug.	9.61	8.95	9.23	9.68	10.59	9.93	9.29	9.41	Aug.	9.20	9.52	10.12	10.87	Aug.	8.69	8.94	9.24	10.31	Aug.	---	8.62	9.74	9.86
Sept.	9.67	8.95	9.35	9.74	10.51	9.98	9.35	9.42	Sept.	9.21	9.64	10.19	10.89	Sept.	8.68	9.06	9.28	10.35	Sept.	---	8.61	9.75	9.91
Oct.	9.63	8.86	9.32	9.72	10.62	9.94	9.32	9.40	Oct.	9.14	9.55	10.16	10.89	Oct.	8.57	9.08	9.27	10.34	Oct.	---	8.55	9.77	9.87
Nov.	9.55	8.78	9.23	9.64	10.56	9.83	9.27	9.36	Nov.	9.03	9.45	10.04	10.78	Nov.	8.52	9.00	9.24	10.33	Nov.	---	8.46	9.72	9.88
Dec.	9.57	8.79	9.25	9.67	10.56	9.87	9.26	9.37	Dec.	9.07	9.51	10.11	10.79	Dec.	8.51	8.99	9.23	10.33	Dec.	---	8.47	9.69	9.94
1976																							
Jan.	9.42	8.60	9.13	9.54	10.41	9.68	9.16	9.32	Jan.	8.86	9.39	9.90	10.55	Jan.	8.33	8.87	9.18	10.26	Jan.	---	8.45	9.62	9.90
Feb.	9.31	8.55	9.02	9.43	10.24	9.50	9.12	9.25	Feb.	8.80	9.16	9.71	10.31	Feb.	8.29	8.87	9.15	10.17	Feb.	---	8.38	9.54	9.81
Mar.	9.26	8.52	9.01	9.40	10.12	9.43	9.10	9.16	Mar.	8.74	9.12	9.67	10.17	Mar.	8.30	8.88	9.12	10.07	Mar.	---	8.28	9.47	9.74
Apr.	9.12	8.40	8.89	9.26	9.94	9.27	8.98	9.05	Apr.	8.59	9.00	9.53	9.95	Apr.	8.20	8.78	9.00	9.92	Apr.	---	8.23	9.27	9.63
May	9.16	8.58	8.92	9.28	9.86	9.31	9.00	8.96	May	8.73	9.06	9.55	9.91	May	8.43	8.78	9.00	9.81	May	---	8.14	9.17	9.55
June	9.16	8.62	8.89	9.24	9.89	9.36	8.96	8.88	June	8.84	9.07	9.54	10.01	June	8.40	8.71	8.97	9.76	June	---	8.12	9.11	9.40
July	9.08	8.56	8.81	9.14	9.82	9.26	8.90	8.81	July	8.78	9.02	9.37	9.85	July	8.33	8.59	8.91	9.75	July	---	8.04	9.11	9.27
Aug.	8.93	8.45	8.66	8.98	9.64	9.07	8.79	8.75	Aug.	8.64	8.83	9.13	9.67	Aug.	8.26	8.48	8.82	9.61	Aug.	---	7.99	9.06	9.19
Sept.	8.79	8.38	8.54	8.81	9.40	8.91	8.66	8.66	Sept.	8.57	8.69	8.90	9.47	Sept.	8.18	8.39	8.72	9.33	Sept.	---	7.96	8.92	9.01
Oct.	8.71	8.32	8.48	8.73	9.29	8.83	8.58	8.54	Oct.	8.50	8.60	8.79	9.41	Oct.	8.14	8.36	8.66	9.17	Oct.	---	7.82	8.85	8.96
Nov.	8.66	8.25	8.46	8.69	9.23	8.77	8.54	8.48	Nov.	8.39	8.61	8.76	9.34	Nov.	8.12	8.30	8.63	9.12	Nov.	---	7.72	8.82	8.91
Dec.	8.47	7.98	8.24	8.53	9.12	8.61	8.33	8.39	Dec.	8.15	8.45	8.62	9.21	Dec.	7.81	8.04	8.43	9.03	Dec.	---	7.67	8.69	8.81
1977																							
Jan.	8.41	7.96	8.16	8.45	9.08	8.59	8.24	8.27	Jan.	8.14	8.41	8.61	9.17	Jan.	7.77	7.90	8.28	8.99	Jan.	---	7.52	8.54	8.76
Feb.	8.48	8.04	8.26	8.49	9.12	8.63	8.33	8.26	Feb.	8.21	8.46	8.65	9.19	Feb.	7.86	8.06	8.33	9.04	Feb.	---	7.59	8.52	8.67
Mar.	8.51	8.10	8.28	8.55	9.12	8.66	8.36	8.26	Mar.	8.27	8.49	8.70	9.20	Mar.	7.92	8.07	8.40	9.04	Mar.	---	7.70	8.48	8.59
Apr.	8.49	8.04	8.28	8.55	9.07	8.65	8.32	8.17	Apr.	8.21	8.51	8.71	9.17	Apr.	7.86	8.05	8.39	8.97	Apr.	---	7.63	8.37	8.53
May	8.47	8.05	8.28	8.55	9.01	8.64	8.30	8.12	May	8.22	8.49	8.71	9.13	May	7.87	8.06	8.39	8.88	May	---	7.61	8.21	8.54
June	8.38	7.95	8.19	8.46	8.91	8.53	8.23	8.06	June	8.12	8.37	8.58	9.02	June	7.77	8.00	8.33	8.80	June	---	7.55	8.08	8.55
July	8.33	7.94	8.12	8.40	8.87	8.48	8.18	8.02	July	8.10	8.32	8.51	8.97	July	7.78	7.92	8.28	8.75	July	---	7.53	7.89	8.65
Aug.	8.34	7.98	8.17	8.40	8.82	8.47	8.21	8.05	Aug.	8.13	8.36	8.49	8.91	Aug.	7.82	7.97	8.30	8.72	Aug.	---	7.56	7.89	8.71
Sept.	8.31	7.92	8.15	8.37	8.80	8.43	8.19	8.03	Sept.	8.07	8.32	8.46	8.85	Sept.	7.76	7.97	8.27	8.74	Sept.	---	7.62	7.83	8.65
Oct.	8.42	8.04	8.26	8.48	8.89	8.56	8.27	8.07	Oct.	8.18	8.44	8.61	9.01	Oct.	7.88	8.08	8.35	8.77	Oct.	---	7.74	7.87	8.59
Nov.	8.48	8.08	8.34	8.56	8.95	8.61	8.36	8.10	Nov.	8.23	8.48	8.64	9.06	Nov.	7.93	8.20	8.46	8.84	Nov.	---	7.79	7.91	8.61
Dec.	8.54	8.19	8.40	8.57	8.99	8.65	8.42	8.10	Dec.	8.34	8.55	8.64	9.08	Dec.	8.04	8.25	8.49	8.90	Dec.	---	7.83	7.93	8.55
1978																							
Jan.	8.74	8.41	8.59	8.76	9.17	8.87	8.60	8.20	Jan.	8.52	8.76	8.92	9.27	Jan.	8.31	8.42	8.60	9.07	Jan.	---	7.93	8.04	8.63
Feb.	8.78	8.47	8.65	8.79	9.20	8.90	8.65	8.32	Feb.	8.57	8.79	8.97	9.29	Feb.	8.37	8.50	8.62	9.11	Feb.	---	8.09	8.18	8.71
Mar.	8.80	8.47	8.66	8.83	9.22	8.93	8.66	8.41	Mar.	8.57	8.79	8.98	9.37	Mar.	8.36	8.53	8.69	9.07	Mar.	---	8.10	8.30	8.84
Apr.	8.88	8.56	8.73	8.93	9.32	9.05	8.72	8.49	Apr.	8.69	8.86	9.09	9.54	Apr.	8.43	8.59	8.76	9.10	Apr.	---	8.08	8.45	8.93
May	9.02	8.69	8.84	9.05	9.49	9.19	8.84	8.60	May	8.83	9.02	9.22	9.70	May	8.54	8.66	8.87	9.27	May	---	8.14	8.67	9.01
June	9.13	8.76	8.95	9.18	9.60	9.33	8.92	8.68	June	8.92	9.19	9.40	9.78	June	8.60	8.71	8.96	9.40	June	---	8.08	8.89	9.07
July	9.22	8.88	9.07	9.33	9.60	9.38	9.05	8.70	July	9.02	9.26	9.51	9.73	July	8.73	8.87	9.14	9.46	July	---	7.92	9.05	9.13
Aug.	9.08	8.69	8.96	9.18	9.48	9.21	8.95	8.72	Aug.	8.86	9.11	9.32	9.53	Aug.	8.52	8.60	9.04	9.43	Aug.	---	7.85	9.04	9.28
Sept.	9.04	8.69	8.92	9.11	9.42	9.17	8.90	8.68	Sept.	8.84	9.09	9.28	9.47	Sept.	8.54	8.75	8.94	9.36	Sept.	---	7.83	8.94	9.27
Oct.	9.20	8.89	9.07	9.26	9.59	9.37	9.03	8.74	Oct.	9.04	9.28	9.46	9.69	Oct.	8.72	8.87	9.06	9.49	Oct.	---	7.94	8.99	9.30
Nov.	9.40	9.03	9.24	9.48	9.83	9.58	9.21	9.01	Nov.	9.19	9.46	9.68	9.99	Nov.	8.87	9.02	9.27	9.66	Nov.	---	8.30	9.23	9.50
Dec.	9.49	9.16	9.33	9.53	9.94	9.67	9.31	9.15	Dec.	9.34	9.56	9.70	10.08	Dec.	8.98	9.10	9.35	9.79	Dec.	---	8.32	9.38	9.75
1979																							
Jan.	9.65	9.25	9.48	9.72	10.13	9.85	9.44	9.21	Jan.	9.48	9.70	9.90	10.29	Jan.	9.01	9.24	9.54	9.96	Jan.	---	8.33	9.53	9.78
Feb.	9.63	9.26	9.50	9.68	10.08	9.84	9.42	9.22	Feb.	9.51	9.74	9.84	10.27	Feb.	9.01	9.25	9.51	9.89	Feb.	---	8.32	9.52	9.81
Mar.	9.76	9.37	9.61	9.81	10.26	10.02	9.50	9.30	Mar.	9.61	9.89	10.04	10.53	Mar.	9.11	9.33	9.59	9.98	Mar.	---	8.46	9.62	9.84
Apr.	9.81	9.38	9.65	9.88	10.33	10.05	9.57	9.38	Apr.	9.61	9.92	10.10	10.56	Apr.	9.15	9.37	9.65	10.11	Apr.	---	8.50	9.67	9.98
May	9.96	9.50	9.86	10.00	10.47	10.23	9.69	9.48	May	9.71	10.19	10.30	10.70	May	9.30	9.52	9.70	10.24	May	---	8.69	9.65	10.08
June	9.81	9.29	9.66	9.89	10.38	10.04	9.57	9.44	June	9.49	9.95	10.14	10.56	June	9.08	9.36	9.64	10.19	June	---	8.64	9.64	10.04
July	9.69	9.20	9.49	9.75	10.29	9.90	9.47	9.45	July	9.42	9.72	9.98	10.48	July	8.98	9.26	9.52	10.11	July	---	8.76	9.55	10.03
Aug.	9.74	9.23	9.53	9.85	10.35	9.97	9.52	9.48	Aug.	9.46	9.75	10.14	10.50	Aug.	8.99	9.31	9.56	10.20	Aug.	---	8.86	9.57	10.03
Sept.	9.93	9.44	9.70	10.03</																			

The Free Conference Committee on HCS CSSB 148 (Finance) intends the following on FCCS CSSB 148:

AHFC Second Mortgages

a) that the Alaska Housing Finance Corporation implement a program of purchasing second mortgages for acquisition of residences as soon as possible after determining the potential demand for the program, the ability to finance the program through the sale of bonds and mortgage pass through certificates and that a second mortgage purchase program does not adversely affect the first mortgage bond financing program;

b) that AHFC implement a program of purchasing second mortgages for home improvement provided that it conducts a study to determine:

- 1) the ability of the corporation to finance second mortgages through the sale of bonds or pass-through mortgage certificates; and,
- 2) the potential demand for second mortgages for home improvement; and,
- 3) whether the second mortgage program will adversely affect the first mortgage program;

and provided that the corporation determines, based on the results of the study, that it is advisable to undertake such a program;

c) that copies of the study mentioned in (b) above are to be submitted to the legislature;

d) that if the corporation decides to implement a second mortgage program for home improvement:

- 1) up to \$20 million or any excess, whichever is greater, of the appropriation for the special mortgage loan purchase program be allocated for second mortgage loans for home improvement; and,
- 2) the second mortgage program for home improvement be implemented no later than ~~January~~,  
February 15,  
1982.

Go back to House wording per FCC

## All AHFC Mortgage Programs

a) that AS 18.56.098(e) has been amended to authorize AHFC to require "due on sale" clauses in new mortgages that it acquires after July 1, 1981. In the common law of some other states, such as California, judicial decisions have held "due on sale" clauses to be invalid and unenforceable. The amendment to AS 18.56.098(e), by statutory law, rejects this common law principle and provides instead that such clauses by AHFC will be enforceable. The action of modifying the common law in this way is not unlike that done to the common law of contracts by the adoption of the Uniform Commercial Code.

In the case of AHFC, the enforceability of "due on sale" clauses is an essential part of its taxable bond program. This is because the mortgages to be made have a term of 30 years, but the bond market today for taxable, 30-year bonds has become virtually non-existent, even if an extremely high rate of interest is paid on the bonds. To issue bonds in the annual volume that AHFC requires to meet the demand for its mortgages, and to do so at more reasonable interest rates and thereby allow more mortgages to be made with the subsidy monies appropriated to it, AHFC has issued and will issue bonds for a shorter term--the maturities for its first taxable bond sale earlier this month were for 13 and 18 years. To pay the bonds off with these shorter maturities, AHFC must rely on the prepayment of the outstanding balances on its mortgages when the houses being financed by them are sold. If assumptions or "wrap arounds" are allowed so that these mortgages would not be paid off until the end of their 30-year terms, AHFC would default on its repayment of its bonds.

Thus, the purpose of the "due on sale" clause for new AHFC mortgages is to facilitate the taxable bond program by allowing the subsidy funds to cover more mortgages as the result of the lower bond interest rates with shorter bond maturities. This is a very different case from "due on sale" clauses that private lenders seek to enforce, which merely seek to protect those lenders from the effects of variations in their cost of money during the term of the mortgages they make.

## AHFC Rural Mortgages

a) that the corporation increase its outreach, services, and provision of information about its programs in rural areas and small communities;

b) that the corporation meet demand for mortgage loans in rural areas and small communities.

c) that the corporation make use of the provisions of the bill allowing higher origination or servicing fees whenever appropriate, including the provision that the corporation pay all or part of the higher cost of originations in rural areas, so that home purchasers in urban and rural areas pay similar percentage amounts for loan origination.

AIDA

*Add back in a) and b) from the House letter of intent*

a) that the Alaska Industrial Development Authority make maximum use of the Federal guarantee programs in its financings, including the Farm Home Administration, National Marine Fisheries Service, and Small Business Administration guarantees.

b) that the authority submit a report to the legislature on the performance and results of its purchase of federally guaranteed loans;

c) that if a financing is secured by the moral obligation of the state or by the general assets of AIDA, and if the borrower is subject to capital spending restrictions in order to maintain tax-exempt status of that financing, AIDA shall require the borrower to provide annual certified audits to the board, and a condition of those audits shall be to verify compliance with the Internal Revenue Service capital spending restrictions.

d) that the board and staff of AIDA or any other state agency disseminating information about AIDA's programs be cognizant of the following long-term legislative intent toward AIDA:

AIDA was created to import low-cost capital into the State, and to pass that low cost on to the business community with the addition of modest administrative and overhead costs.

It is the intent of the Legislature that the expense to the State of the AIDA programs remain modest, and it is not the intent of the Legislature to subsidize taxable loans down to tax-exempt rates nor to appropriate State money, which would otherwise be eligible for investment at taxable rates, directly to an AIDA loan fund to be lent at tax-exempt rates.

The two words  
Delete,  
per FCC

The Legislature specifically wishes to avoid building into the AIDA program an expectation of low-interest funds the same way that such an expectation has been built into the AHFC program. It is important that the business community recognize the possibility that the issuance of tax-exempt industrial revenue bonds may be halted ~~by the Legislature~~ and that if such an event occurs, the Legislature will not act to continue, through subsidy, the tax-exempt rate loan programs.

Nonconforming Housing Loans

- a) the Department of Community and Regional Affairs place the lowest priority on construction loans (interim financing) other than building material loans;
- b) that the Department of Community and Regional Affairs may originate loans in areas of the state where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing, or not making a good faith effort to do so.

Business Loans

- a) that the Department of Commerce and Economic Development process to completion beyond July 1, 1981, if necessary, certain types of loans approved prior to July 1, 1981, after which date the authority of the department to make such loans is repealed by sec. 71, ch. 106, SLA 1980.

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

June 23, 1981

### MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman  
Free Conference Committee on SB 148

FROM: Milt Barker, <sup>MB</sup>Fiscal Analyst  
Legislative Finance Division

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

#### AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
  - a) interest rate is the same as first mortgages;
  - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
  - a) starts at 10%, 9% for veterans;
  - b) gradually adjusts to 3% below the corporation's cost of funds;
  - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;
9. Authorization of \$592,000,000 in bonds.

#### Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

#### AIDA

1. Authorization for meetings of the authority via electronic media;
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
  - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
  - b) \$500,000 in the case of federally insured loans to small enterprises;
  - c) the cost of the project; or
  - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
  - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
  - b) for projects not eligible for tax-exempt financing:
    - 1) the cost of taxable bond funds if the authority issues taxable bonds;
    - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds.

MBB:pw

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
POUCH WF-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

June 24, 1981

### MEMORANDUM

TO: Honorable Arliss Sturgulewski, Chairman  
Free Conference Committee on SB 148

FROM: Milt Barker, <sup>MB</sup> Fiscal Analyst  
Legislative Finance Division

SUBJECT: FCCS SB 148

The following are the major provisions of FCCS SB 148:

#### AHFC

1. Authorization for board meetings via electronic media;
2. Authorization for second mortgages for either home purchase or home acquisition:
  - a) interest rate is the same as first mortgages;
  - b) subsidized portion of the loan is equal to \$90,000 less any outstanding first mortgage balance;
3. Authorization for AHFC to enforce "due on sale" clauses on loans purchased after July 1, 1981;
4. The "Rogers ratchet" interest rate for first and second mortgages on the first \$90,000 of a loan:
  - a) starts at 10%, 9% for veterans;
  - b) gradually adjusts to 3% below the corporation's cost of funds;
  - c) in no case is less than 10% or 9% unless the corporation's cost of funds is less than 10%;

5. Allocation of the State's \$200 million allotment of tax-exempt mortgage revenue bonds to AHFC which may reallocate amounts to municipalities;
6. Authorization for higher loan origination and service fees in rural areas (the corporation is authorized to pay a portion of the origination fees);
7. Automatic extension of prior year bond authorization in the absence of legislative action;
8. Requirement for a summary of loan efforts in rural communities in the corporation's annual report;

#### Nonconforming Housing Loans

1. Authorization for Community & Regional Affairs to originate nonconforming loans;
2. Authorization for construction loans other than to builders and contractors or for a person's own labor;
3. No more than 20% of nonconforming loans allowed in urban areas;
4. Interest rates equal to the "Rogers" ratchet (in effect, no subsidy on amounts greater than \$90,000);
5. Authorization for higher loan origination and service fees in rural areas (the department is authorized to pay a portion of the origination fees);

#### AIDA

1. Authorization for meetings of the authority via electronic media; ,
2. Loan application fees prohibited and loan commitment fees limited to two percent of the loan amount for small enterprise loan account purchases of loans;
3. Extension of prior year bond authorization in the absence of legislative action;
4. Limitation on the use of the moral obligation of the State to:

- a) loans for projects less than \$10,000,000;
  - b) loans for projects between \$1,000,000 and \$10,000,000 only with bank participation of 20% or more;
5. Maximum amount on loans purchased by the Enterprise Development Fund is the lesser of:
- a) \$10,000,000; or
  - b) \$500,000 in the case of federally insured loans to small enterprises;
  - c) the cost of the project; or
  - d) 75% of the appraised value of the project;
6. Loans purchased by the Enterprise Development Fund from cash flow or assets of the authority other than bond proceeds must be:
- a) new federally insured loans to small enterprises; or
  - b) loans that will eventually be funded from bond proceeds;
7. Loans purchased by the Enterprise Development Fund must have at least 10% bank participation;
8. The interest rate on loans purchased by the Enterprise Development Fund is:
- a) for projects eligible for tax-exempt financing: the cost of tax-exempt bond funds;
  - b) for projects not eligible for tax-exempt financing:
    - 1) the cost of taxable bond funds if the authority issues taxable bonds;
    - 2) the rate on Aa corporate bonds if the authority does not issue taxable bonds;
9. Loans purchased by the Enterprise Development Fund from other than bond proceeds may not be made to businesses with gross income over \$10,000,000; there is no income limit for loans purchased from bond proceeds;
10. The federally insured portion of new working capital, inventory, accounts receivable and refinancing loans

up to \$500,000 made to small enterprises may be purchased from other than tax-exempt bond proceeds;

11. Authorization of \$400,000,000 in bonds;
12. Authorization for the purchase of loans for rental or cooperative multi-family dwellings of eight or more units:
  - a) until June 30, 1982;
  - b) subject to appropriation;
  - c) with 10% bank participation;
  - d) at an interest rate of 1% above the "Rogers ratchet";
  - e) in an amount not to exceed the lesser of \$3,000,000 or \$50,000 per unit.

MBB:pw

SB

6666

FILE 1

CONFERENCE COMMITTEE AND FREE CONFERENCE COMMITTEE MEETINGS  
ON SB 666, 1982\*

Tape #	Date	
1	4/20/82	SIDE # 1 - AGR, ALL. TECH., ZONING, RURAL HOUSING
2	4/21/82	" # 2 - A.H.F.C., H.A.D.
3	4/22/82	" # 1 - A.H.F.C.
4	5/4/82	" # 2 - A.H.F.C.
5	5/5/82	" # 1 - BLANK
6	5/6/82	" # 2 - BLANK
7	5/6/82	" # 1 - COMMERCIAL FISHERIES LEASING
8	5/7/82	" # 2 - BLANK
9	5/10/82	" # 1 - MULTI-FAMILY, COUNCIL OF 100'S
10	5/10/82	" # 2 - BLANK
11	5/11/82	" # 1 - LEGISLATIVE INTENT
12	5/11/82	" # 2 - H.A.D.
13	5/12/82	" # 1 - H.A.D.
14	5/12/82	" # 2 - BLANK
15	5/17/82	
16	5/18/82	
17	5/27/82	

\* Received from Sen. Rodey's office.

- 1) { H. Special Committee on Bonds '82 } Small box of cassettes  
{ Bond Conference Committee } log sheets in box  
{ Bond Sub Committee }

2) FCC meetings on SB666:  
17 cassettes; no logs or minutes

3) Sen. Resources Committee:  
Contact Resa King <sup>capitol Room 211</sup> 465-3835. She has  
committee materials and will help with  
~~to~~ locating any information on SB666.

4) pages from journals

~~5) C~~

5) Contact ~~the~~ Legislative Finance for House and  
Senate Finance Committee materials

## CONFERENCE COMMITTEE REPORT

SB 666

May 27, 1982

Mr. President:  
Mr. Speaker:

The Conference Committee with limited powers of free conference considering SENATE BILL NO. 666 (mining loan fund (AS 27.09); eff date) and HOUSE CS FOR SENATE BILL NO. 666 (FIN) am H (certain state loan programs; eff date) recommends that:

CONFERENCE CS FOR SENATE BILL NO. 666  
(certain state loan and grant programs; eff  
date) with a Letter of Intent and fiscal  
note

be adopted.

The report was signed by Senators Sturgulewski and Mulcahy, Representatives Meekin (Chairman) and Halford, Senator Rodey (Chairman) and Representative Malone signed "no recommendation".

Letter of Intent on CONFERENCE CS FOR SENATE BILL NO. 666 follows:

"The Legislature intends that:

1. The authority conferred upon the Alaska Industrial Development Authority (AIDA) to participate in multifamily housing projects is to be used to facilitate the financing of such projects, generally by bridging the likely gap between the debt service on tax-exempt bonds to finance them and the rental income available from the projects to meet that debt service. This gap may be bridged by reducing the amount of bond-proceeds financing by making a second loan from AIDA with temporarily reduced or deferred payments of principal and interest. The gap may also be bridged by the making of a loan in which AIDA advances funds as needed to meet the difference between debt service for a bond-proceeds loan and the rental income available from the project to meet that debt service; as advanced, the funds would become the principal of a loan by AIDA which could be repaid or start being repaid after the bond-proceeds loan (or a refinancing loan thereof) is paid off. Other ways to shift the timing for the payment of debt service from project rentals may also be employed, as appropriate, in order to make the financing of a project feasible. However, in no such arrangement is it intended that AIDA's funds from its enterprise development fund be consumed to provide a subsidy over the life of the loan.

## SE 666 cont'd

2. AIDA is to use its authority to own multifamily housing projects only when necessary to protect AIDA's security interest in a project, and not to become a partner or co-venturer with a developer in multifamily housing projects. Nothing in this act prohibits AIDA from supplementing its interest return to multifamily housing project investments with shared appreciation mortgages on terms comparable to those used in the private financial community.
3. The easing of the restrictions on the use of the capital reserve fund in multifamily bond issues is to be regarded as an exception only to accommodate multifamily real estate borrowings. This is not a change in general policy toward the use of capital reserve funds and the corresponding state moral-obligation pledge, and the legislature intends that there still be a participation by both the multifamily housing project owner and the originating bank whenever the state's moral obligation is pledged, however, the authority may purchase 100% of Federal Housing Administration guaranteed loans.
4. AIDA is to cooperate with any Alaskan municipality which has sponsored its own multifamily housing projects financing program.
5. Loans made under AS 16.10.310(a)(1)(B) and AS 16.10.310-(a)(1)(C) are intended to be made to individuals who do not have alternative sources of financing available to them.
6. It is the intent of the legislature that, in the event of passage by the 97th Congress of a bill which would provide for a program of mortgage interest reduction payments, AHFC enter into agreements as appropriate with the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to effectuate the program in Alaska.
7. The amendment to AS 18.56.098(g)(?) in Section 20 of the bill is included to insure that if AHFC issues bonds comprised solely of mortgage loans for triplex and fourplex residences, that issue would not affect the operation of the interest rate ratchet.
8. AHFC investigate the possibility of having the Federal National Mortgage Association (FNMA) or similar agencies purchase mortgages financed by AHFC. The investigation should include analysis of the financial, legal, and administrative advantages and disadvantages that might accrue by the sale of mortgages or mortgage securities to or through FNMA or similar agencies. The results of the investigation are to be provided to the Legislative Budget and Audit Committee and the House and Senate Special Committees on Banking by September 30, 1982.

SB 666 cont'd

Senator Rodey moved and asked unanimous consent that the Letter of Intent be adopted. Without objection, the Letter of Intent was adopted.

Fiscal note appears in Senate Supplement No. 54 to today's journal.

Senator Rodey moved that the Senate adopt the Conference Committee report.

The question being: "Shall CONFERENCE CS FOR SENATE BILL NO. 666 (relating to certain state loan and grant programs) pass the Senate?" The roll was taken with the following result:

CCS SB 666

Yeas:	18	Anderson, Bennett, Colletta, Dankworth, Eliason, Fahrenkamp, Ferguson, Fischer, Gilman, Kelly, Kerttula, Mulcahy, Parr, Ray, Rodey, Sackett, Stinson, Sturgulewski
Nays:	0	
Excused:	1	Ziegler
Absent:	1	Bradley

and so, CONFERENCE CS FOR SENATE BILL NO. 666 passed the Senate with a Letter of Intent.

Senator Rodey moved and asked unanimous consent that the roll call on the passage of the above bill be considered the roll call on the effective date clause. Without objection, it was so ordered.

CONFERENCE CS FOR SENATE BILL NO. 666 was referred to the Secretary for engrossment and enrollment.

HB 339

Conference Committee report on CS FOR HOUSE BILL NO. 339 (SA) (relating to the judicial review of administrative regulations) and SENATE CS FOR CS FOR HOUSE BILL NO. 339 (JUD) (relating to adoption of administrative regulations) was distributed to each Senator today at 10:30 a.m.

HCSSB 666 (Fin) am H

Representative Halford moved that the House approve the Conference Committee Report on HCSSB 666 (Fin) am H (certain state loan programs, eff. date) and SB 666 (mining loan fund AS 27.09); eff. date), thus adopting CCSSB 666 (relating to certain state loan and grant programs; eff. date).

The question being: "Shall the House approve the Conference Committee Report on HCSSB 666 (Fin) am H and SB 666, thus adopting CCSSB 666?" The roll was taken with the following result:

Yeas	28	Abood, Anderson, Barnes, Beirne, Bettisworth, Brown, Buchholdt, Bylana, Chuckwuk, Clocksin, Cuddy, Duncan, Fanning, Freeman, Fuller, Grussendorf, Halford, Haugen, Hayes, Hurlbert, Meekins, Metcalfe, Miller, Montgomery, Moss, O'Connell, Phillips, Randolph
Nays	9	Adams, Carney, Cotten, Gardiner, Martin, Rogers, Smith, Sutcliffe, Vaska
Excused:	1	Zharoff
Absent	2	Cato, Malone

And so, the House approved the Conference Committee Report, thus adopting CCSSB 666.

Representative Halford moved and asked unanimous consent that the roll call on adoption of CCSSB 666 be considered the roll call on the effective date clauses. There being no objection, it was so ordered.

Representative Halford moved that the House adopt the Letter of Intent. There being no objection, it was so ordered.

Representative Carney gave notice of reconsideration of his vote on the adoption of CCSSB 666.

CCSSB 322

Representative Cotten brought up the reconsideration of his vote on the adoption of the Conference Committee Report adopting CCSSB 322 (making appropriations for various state loan and grant programs, amending a 1981 appropriation for senior citizen housing, eff. date).

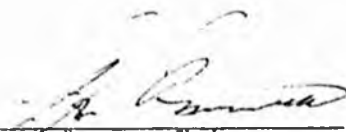
The question being: "Shall the House adopt the Conference Committee Report, thus adopting CCSSB 322, on reconsideration?" The roll was taken with the following result:

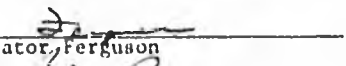
2d HCS CSSB 42 (Fin) am H

Date May 26, 1982

Mr. President:  
Mr. Speaker:

The Conference Committee considering CS FOR SENATE BILL NO. 42 (C&RA) AM (relating to the village safe water program; eff. date) and 2d HOUSE CS FOR CS FOR SENATE BILL NO. 42 (FIN) AM H (providing for the issuance of general obligation bonds in the amount of \$95,615,000 for the purpose of paying the cost of water, sewer, and solid waste facilities construction; eff date) recommends that Conference CS for SB 42 entitled "An Act providing for the issuance of general obligation bonds in the amount of \$102,027,000 for the purpose of paying the cost of water, sewer, and solid waste facilities construction; and providing for an effective date" be adopted.

  
\_\_\_\_\_  
Senator Bennett, Chairman

  
\_\_\_\_\_  
Senator Ferguson

  
\_\_\_\_\_  
Senator Ray

  
\_\_\_\_\_  
Rep. Meekins, Chairman

  
\_\_\_\_\_  
REP FULLER

\_\_\_\_\_  
Rep. Rogers

HCS SB 666 (Fin) am H

Date 5/27/82

Mr. President:  
Mr. Speaker:

The Conference Committee with limited powers of free conference considering SENATE BILL NO. 666 (mining loan fund (AS 27.09); eff. date) and HOUSE CS FOR SENATE BILL NO. 666 (FIN) AM H (certain state loan programs; eff. date) recommends that Conference Committee Substitute for Senate Bill NO. 666, "An Act relating to certain state loan and grant programs; and providing for an effective date" with a letter of intent and a fiscal note

HCS SB 666 (Fin) am H

be adopted.

*Patrick Rodley*  
 Senator Rodley, Chairman

*William Sturgulewski*  
 Senator Sturgulewski

*Bob Mulcahy*  
 Senator Mulcahy

*Russ Meekins*  
 Rep. Meekins, Chairman

*Rich Halford*  
 Rep. Halford

*J. Malone - No Recommendation*  
 Rep. Malone

HCS S3 876 (Fin)

Date May 27, 1982

Mr. President:  
Mr. Speaker:

The Conference Committee considering SENATE BILL NO. 876 (Special appropriations and appropriation transfers to the Department of Law for implementation of a settlement agreement; eff date) and HOUSE CS FOR SENATE BILL NO. 876 (Fin) (general obligation bonds for \$74,380,000 for capital improvements for University of Alaska education facilities; eff date) recommends that Conference CS for SB No. 876 entitled "An Act providing for the issuance of general obligation bonds in the amount of \$79,000,000 for the purpose of paying the cost of capital improvements for University of Alaska education facilities; and providing for an effective date" be adopted.

*Senator Bennett*  
 Senator Bennett, Chairman

*Senator Dankworth*  
 Senator Dankworth

*Senator Karttula*  
 Senator Karttula

*Russ Meekins*  
 Representative Meekins, Chairman

*John Fuller*  
 Representative Fuller

*Representative Rogers*  
 Representative Rogers

SB

666

FILE 2

A G E N D A

Wed: 4:00 pm.

THUR. 3:30 pm

Fri 3:00 pm

Conference Committee

House CS for Senate Bill No. 666 (Finance) Am H

Wednesday, April 28, 1982

I. Alaska Industrial Development Authority: (To be continued on Friday)

- 40) Shall the language in Section 41 of the bill relating to multi-family housing be modified?
- 41) Shall AS 44.88 relating to delinquency provisions be modified?

II. Proposed Amendments Pending:

Amendment #2: relating to the Agricultural Loan Act

Amendment #3: relating to the Alternative Technology and Energy Revolving Loan Fund

Amendment #4: relating to senior citizens housing

Amendment #5: relating to repealers

Amendment #7: relating to AS 18.55.997

Amendment #8: relating to AS 18.56.170

III. Other Proposed Amendments:

- 5) Shall existing language in AS 16.10.310-360 be modified?
- 6) Shall foreclosure procedures for loans made under AS 16.10 be modified?
- 8) Shall the Division of Housing Assistance be allowed broader use of the appropriation to the senior citizens housing fund?
- 28) Shall the language in Sections 31-35 of the bill relating to the transfer of rural programs from AHFC be modified?
- 29) Shall the language in Section 39 of the bill relating to owner-occupied housing be modified?
- 30) Shall the language in Section 49 of the bill relating to effective dates be modified?
- 31) Shall language be added to AS 44.47 to allow Regional Native Housing Authorities to perform the loan function for rural housing in places where the Division of Housing Assistance has no offices?

32) Shall language be added to the bill relating to the Alaska Municipal Bond Bank Authority?

45) Shall language be added to the bill relating to the establishment of an Alaska Resources Corporation in place of the ARRC?

51) Shall intent language be adopted to allow the Division of Loans to use a portion of their funds for an outreach program for the fishing loan programs?

52) Shall language be added to the bill relating to the loan repayment provisions under AS 44.81.210?

53) Shall language be added to the bill relating to the Title Loss Reserve Account under AS 44.47.420?

For Friday, April 30th:

IV. Alaska Housing Finance Corporation:

7) Shall the subsidy rates for tri-plexes and four-plexes under AHFC be modified?

48) Shall the AHFC interest rate language be modified?

18



Official Business

# Alaska State Legislature

Senate

Office of the President

Pouch V  
State Capitol  
Juneau, Alaska 99811

## MEMORANDUM

To: Senator Rodey  
Senator Mulcahy  
Representative Halford  
From: Jay Kerttula, Senate President  
Date: April 17, 1982  
Subject: House CS for SB 666 (Finance) am H

You have asked for my comments on the latest version of SB 666, now in conference.

- \* Section 1 should be amended to provide:  
"To be eligible for a land clearing loan, the land must be classified as Class 3 or better by the Soil Conservation Service."
- \* Section 3 of the bill should be eliminated. This production loan fund should not be used for processing loans. CFAB exists for this purpose.
- \* Section 5 should be amended as follows:  
"(g) A loan for clearing land may not  
(1) exceed \$250,000 (\$400,000);  
(2) bear interest that is less than  
(exceeds) eight percent; or  
(3) have a term in excess of 20 (30)  
years."

First of all, \$250,000 should be sufficient for these loans. Second, eight percent is very cheap money these days. These programs are in danger of being wiped out if they become a pure subsidy. Third, 20 years is an adequate term for land clearing repayment.

- \* Section 6 should be eliminated. \$25,000 is high enough for a loan to be made without board approval; anything higher deserves board consideration.

Thank you for your consideration of these comments.

SENATOR  
PATRICK M. RODEY  
3271 MONTCLAIRE COURT  
ANCHORAGE, AK 99503



SENATE MAJORITY LEADER  
CHAIRMAN  
SENATE JUDICIARY COMMITTEE  
CHAIRMAN  
SENATE SPECIAL COMMITTEE  
ON BANKING

ALASKA STATE LEGISLATURE

POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3717

MEMORANDUM

TO : Members of the Conference Committee on HCS SB 666 (Fin) and E  
FROM: Senator Patrick Rodey *PR*  
RE : Schedule change in conference committee meetings

DATE: April 16, 1982

Please be advised there has been a schedule change in the conference committee meetings during next week (April 19 - 22nd). Meetings will be held in Senate Finance Committee Room.

5:00 p.m. Monday, April 19th

Division of Business Loans  
Historical District  
Mining  
Child Care  
Alternative Technology  
Residential Energy  
Commercial Fishing  
Agriculture

3:30 p.m. Tuesday, April 20th

Division of Housing Assistance  
Municipal Bond Bank

4:00 p.m. Wednesday, April 21st

Alaska Housing Finance Corporation

3:30 p.m. Thursday, April 22nd

Alaska Industrial Development Authority

cc Senator Sturgulewski  
Senator Mulcahy  
Representative Meekins  
Representative Halford  
Representative Malone  
Senate Secretary  
House Chief Clerk

SENATOR  
PATRICK M. RODEY  
3271 MONTCLAIRE COURT  
ANCHORAGE, AK 99503



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\* Sec. 15. AS 18.55.997 is amended to read:

Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers authorized to a regional housing authority under AS 18.55.996, a regional housing authority may, in accordance with procedures and policies adopted and approved by the division of housing assistance in the Department of Community and Regional Affairs, (BOARD OF DIRECTION OF THE ALASKA HOUSING FINANCE CORPORATION), make loans for the purchase or development of residential housing in rural areas of the state except where the division has a loan office. A loan shall be secured by collateral in an amount acceptable to the division of housing assistance in the Department of Community and Regional Affairs (BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION). The rate of interest on a loan authorized by this section may not exceed ten and one-half percent for an owner-occupied single-family or duplex residence (AN INTEREST RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION).

(b) in this section,

(1) "development" means the construction of a new residence or the repair, remodeling, rehabilitation or expansion of an existing home;

(2) "rural" means

(A) a (ANY) community in the second, third or fourth judicial district of the state with a population of 4,500 or less that is not connected by road or rail to Anchorage or Fairbanks; or

(B) a community in the first judicial district of the state with a population of 4,500 or less.

\* Sec. AS 44.47.410 is amended to read:

Sec. 44.47.410. INTEREST ON LOANS. The rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 is ten and one-half percent (EQUAL TO THE INTEREST RATE, AS DETERMINED UNDER AS 18.56.098(g)(1)-(4), ON A MORTGAGE LOAN PURCHASED UNDER AS 18.56.098(g) FROM THE PROCEEDS OF THE MOST RECENT APPLICABLE ISSUE OF TAXABLE BONDS BEFORE THE ORIGINATION OR PURCHASE OF THE MORTGAGE LOAN ORIGINATED OR PURCHASED UNDER AS 44.47.380).

AM #6  
PRELIMINARY

Proposed amendments by Senator Rodey:

Delete the following:

AS 45.88.010. Fund established [TERMINATES JUNE 30, 1984].

Section 43 of the bill: repeal and re-enact to read:

(e) The rate of interest equals the percentage of the average weekly yield of municipal bonds for the 12 months preceding the loan, as determined by the commissioner of commerce and economic development from municipal bond yield rates as reported in the 30-year revenue index of the Weekly Bond Buyer.

Delete Section 44

Amend Section 45 to read:

(3) does not include

- (A) a coal or multi-fuel heating stove; or
- (B) a fireplace.

Include intent language to state: "It is the intent of the Conference Committee on SB 666 that no more than 65 percent of the appropriation to the Alternative Technology and Energy Revolving Loan Fund be used to make loans for wood stoves."

STILL PENDING ON → SK 666 -

~~Amendment # 3(b) WOOD STOVES~~

amendment # 4 Passed SENIOR CITIZENS (technical)

amendment # 7(a) }  
7(b) } 3/4 plus AHFC  
7(c) } (" " (plus fiscal note)

~~amendment # 5 REPEALERS (see # 10 last section)~~

amendment # 15 Passed con Registered Contractors / AHFC

clarify interest p. 27 & 5 (non-confirming)

amendment # 48 AHFC / ratchet

II # 7 Housing Assistance

III # 31 " "

III # 32 ← Hold → Bond Bank

# 40/41 ← Hold → AIDA

~~III # 45 Hold ARE~~

III # 52 Passed Fishing

III # 53(a) H.A.D.  
53(b) "

III # 54 Hold Sm. Bus.

letter of intent ← Passed → Fishing

LEGISLATION

Legislation

Original sponsors: Fahrenkamp, Bennett  
and Parr

Offered: 4/1/82  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 666 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain state loan programs; and  
7 providing for an effective date."

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

9 \* Section 1. AS 03.10.020(1) is amended to read:

10 (1) make loans to individual resident farmers, homesteaders,  
11 and partnerships or corporations composed of farmers and homesteaders,  
12 for clearing land for agricultural purposes, development of farms, stor-  
13 age and processing of farm produce, livestock and machinery and to indi-  
14 viduals, partnerships or corporations, for storage and processing plants  
15 for agricultural products;

16 \* Sec. 2. AS 03.10.030(a) is repealed and reenacted to read:

17 (a) A farm development, chattel, or irrigation loan made under  
18 this chapter

19 (1) may not exceed a term of 30 years;

20 (2) may not, when added to the outstanding balance of other  
21 loans made under this chapter, exceed a total outstanding balance of  
22 \$1,000,000;

23 (3) shall be secured by a real estate or chattel mortgage of  
24 any priority, except that the portion of a loan that exceeds \$500,000,  
25 when added to prior indebtedness that is secured by the same property,  
26 must be secured by a first mortgage;

27 (4) shall bear interest at a rate that may not be less than  
28 eight percent or more than the commercial rate, unless the commercial  
29 rate is eight percent or less; in this paragraph "commercial rate" means

1 the prevailing rate of interest at private lending institutions in the  
2 state for loans similar to those referred to in this subsection.

3 \* Sec. 3. AS 03.10.030(c) is amended to read:

4 (c) A short term loan, to be amortized within one year, not to  
5 exceed \$200,000 to any one borrower may be made for operating purposes,  
6 except that short term loans made under this subsection for farm product  
7 processing may be made for \$500,000 or less.

8 \* Sec. 4. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by  
10 the borrower on or before the 30th [15TH] day after the date specified  
11 for payment in the loan agreement or unless it is received by the depart-  
12 ment on or before the 30th [15TH] day after the date specified for  
13 payment in the loan agreement. If an installment payment is delinquent,  
14 the director may [SHALL] assess a delinquency penalty. The delinquency  
15 penalty shall be an amount equal to seven percent of the delinquent  
16 payment, but the combined delinquency penalty and loan interest may not  
17 exceed 15 percent.

18 \* Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

19 (g) A loan for clearing land may not

- 20 (1) exceed \$400,000;  
21 (2) bear interest that exceeds eight percent; or  
22 (3) have a term in excess of 30 years.

23 (h) The commissioner shall adopt regulations to establish other  
24 terms for loans made under this chapter, consistent with the provisions  
25 of this section, and may establish interest rates for loans under (a)(4)  
26 of this section that

- 27 (1) encourage agricultural development;  
28 (2) do not subsidize nonviable agricultural enterprises; and  
29 (3) do not discriminate against existing agricultural enter-

1 prizes.

2 \* Sec. 6. AS 03.10.050(a) is amended to read:

3 (a) The commissioner shall administer the loan fund in conjunction  
4 with the agricultural revolving loan fund board. No loan in excess of  
5 \$50,000 [\$25,000] may be made by the commissioner without the approval  
6 of a majority of the board.

7 \* Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

8 (c) A meeting of the agricultural revolving loan fund board to act  
9 on applications for loans is exempt from the public meeting requirements  
10 of AS 4.62.310.

11 \* Sec. 8. AS 16.10.310 is repealed and reenacted to read:

12 Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

13 (1) make loans to

14 (A) individual commercial fishermen who have been state  
15 residents for a continuous period of five years immediately preced-  
16 ing the date of application for a loan under AS 16.10.300 - 16.10.-  
17 370 and have had a crewmember or commercial fishing license under  
18 AS 16.05.480 or a permit under AS 16.43 for any one of the past  
19 five years, and who actively participated in the fishery during  
20 that period, for the purchase of entry permits;

21 (B) an individual who has been a state resident for a  
22 continuous period of five years immediately preceding the date of  
23 application for a loan under AS 16.10.300 - 16.10.370, who (i)  
24 because of lack of training or lack of employment opportunities in  
25 the area of residence does not have occupational opportunities  
26 available other than commercial fishing; or (ii) is economically  
27 dependent on commercial fishing for a livelihood and commercial  
28 fishing has been a traditional way of life for him in Alaska, for  
29 the repair, restoration or upgrading of existing vessels and gear.

1 for the purchase of entry permits and gear, and for the construc-  
2 tion and purchase of vessels;

3 (C) corporations, partnerships, or joint ventures, 100  
4 percent of which are owned by individual commercial fishermen who  
5 have been state residents for a continuous period of five years  
6 immediately preceding the date of application for a loan under  
7 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial  
8 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
9 any one of the past five years, and who actively participated in  
10 the fishery during that period, for the repair, restoration or  
11 upgrading of existing vessels and gear, for the purchase of gear,  
12 and for the construction and purchase of vessels;

13 (2) designate agents and delegate its powers to them as  
14 necessary;

15 (3) adopt regulations necessary to carry out its functions;

16 (4) establish amortization plans for repayment of loans,  
17 which may include extensions for poor fishing seasons;

18 (5) enter into agreements with private lending institutions,  
19 other state agencies, or agencies of the federal government, to carry  
20 out the purposes of AS 16.10.300 - 16.10.370;

21 (6) enter into agreements with other agencies or organiza-  
22 tions to create an outreach program to make loans under AS 16.10.300 -  
23 16.10.370 in rural areas of the state.

24 (b) The department shall consult with the Department of Fish and  
25 Game on regulations and procedures established under this chapter.

26 \* Sec. 4 AS 16.10.320(a) is repealed and reenacted to read:

27 (a) A loan under AS 16.10.310 - 16.10.370

28 (1) made to

29 (A) an individual described in AS 16.10.310(a)(1)(A) may

1 not exceed \$300,000;

2 (B) an individual, corporation, partnership, or joint  
3 venture described in AS 16.10.310(a)(1)(B) or (C) may not exceed  
4 \$100,000;

5 (2) may not exceed a term of 15 years;

6 (3) may not bear interest exceeding 10 and one-half percent;

7 (4) may be secured by a first priority lien and appropriate  
8 security agreement; and

9 (5) may not exceed 75 percent of the appraised value of the  
10 collateral used to secure the loan, except that a loan granted under  
11 AS 16.10.333 for the purchase of an Alaska limited entry permit may not  
12 exceed an amount determined in accordance with (f) or (h) of this  
13 section.

14 \* Sec. 10. AS 16.10.320(d) is amended to read:

15 (d) A loan may not be made to a borrower under AS 16.10.300 -  
16 16.10.370 if it would result in an outstanding debt of the borrower to  
17 the commercial fishing revolving loan fund in excess of \$300,000  
18 [\$500,000, EXCLUDING OUTSTANDING DEBT INCURRED UNDER (c) OF THIS SECTION.  
19 A BORROWER UNDER AS 16.10.300 - 16.10.370 MAY USE UP TO 49 PERCENT OF  
20 THE AMOUNT BORROWED TO REFINANCE ANY OUTSTANDING LOANS OF THE BORROWER  
21 REGARDLESS OF THE SOURCE OF THE LOANS, IF THE OUTSTANDING LOANS WERE  
22 MADE FOR ANY OF THE PURPOSES DESCRIBED IN AS 16.10.310]. A loan to an  
23 associate of the borrower is considered to be a loan to the borrower.  
24 For the purposes of this section, "associate of the borrower" means

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

29 (2) a person who is, directly or indirectly, the beneficial

1 owner of 10 percent or more of any class of equity securities of the  
2 borrower;

3 (3) a trust or other estate in which the borrower has a  
4 substantial beneficial interest or as to which the borrower serves as  
5 trustee or in a similar fiduciary capacity.

6 \* Sec. 11. AS 16.20.320(e) is amended to read:

7 (e) Two or more individual commercial fishermen who each satisfy  
8 the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-  
9 (A)] may jointly obtain a commercial fishing loan for the construction  
10 of a fishing vessel or the purchase of an existing fishing vessel.

11 Loans granted under this subsection

12 (1) may not exceed the amount specified in (a)(1) of this  
13 section multiplied by the number of qualified commercial fishermen  
14 applying for the loan;

15 (2) may not exceed a term of 15 years;

16 (3) shall be secured by a first priority lien and appropriate  
17 security agreement;

18 (4) may not bear interest exceeding 10 [NINE] and one-half  
19 percent; and

20 (5) may not exceed 75 percent of the appraised value of the  
21 collateral used to secure the loan.

22 \* Sec. 12. AS 16.10.320(f) is amended to read:

23 (f) Except as permitted in (h) of this section a [A] loan granted  
24 under AS 16.10.333(a) for the purchase of an Alaska limited entry permit  
25 may not exceed 90 percent of the appraised value of the collateral used  
26 to secure the loan.

27 \* Sec. 13. AS 16.10.320 is amended by adding a new subsection to read:

28 (h) A loan under AS 16.10.333(a) may be made for up to 100 percent  
29 of the appraised value of the collateral used to secure the loan if the

1 borrower demonstrates that he has at least three years of experience as  
2 a commercial fisherman in the fishery to which the entry permit applies;  
3 as used in this paragraph, "three years of experience as a commercial  
4 fisherman in the fishery" means that for an accumulated total of three  
5 fishing seasons in the same fishery the person has actively participated  
6 in the commercial harvest of fish under the direction of a limited entry  
7 permit holder.

8 \* Sec. 14. AS 16.10 is amended by adding a new section to read:

9 Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the  
10 borrower has insufficient collateral to secure a loan for the purposes  
11 described in AS 16.10.310(a)(1)(B). The loan agreement shall specific-  
12 ally describe the property of the guarantor to be used as collateral by  
13 the borrower and shall be signed by the guarantor and the borrower. The  
14 department shall provide the guarantor with a copy of all notices sent  
15 to the borrower by the department. If the loan is for the purchase of  
16 an entry permit, the guaranty by the guarantor may not constitute a  
17 lien, mortgage, or encumbrance on or pledge of the entry permit.

18 \* Sec. 15. AS 18.55.997 is amended to read:

19 Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers  
20 authorized to a regional housing authority under AS 18.55.996, a regional  
21 housing authority may, in accordance with procedures and policies adopted  
22 and approved by the division of housing assistance in the Department of  
23 Community and Regional Affairs [BOARD OF DIRECTORS OF THE ALASKA HOUSING  
24 FINANCE CORPORATION], make loans for the purchase or development of resi-  
25 dential housing in rural areas of the state. A loan shall be secured by  
26 collateral in an amount acceptable to the division of housing assistance  
27 in the Department of Community and Regional Affairs [BOARD OF DIRECTORS  
28 OF THE ALASKA HOUSING FINANCE CORPORATION]. The rate of interest on a  
29 loan authorized by this section may not exceed the interest rate on a

1 loan originated or purchased under AS 44.47.360 - 44.47.560 [AN INTEREST  
2 RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE  
3 CORPORATION].

4 (b) In this section,

5 (1) "development" means the construction of a new residence  
6 or the repair, remodeling, rehabilitation or expansion of an existing  
7 home;

8 (2) "rural" means

9 (A) a [ANY] community in the second, third, or fourth  
10 judicial district of the state with a population of 4,500 or less  
11 that is not connected by road or rail to Anchorage or Fairbanks; or

12 (B) a community in the first judicial district of the  
13 state with a population of 4,500 or less.

14 \* Sec. 16. AS 18.56.040 is amended by adding a new subsection to read:

15 (d) Public notice of 24 hours or more shall be given before a  
16 meeting of the board at which the issuance of corporation bonds is  
17 authorized.

18 \* Sec. 17. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.084. INTERNATIONAL BORROWING. For the purpose of  
20 obtaining access to international capital markets to borrow money for  
21 the special mortgage loan purchase program (AS 18.56.098), as an addition  
22 to the powers of the corporation under AS 18.56.090, the corporation may  
23 (1) establish or cause to be established, subsidiary corporations in-  
24 corporated in the state or in another state, or under the laws of a  
25 foreign jurisdiction; (2) invest in corporations established under this  
26 section; (3) issue bonds and borrow money for investments in corpora-  
27 tions established under this section; (4) borrow from corporations  
28 established under this section; (5) guarantee the obligations of corpora-  
29 tions established under this section; (6) enter into agreements with

1 corporations established under this section or with other persons; or  
2 (7) do anything otherwise necessary to facilitate access to international  
3 capital markets. A guarantee under this section constitutes a bond of  
4 the corporation as defined in AS 18.56.210(13).

5 \* Sec. 18. AS 18.56.098(f)(4) is amended to read:

6 (4) "residence" means an owner-occupied, single-family resi-  
7 dence, including a mobile home, or an owner-occupied duplex, triplex or  
8 four-plex.

9 \* Sec. 19. AS 18.56.098(g)(2) is amended to read:

10 (2) The interest rate on the first \$90,000 of a mortgage loan  
11 for a single-family or duplex residence, on the first \$105,000 of a  
12 mortgage loan for a triplex residence, and on the first \$140,000 of a  
13 mortgage loan for a four-plex residence purchased with the proceeds of a  
14 second or subsequent issue of taxable bonds of the corporation shall be  
15 determined as follows:

16 (A) If the cost of funds of an issue of taxable bonds is  
17 more than the cost of funds of the preceding issue of taxable  
18 bonds, the interest rate shall be increased by an amount equal to  
19 the difference between the cost of funds of the two bond issues.

20 (B) Except as provided in (C) and (D) of this paragraph  
21 and (3) of this subsection, the interest rate may not be less than  
22 10 percent and may not be reduced.

23 (C) If the difference between the cost of funds of an  
24 issue of taxable bonds and the interest rate established for a  
25 mortgage loan purchased with the proceeds of the previous issue  
26 would be equal to or less than three percent, the interest rate on  
27 mortgage loans purchased with the proceeds of that taxable bond  
28 issue and subsequent taxable bond issues is three percent less than  
29 the cost of funds of the taxable bond issue that is used to purchase

1 the mortgage loan.

2 (D) The interest rate on a mortgage loan purchased with  
3 the proceeds of a taxable bond issue may not be less than 10 percent  
4 unless the cost of funds of the taxable bond issue is less than 10  
5 percent, in which case the interest on a mortgage loan purchased  
6 with the proceeds of a taxable bond issue is equal to the cost of  
7 funds.

8 \* Sec. 20. AS 18.56.098(g)(3) is amended to read:

9 (3) An interest rate determined under this subsection on the  
10 first \$90,000 of a mortgage loan that is not purchased from the proceeds  
11 of bonds that are qualified veterans' mortgage bonds under the Mortgage  
12 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended, shall be  
13 reduced by one percentage point if the loan is made to an eligible  
14 veteran under AS 18.56.101.

15 \* Sec. 21. AS 18.56.098(g)(6) is amended to read:

16 (6) The interest rate on the first \$90,000 of a mortgage loan  
17 for a single-family or duplex residence, on the first \$105,000 of a  
18 mortgage loan for a triplex residence and on the first \$140,000 of a  
19 mortgage loan for a four-plex residence purchased from the proceeds of  
20 bonds that are exempt from taxation under the Mortgage Subsidy Bond Tax  
21 Act of 1980 (26 U.S.C. 103(A)) is 10 percent or the cost of the funds,  
22 whichever is less. A higher or lower interest rate shall be established  
23 on the entire loan amount if required under the Mortgage Subsidy Bond  
24 Tax Act.

25 \* Sec. 22. AS 18.56.098 is amended by adding new subsections to read:

26 (1) The interest rate on the first \$90,000 of a mortgage loan  
27 purchased from the proceeds of bonds that constitute qualified veterans'  
28 mortgage bonds under the Mortgage Subsidy Bond Tax Act of 1980 (26  
29 U.S.C. 103(A)) as amended, is the greater of (1) four percent less than

1 the cost of funds or (2) the rate for other loans to veterans under  
2 AS 18.56.098(g)(3). A higher or lower interest rate shall be estab-  
3 lished on the entire loan amount if required under the Mortgage Subsidy  
4 Bond Tax Act of 1980.

5 (j) If the money used to purchase a mortgage loan made to a veteran  
6 under this section comes from an issue of bonds of the corporation  
7 guaranteed by the state each bond must be issued as part of an issue  
8 substantially all of the proceeds of which are used to provide resi-  
9 dences for veterans, or be issued in such other manner that may be  
10 necessary to insure that the bond is a "qualified veteran's mortgage  
11 bond" under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)),  
12 as amended.

13 (k) The interest rate limitations of AS 45.45.010 do not apply to  
14 loans purchased under this section or to loans that the corporation has,  
15 in any manner, committed itself to purchase.

16 \* Sec. 23. AS 18.56 is amended by adding a new section to read:

17 Sec. 18.56.102. COMMITMENTS FOR THE PURCHASE OF MORTGAGE LOANS.

18 The corporation shall offer commitments for the purchase of mortgage  
19 loans at the interest rate prevailing for similar mortgage loans at the  
20 time a commitment is made. The corporation shall charge a commitment fee  
21 for an initial 90-day commitment of one-half percent of the amount of the  
22 mortgage loan for which the commitment is purchased. A commitment made  
23 under this section may be extended for a second 90-day period for an  
24 additional fee of one-half percent of the amount of the mortgage loan  
25 and, at the option of the corporation, for further periods of one month  
26 for an additional fee of one-sixth percent of the amount of the mortgage  
27 loan for each month the commitment is extended. A commitment made under  
28 this section, including extensions, may not exceed one year.

29 \* Sec. 24. AS 18.56.110(b) is amended to read:

1 (b) The principal and interest on these bonds or notes, except  
2 state guaranteed bonds, is payable from corporation funds, excluding  
3 funds in the housing development fund. The principal and interest on  
4 state guaranteed bonds is payable from corporation funds, excluding  
5 funds in the housing development fund, and in accordance with the terms  
6 of the state guaranty of principal and interest. Bond anticipation  
7 notes may be payable from the proceeds of the sale of bonds or from the  
8 proceeds of sale of other bond anticipation notes or, in the event bond  
9 or bond anticipation note proceeds are not available, such notes may be  
10 paid from other funds or assets of the corporation. Bonds or notes may  
11 be additionally secured by a pledge of a grant or contribution from the  
12 federal government, or a corporation, association, institution or person,  
13 or a pledge of money, income, or revenues of the corporation from any  
14 source. Notes issued in anticipation of the sale of bonds that are to  
15 be issued under this chapter and guaranteed as to principal and interest  
16 by the state are guaranteed as to principal and interest by the state  
17 and secured by the full faith, credit and resources of the state.

18 \* Sec. 25. AS 18.56.110(d) is amended to read:

19 (d) Bonds or bond anticipation notes, except state guaranteed  
20 bonds and bond anticipation notes, may be sold in the manner, on the  
21 terms and at the price the corporation determines. State guaranteed  
22 bonds and bond anticipation notes shall be sold at public sale by the  
23 corporation in amounts and at times as may be approved by the state  
24 bond committee, on terms and at the price fixed under the notice of  
25 sale.

26 \* Sec. 26. AS 27.09.010 is amended by adding a new subsection to read:

27 (b) The mining loan fund is a revolving fund consisting of ap-  
28 propriations made to the fund by the legislature and repayments of  
29 principal and interest on loans made from the fund. Money appropriated

1 to or repaid into the fund does not lapse in accordance with AS 37.25.-  
2 010.

3 \* Sec. 27. AS 29.48.110(a) is amended to read:

4 (a) In addition to existing municipal authority providing for the  
5 preservation, protection, and maintenance of historic sites, the local  
6 historical district commission established under AS 29.48.108, in con-  
7 sultation with the Historic Sites Advisory Committee within the Depart-  
8 ment of Natural Resources, may establish [A] historical districts  
9 [DISTRICT] within the boundaries of the municipality.

10 \* Sec. 28. AS 44.33.255(c) is amended to read:

11 (c) The duration for repayment of a loan may not exceed 20 [10]  
12 years.

13 \* Sec. 29. AS 44.47.370(3) is amended to read:

14 (3) purchase or participate in the purchase of nonconforming  
15 and rural housing mortgage loans in accordance with AS 44.47.360 -  
16 44.47.560;

17 \* Sec. 30. AS 44.47.370(4) is amended to read:

18 (4) purchase or participate in the purchase of loans for  
19 building materials for nonconforming and rural housing in accordance  
20 with AS 44.47.360 - 44.47.560;

21 \* Sec. 31. AS 44.47.380 is amended to read:

22 Sec. 44.47.380. [NONCONFORMING] HOUSING ASSISTANCE LOAN FUND.  
23 There is created in the Department of Community and Regional Affairs the  
24 [NONCONFORMING] housing assistance loan fund consisting of money appro-  
25 priated to it by the legislature. The director shall administer the  
26 [NONCONFORMING] housing assistance loan fund in accordance with AS 44.-  
27 47.360 - 44.47.560 and shall use the money in the [NONCONFORMING] housing  
28 assistance loan fund to originate, purchase, or participate in the pur-  
29 chase of

- 1 (1) nonconforming and rural housing mortgage loans;  
2 (2) loans made for building materials for nonconforming  
3 and rural housing;  
4 (3) loans made for renovations or improvements to nonconform-  
5 ing and rural housing;  
6 (4) loans made for the construction of owner-occupied noncon-  
7 forming and rural housing other than loans to builders or contractors or  
8 loans that compensate an owner for his labor or services in constructing  
9 his own housing.

10 \* Sec. 32. AS 44.47.385(a) is amended to read:

11 (a) The director may make loans from the [NONCONFORMING] housing  
12 assistance loan fund only for nonconforming and rural housing loans to  
13 qualified buyers for nonconforming and rural housing.

14 \* Sec. 33. AS 44.47.390 is amended to read:

15 Sec. 44.47.390. LIMITATIONS ON USE OF [NONCONFORMING] HOUSING  
16 ASSISTANCE LOAN FUND. The director may not use the money in the [NON-  
17 CONFORMING] housing assistance loan fund to

18 (1) originate a direct loan or purchase or participate in the  
19 purchase of a nonconforming or rural housing mortgage loan that [WHICH]  
20 exceeds the limitations on mortgage loans purchased by the Federal  
21 National Mortgage Association as to principal amount or loan-to-value  
22 ratio;

23 (2) originate a direct loan or purchase or participate in the  
24 purchase of a loan made for building materials for nonconforming or rural  
25 housing

26 (A) that [WHICH] exceeds \$45,000 or exceeds

27 (i) 80 percent of the appraised value of the work  
28 completed on the nonconforming or rural housing for which the  
29 loan is made if the nonconforming or rural housing is pledged

1 as collateral for the loan; or

2 (ii) 90 percent of the value of other property which  
3 is pledged as security for the loan and which is satisfactory  
4 to the director as collateral;

5 (B) unless the terms of the loan agreement require  
6 inspections and certifications, as required by regulations of the  
7 director, at the expense of the borrower; and

8 (C) unless the period of time allowed for repayment of  
9 the loan is equal to or less than 15 years;

10 (3) originate direct loans or purchase or participate in the  
11 purchase of a nonconforming or rural housing mortgage loan that [WHICH]  
12 is secured by real property the marketable title to which is shown in  
13 accordance with AS 44.47.420(b)(2) if the total amount of outstanding  
14 nonconforming and rural housing mortgage loans held by the division  
15 exceeds 10 times the amount of money in the restricted title loss reserve  
16 account (AS 44.47.430).

17 \* Sec. 34. AS 44.47.420(a) is amended to read:

18 (a) Before the director originates or purchases a nonconforming  
19 or rural housing mortgage loan in whole or in part, the director may  
20 require a borrower to show marketable title to real property offered as  
21 security for the loan to be purchased.

22 \* Sec. 35. AS 44.47.430(b) is amended to read:

23 (b) The director may withdraw money from the restricted title loss  
24 reserve account in an amount equal to the loss to the division on a  
25 nonconforming or rural housing mortgage loan originated or purchased in  
26 whole or in part by the division if marketable title to the real property  
27 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).  
28 Money withdrawn from the restricted title loss reserve account under  
29 this section shall be deposited in the [NONCONFORMING] housing assistance

1 loan fund.

2 \* Sec. 36. AS 44.47.440 is amended to read:

3 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participat-  
4 ing in the purchase of a nonconforming or rural housing mortgage loan,  
5 the director may require the borrower to agree to purchase and maintain  
6 fire insurance for the real property for which the loan is made in an  
7 amount not less than the outstanding principal balance of the loan.

8 \* Sec. 37. AS 44.47.470 is amended to read:

9 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
10 participating in the purchase of a nonconforming or rural housing mort-  
11 gage loan, the director may have or may require the borrower to have an  
12 appraisal made of the fair market value of the real property, including  
13 structures on the real property, for which the loan is made. In conduct-  
14 ing an appraisal under this section, the appraiser shall give full value  
15 to insulation and other features of construction in structures on the  
16 real property which add to the energy efficiency of the structures.

17 \* Sec. 38. AS 44.47.510(b) is amended to read:

18 (b) Unless otherwise required by an appropriation, the director  
19 shall allocate the money in the [NONCONFORMING] housing assistance loan  
20 fund among the regions established under (a) of this section for the  
21 purpose of originating or purchasing each type of loan described in  
22 AS 44.47.380. In making an allocation under this subsection, the direc-  
23 tor shall consider the past and potential lending activity of private  
24 financial institutions in the region as well as the need for loans in  
25 the region. The director may reallocate the money among the regions as  
26 he considers necessary.

27 \* Sec. 39. AS 44.47 is amended by adding a new section to read:

28 Sec. 44.47.520. LOANS FOR NON-OWNER OCCUPIED HOUSING. (a) In  
29 addition to the powers authorized by AS 44.47.370 the director may adopt

1 regulations allowing the use of money in the housing assistance loan  
2 fund to make loans for the purchase or development of non-owner occupied  
3 housing in rural areas of the state.

4 (b) The rate of interest on a loan authorized by this section may  
5 not exceed nine and one-half percent.

6 (c) In this section

7 (1) "development" means the construction of a new residence  
8 or the repair, remodeling, rehabilitation, or expansion of an existing  
9 residence;

10 (2) "non-owner occupied housing" means a single-family resi-  
11 dence or a multi-family residence having up to eight dwelling units  
12 that is not nonconforming housing, and is not occupied by the owner.

13 \* Sec. 40. AS 44.47.560 is amended by adding new paragraphs to read:

14 (5) "rural" means

15 (A) a community in the second, third, or fourth judicial  
16 district of the state with a population of 4,500 or less that is  
17 not connected by road or rail to Anchorage or Fairbanks; or

18 (B) a community in the first judicial district of the  
19 state with a population of 4,500 or less;

20 (6) "rural housing" means housing, other than nonconforming  
21 housing, that is located in a rural area of the state.

22 \* Sec. 41. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.153. MULTI-FAMILY HOUSING LOANS. (a) The authority  
24 may purchase loans made for the construction of qualified multi-family  
25 housing.

26 (b) A loan for qualified multi-family housing

27 (1) may not exceed the cost of the qualified multi-family  
28 housing project, or 75 percent of the appraised value of the project,  
29 whichever is less;

1 (2) may not be made unless at least 20 percent of the princi-  
2 pal amount of the loan is retained by the originator of the loan;

3 (3) shall be in the form and contain the terms and provisions  
4 with respect to term of the loan, insurance, repairs, alterations,  
5 payment of taxes and assessments, default reserves, delinquency charges,  
6 default remedies, acceleration of maturity, secondary liens, amortiza-  
7 tion schedules, and other matters the authority may prescribe; and

8 (4) shall bear interest at a rate equal to the cost of funds  
9 to the authority.

10 (c) In this section

11 (1) "cost of funds" means the true interest cost expressed as  
12 a rate on tax-exempt bonds of the authority plus an additional percent-  
13 age as determined by the authority to represent the allocable expenses  
14 of operation, costs of issuance and loan servicing; and

15 (2) "qualified multi-family housing" means residential housing  
16 of five or more dwelling units that qualifies for tax-exempt bond fi-  
17 nancing under the laws of the United States.

18 \* Sec. 42. AS 45.88.030(a) is amended to read:

19 (a) A loan for the development of an alternative energy system or  
20 for the development or implementation of a northern technology under  
21 this chapter may not exceed \$30,000 [\$10,000].

22 \* Sec. 43. AS 45.88.030(e) is repealed and reenacted to read:

23 (e) The rate of interest for a loan under this section, other than  
24 a loan for an alternative energy system may not exceed nine and one-half  
25 percent a year on the unpaid balance of the loan. The rate of interest  
26 for a loan for an alternative energy system is five percent for the  
27 first \$15,000 of the loan and 15 percent for the amount of the loan that  
28 exceeds \$15,000.

29 \* Sec. 44. AS 45.88.500 is amended by adding a new paragraph to read:

1 (3) does not include

2 (A) a wood, coal, or multi-fuel heating stove; or

3 (B) a fireplace or fireplace insert.

4 \* Sec. 45. AS 45.89.030 is amended by adding a new subsection to read:

5 (j) If, in the opinion of the department, it is not necessary to  
6 conduct an energy audit to determine that a loan application meets the  
7 requirements of this section, the department may waive the audit require-  
8 ment for the applicant.

9 \* Sec. 46. AS 45.98.040(2) is amended to read:

10 (2) state participation in a loan for the restoration, im-  
11 provement, rehabilitation or maintenance of any one building or struc-  
12 ture qualifying under this chapter may not exceed \$250,000 [\$100,000];

13 \* Sec. 47. The following laws are repealed: AS 03.10.030(b) and (J);  
14 AS 16.10.320(c) and (g), 16.10.342(b), and 16.10.560 - 16.10.720.

15 \* Sec. 48. AS 44.47.410 does not apply to a rural housing mortgage loan  
16 made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1,  
17 1983, the interest rate on a rural mortgage housing loan made under AS 44.-  
18 47.360 - 44.47.560 is eight and three-quarters percent. After September 15,  
19 1982, the Department of Community and Regional Affairs may not make a commit-  
20 ment for a rural housing mortgage loan for an interest rate that is less than  
21 an interest rate determined under AS 44.47.410. A loan commitment made by  
22 the Department of Community and Regional Affairs after the effective date of  
23 this Act and before September 16, 1982, may not exceed six months in length.

24 \* Sec. 49. (a) All right, title, and interest in the assets described in  
25 (b) of this section, in an amount not to exceed the unpaid principal of those  
26 assets as of July 1, 1982, and all right, title, and interest in all mort-  
27 gages, notes, and other instruments of security made in connection with those  
28 assets, held in the general fund on July 1, 1982, are transferred to the  
29 Alaska Housing Finance Corporation for the special mortgage loan purchase

1 program (AS 18.56.098).

2 (b) This section transfers the following assets of the state referred  
3 to in the monthly investment reports of general and segregated state program  
4 funds, treasury division, Department of Revenue that are held in the general  
5 fund:

- 6 (1) State of Alaska loan program loans, other than veteran loans;
- 7 (2) bank loan incentive program loans;
- 8 (3) mortgage option program loans other than mobile home loans;
- 9 (4) obligations pledged to the Alaska Housing Finance Corporation;
- 10 (5) loans to municipalities;
- 11 (6) debt certificates;
- 12 (7) certificates of deposit.

13 \* Sec. 50. All right, title, and interest in State of Alaska veterans  
14 loans held in the general fund, in an amount not to exceed the unpaid princi-  
15 pal of those loans as of July 1, 1982, and all right, title, and interest in  
16 all mortgages, notes, and other instruments of security made in connection  
17 with those loans, held in the general fund on July 1, 1982, are transferred  
18 to the Alaska Industrial Development Authority for multi-family housing loans  
19 (AS 44.88.153).

20 \* Sec. 51. This Act takes effect immediately in accordance with AS 01.10.-  
21 070(c).

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Original sponsors: Fahrenkamp, Bennett  
and Parr

Offered: 4/1/82  
Referred: Finance

1 IN THE SENATE

BY THE SPECIAL COMMITTEE  
ON LOANS

2 HOUSE CS FOR SENATE BILL NO. 666 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain state loan programs; and  
7 providing for an effective date."

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

9 \* Section 1. AS 03.10.020(1) is amended to read:

10 (1) make loans to individual resident farmers, homesteaders,  
11 and partnerships or corporations composed of farmers and homesteaders,  
12 for clearing land for agricultural purposes, development of farms, stor-  
13 age and processing of farm produce, livestock and machinery and to indi-  
14 viduals, partnerships or corporations, for storage and processing plants  
15 for agricultural products;

16 \* Sec. 2. AS 03.10.030(a) is repealed and reenacted to re

17 (a) A farm development, chattel, or irrigation ' made under  
18 this chapter

19 (1) may not exceed a term of 30 years;

20 (2) may not, when added to the outstanding balance of other  
21 loans made under this chapter, exceed a total outstanding balance of  
22 \$1,000,000;

23 (3) shall be secured by a real estate or chattel mortgage of  
24 any priority, except that the portion of a loan that exceeds \$500,000,  
25 when added to prior indebtedness that is secured by the same property,  
26 must be secured by a first mortgage;

27 (4) shall bear interest at a rate that may not be less than  
28 eight percent or more than the commercial rate, unless the commercial  
29 rate is eight percent or less; in this paragraph "commercial rate" means

1 the prevailing rate of interest at private lending institutions in the  
2 state for loans similar to those referred to in this subsection.

3 \* Sec. 3. AS 03.10.030(c) is amended to read:

4 (c) A short term loan, to be amortized within one year, not to  
5 exceed \$200,000 to any one borrower may be made for operating purposes,  
6 except that short term loans made under this subsection for farm product  
7 processing may be made for \$500,000 or less.

8 \* Sec. 4. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by  
10 the borrower on or before the 30th [15TH] day after the date specified  
11 for payment in the loan agreement or unless it is received by the depart-  
12 ment on or before the 30th [15TH] day after the date specified for  
13 payment in the loan agreement. If an installment payment is delinquent,  
14 the director may [SHALL] assess a delinquency penalty. The delinquency  
15 penalty shall be an amount equal to seven percent of the delinquent  
16 payment, but the combined delinquency penalty and loan interest may not  
17 exceed 15 percent.

18 \* Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

19 (g) A loan for clearing land may not

20 (1) exceed \$400,000;

21 (2) bear interest that exceeds eight percent; or

22 (3) have a term in excess of 30 years.

23 (h) The commissioner shall adopt regulations to establish other  
24 terms for loans made under this chapter, consistent with the provisions  
25 of this section, and may establish interest rates for loans under (a)(4)  
26 of this section that

27 (1) encourage agricultural development;

28 (2) do not subsidize nonviable agricultural enterprises; and

29 (3) do not discriminate against existing agricultural enter-

1       prises.

2       \* Sec. 6. AS 03.10.050(a) is amended to read:

3           (a) The commissioner shall administer the loan fund in conjunction  
4       with the agricultural revolving loan fund board. No loan in excess of  
5       \$50,000 [\$25,000] may be made by the commissioner without the approval  
6       of a majority of the board.

7       \* Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

8           (c) A meeting of the agricultural revolving loan fund board to act  
9       on applications for loans is exempt from the public meeting requirements  
10      of AS 44.62.310.

11      \* Sec. 8. AS 16.10.310 is repealed and reenacted to read:

12           Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

13           (1) make loans to

14           (A) individual commercial fishermen who have been state  
15      residents for a continuous period of five years immediately preced-  
16      ing the date of application for a loan under AS 16.10.300 - 16.10.-  
17      370 and have had a crewmember or commercial fishing license under  
18      AS 16.05.480 or a permit under AS 16.43 for any one of the past  
19      five years, and who actively participated in the fishery during  
20      that period, for the purchase of entry permits;

21           (B) an individual who has been a state resident for a  
22      continuous period of five years immediately preceding the date of  
23      application for a loan under AS 16.10.300 - 16.10.370, who (i)  
24      because of lack of training or lack of employment opportunities in  
25      the area of residence does not have occupational opportunities  
26      available other than commercial fishing; or (ii) is economically  
27      dependent on commercial fishing for a livelihood and commercial  
28      fishing has been a traditional way of life for him in Alaska, for  
29      the repair, restoration or upgrading of existing vessels and gear,

1 for the purchase of entry permits and gear, and for the construc-  
2 tion and purchase of vessels;

3 (C) corporations, partnerships, or joint ventures, 100  
4 percent of which are owned by individual commercial fishermen who  
5 have been state residents for a continuous period of five years  
6 immediately preceding the date of application for a loan under  
7 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial  
8 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
9 any one of the past five years, and who actively participated in  
10 the fishery during that period, for the repair, restoration or  
11 upgrading of existing vessels and gear, for the purchase of gear,  
12 and for the construction and purchase of vessels;

13 (2) designate agents and delegate its powers to them as  
14 necessary;

15 (3) adopt regulations necessary to carry out its functions;

16 (4) establish amortization plans for repayment of loans,  
17 which may include extensions for poor fishing seasons;

18 (5) enter into agreements with private lending institutions,  
19 other state agencies, or agencies of the federal government, to carry  
20 out the purposes of AS 16.10.300 - 16.10.370;

21 (6) enter into agreements with other agencies or organiza-  
22 tions to create an outreach program to make loans under AS 16.10.300 -  
23 16.10.370 in rural areas of the state.

24 (b) The department shall consult with the Department of Fish and  
25 Game on regulations and procedures established under this chapter.

26 \* Sec. 9. AS 16.10.320(a) is repealed and reenacted to read:

27 (a) A loan under AS 16.10.310 - 16.10.370

28 (1) made to

29 (A) an individual described in AS 16.10.310(a)(1)(A) may

1 not exceed \$300,000;

2 (B) an individual, corporation, partnership, or joint  
3 venture described in AS 16.10.310(a)(1)(B) or (C) may not exceed  
4 \$100,000;

5 (2) may not exceed a term of 15 years;

6 (3) may not bear interest exceeding 10 and one-half percent;

7 (4) may be secured by a first priority lien and appropriate  
8 security agreement; and

9 (5) may not exceed 75 percent of the appraised value of the  
10 collateral used to secure the loan, except that a loan granted under  
11 AS 16.10.333 for the purchase of an Alaska limited entry permit may not  
12 exceed an amount determined in accordance with (f) or (h) of this  
13 section.

14 \* Sec. 10. AS 16.10.320(d) is amended to read:

15 (d) A loan may not be made to a borrower under AS 16.10.300 -  
16 16.10.370 if it would result in an outstanding debt of the borrower to  
17 the commercial fishing revolving loan fund in excess of \$300,000  
18 [\$500,000, EXCLUDING OUTSTANDING DEBT INCURRED UNDER (c) OF THIS SECTION.  
19 A BORROWER UNDER AS 16.10.300 - 16.10.370 MAY USE UP TO 49 PERCENT OF  
20 THE AMOUNT BORROWED TO REFINANCE ANY OUTSTANDING LOANS OF THE BORROWER  
21 REGARDLESS OF THE SOURCE OF THE LOANS, IF THE OUTSTANDING LOANS WERE  
22 MADE FOR ANY OF THE PURPOSES DESCRIBED IN AS 16.10.310]. A loan to an  
23 associate of the borrower is considered to be a loan to the borrower.  
24 For the purposes of this section, "associate of the borrower" means

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

29 (2) a person who is, directly or indirectly, the beneficial

1 owner of 10 percent or more of any class of equity securities of the  
2 borrower;

3 (3) a trust or other estate in which the borrower has a  
4 substantial beneficial interest or as to which the borrower serves as  
5 trustee or in a similar fiduciary capacity.

6 \* Sec. 11. AS 16.20.320(e) is amended to read:

7 (e) Two or more individual commercial fishermen who each satisfy  
8 the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-  
9 (A)] may jointly obtain a commercial fishing loan for the construction  
10 of a fishing vessel or the purchase of an existing fishing vessel.

11 Loans granted under this subsection

12 (1) may not exceed the amount specified in (a)(1) of this  
13 section multiplied by the number of qualified commercial fishermen  
14 applying for the loan;

15 (2) may not exceed a term of 15 years;

16 (3) shall be secured by a first priority lien and appropriate  
17 security agreement;

18 (4) may not bear interest exceeding 10 [NINE] and one-half  
19 percent; and

20 (5) may not exceed 75 percent of the appraised value of the  
21 collateral used to secure the loan.

22 \* Sec. 12. AS 16.10.320(f) is amended to read:

23 (f) Except as permitted in (h) of this section a [A] loan granted  
24 under AS 16.10.333(a) for the purchase of an Alaska limited entry permit  
25 may not exceed 90 percent of the appraised value of the collateral used  
26 to secure the loan.

27 \* Sec. 13. AS 16.10.320 is amended by adding a new subsection to read:

28 (h) A loan under AS 16.10.333(a) may be made for up to 100 percent  
29 of the appraised value of the collateral used to secure the loan if the

1 borrower demonstrates that he has at least three years of experience as  
2 a commercial fisherman in the fishery to which the entry permit applies;  
3 as used in this paragraph, "three years of experience as a commercial  
4 fisherman in the fishery" means that for an accumulated total of three  
5 fishing seasons in the same fishery the person has actively participated  
6 in the commercial harvest of fish under the direction of a limited entry  
7 permit holder.

8 \* Sec. 14. AS 16.10 is amended by adding a new section to read:

9       Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the  
10 borrower has insufficient collateral to secure a loan for the purposes  
11 described in AS 16.10.310(a)(1)(B). The loan agreement shall specific-  
12 ally describe the property of the guarantor to be used as collateral by  
13 the borrower and shall be signed by the guarantor and the borrower. The  
14 department shall provide the guarantor with a copy of all notices sent  
15 to the borrower by the department. If the loan is for the purchase of  
16 an entry permit, the guaranty by the guarantor may not constitute a  
17 lien, mortgage, or encumbrance on or pledge of the entry permit.

18 \* Sec. 15. AS 18.55.997 is amended to read:

19       Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers  
20 authorized to a regional housing authority under AS 18.55.996, a regional  
21 housing authority may, in accordance with procedures and policies adopted  
22 and approved by the division of housing assistance in the Department of  
23 Community and Regional Affairs [BOARD OF DIRECTORS OF THE ALASKA HOUSING  
24 FINANCE CORPORATION], make loans for the purchase or development of resi-  
25 dential housing in rural areas of the state. A loan shall be secured by  
26 collateral in an amount acceptable to the division of housing assistance  
27 in the Department of Community and Regional Affairs [BOARD OF DIRECTORS  
28 OF THE ALASKA HOUSING FINANCE CORPORATION]. The rate of interest on a  
29 loan authorized by this section may not exceed the interest rate on a

1 loan originated or purchased under AS 44.47.360 - 44.47.560 [AN INTEREST  
2 RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE  
3 CORPORATION].

4 (b) In this section,

5 (1) "development" means the construction of a new residence  
6 or the repair, remodeling, rehabilitation or expansion of an existing  
7 home;

8 (2) "rural" means

9 (A) a [ANY] community in the second, third, or fourth  
10 judicial district of the state with a population of 4,500 or less  
11 that is not connected by road or rail to Anchorage or Fairbanks; or

12 (B) a community in the first judicial district of the  
13 state with a population of 4,500 or less.

14 \* Sec. 16. AS 18.56.040 is amended by adding a new subsection to read:

15 (d) Public notice of 24 hours or more shall be given before a  
16 meeting of the board at which the issuance of corporation bonds is  
17 authorized.

18 \* Sec. 17. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.084. INTERNATIONAL BORROWING. For the purpose of  
20 obtaining access to international capital markets to borrow money for  
21 the special mortgage purchase program (AS 18.56.098), in addition  
22 to the powers of the corporation under AS 18.56.090, the corporation may  
23 (1) establish or cause to be established, subsidiary corporation, in-  
24 corporated in the state or in another state, or under the laws of a  
25 foreign jurisdiction; (2) invest in corporations established under this  
26 section; (3) issue bonds and borrow money for investments in corpora-  
27 tions established under this section; (4) borrow from corporations  
28 established under this section; (5) guarantee the obligations of corpora-  
29 tions established under this section; (6) enter into agreements with

1 corporations established under this section or with other persons; or  
2 (7) do anything otherwise necessary to facilitate access to international  
3 capital markets. A guarantee under this section constitutes a bond of  
4 the corporation as defined in AS 18.56.210(13).

5 \* Sec. 18. AS 18.56.098(f)(4) is amended to read:

6 (4) "residence" means an owner-occupied, single-family resi-  
7 dence, including a mobile home, or an owner-occupied duplex, triplex or  
8 four-plex.

9 \* Sec. 19. AS 18.56.098(g)(2) is amended to read:

10 (2) The interest rate on the first \$90,000 of a mortgage loan  
11 for a single-family or duplex residence, on the first \$105,000 of a  
12 mortgage loan for a triplex residence, and on the first \$140,000 of a  
13 mortgage loan for a four-plex residence purchased with the proceeds of a  
14 second or subsequent issue of taxable bonds of the corporation shall be  
15 determined as follows:

16 (A) If the cost of funds of an issue of taxable bonds is  
17 more than the cost of funds of the preceding issue of taxable  
18 bonds, the interest rate shall be increased by an amount equal to  
19 the difference between the cost of funds of the two bond issues.

20 (B) Except as provided in (C) and (D) of this paragraph  
21 and (3) of this subsection, the interest rate may not be less than  
22 10 percent and may not be reduced.

23 (C) If the difference between the cost of funds of an  
24 issue of taxable bonds and the interest rate established for a  
25 mortgage loan purchased with the proceeds of the previous issue  
26 would be equal to or less than three percent, the interest rate on  
27 mortgage loans purchased with the proceeds of that taxable bond  
28 issue and subsequent taxable bond issues is three percent less than  
29 the cost of funds of the taxable bond issue that is used to purchase

1 the mortgage loan.

2 (D) The interest rate on a mortgage loan purchased with  
3 the proceeds of a taxable bond issue may not be less than 10 percent  
4 unless the cost of funds of the taxable bond issue is less than 10  
5 percent, in which case the interest on a mortgage loan purchased  
6 with the proceeds of a taxable bond issue is equal to the cost of  
7 funds.

8 \* Sec. 20. AS 18.56.098(g)(3) is amended to read:

9 (3) An interest rate determined under this subsection on the  
10 first \$90,000 of a mortgage loan that is not purchased from the proceeds  
11 of bonds that are qualified veterans' mortgage bonds under the Mortgage  
12 Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended, shall be  
13 reduced by one percentage point if the loan is made to an eligible  
14 veteran under AS 18.56.101.

15 \* Sec. 21. AS 18.56.098(g)(6) is amended to read:

16 (6) The interest rate on the first \$90,000 of a mortgage loan  
17 for a single-family or duplex residence, on the first \$105,000 of a  
18 mortgage loan for a triplex residence and on the first \$140,000 of a  
19 mortgage loan for a four-plex residence purchased from the proceeds of  
20 bonds that are exempt from taxation under the Mortgage Subsidy Bond Tax  
21 Act of 1980 (26 U.S.C. 103(A)) is 10 percent or the cost of the funds,  
22 whichever is less. A higher or lower interest rate shall be established  
23 on the entire loan amount if required under the Mortgage Subsidy Bond  
24 Tax Act.

25 \* Sec. 22. AS 18.56.098 is amended by adding new subsections to read:

26 (1) The interest rate on the first \$90,000 of a mortgage loan  
27 purchased from the proceeds of bonds that constitute qualified veterans'  
28 mortgage bonds under the Mortgage Subsidy Bond Tax Act of 1980 (26  
29 U.S.C. 103(A)) as amended, is the greater of (1) four percent less than

1 the cost of funds or (2) the rate for other loans to veterans under  
2 AS 18.56.098(g)(3). A higher or lower interest rate shall be estab-  
3 lished on the entire loan amount if required under the Mortgage Subsidy  
4 Bond Tax Act of 1980.

5 (j) If the money used to purchase a mortgage loan made to a veteran  
6 under this section comes from an issue of bonds of the corporation  
7 guaranteed by the state each bond must be issued as part of an issue  
8 substantially all of the proceeds of which are used to provide resi-  
9 dences for veterans, or be issued in such other manner that may be  
10 necessary to insure that the bond is a "qualified veteran's mortgage  
11 bond" under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)),  
12 as amended.

13 (k) The interest rate limitations of AS 45.45.010 do not apply to  
14 loans purchased under this section or to loans that the corporation has,  
15 in any manner, committed itself to purchase.

16 \* Sec. 23. AS 18.56 is amended by adding a new section to read:

17 Sec. 18.56.102. COMMITMENTS FOR THE PURCHASE OF MORTGAGE LOANS.  
18 The corporation shall offer commitments for the purchase of mortgage  
19 loans at the interest rate prevailing for similar mortgage loans at the  
20 time a commitment is made. The corporation shall charge a commitment fee  
21 for an initial 90-day commitment of one-half percent of the amount of the  
22 mortgage loan for which the commitment is purchased. A commitment made  
23 under this section may be extended for a second 90-day period for an  
24 additional fee of one-half percent of the amount of the mortgage loan  
25 and, at the option of the corporation, for further periods of one month  
26 for an additional fee of one-sixth percent of the amount of the mortgage  
27 loan for each month the commitment is extended. A commitment made under  
28 this section, including extensions, may not exceed one year.

29 \* Sec. 24. AS 18.56.110(b) is amended to read:

1 (b) The principal and interest on these bonds or notes, except  
2 state guaranteed bonds, is payable from corporation funds, excluding  
3 funds in the housing development fund. The principal and interest on  
4 state guaranteed bonds is payable from corporation funds, excluding  
5 funds in the housing development fund, and in accordance with the terms  
6 of the state guaranty of principal and interest. Bond anticipation  
7 notes may be payable from the proceeds of the sale of bonds or from the  
8 proceeds of sale of other bond anticipation notes or, in the event bond  
9 or bond anticipation note proceeds are not available, such notes may be  
10 paid from other funds or assets of the corporation. Bonds or notes may  
11 be additionally secured by a pledge of a grant or contribution from the  
12 federal government, or a corporation, association, institution or person,  
13 or a pledge of money, income, or revenues of the corporation from any  
14 source. Notes issued in anticipation of the sale of bonds that are to  
15 be issued under this chapter and guaranteed as to principal and interest  
16 by the state are guaranteed as to principal and interest by the state  
17 and secured by the full faith, credit and resources of the state.

18 \* Sec. 25. AS 18.56.110(d) is amended to read:

19 (d) Bonds or bond anticipation notes, except state guaranteed  
20 bonds and bond anticipation notes, may be sold in the manner, on the  
21 terms and at the price the corporation determines. State guaranteed  
22 bonds and bond anticipation notes shall be sold at public sale by the  
23 corporation in amounts and at times as may be approved by the state  
24 bond committee, on terms and at the price fixed under the notice of  
25 sale.

26 \* Sec. 26. AS 27.09.010 is amended by adding a new subsection to read:

27 (b) The mining loan fund is a revolving fund consisting of ap-  
28 propriations made to the fund by the legislature and repayments of  
29 principal and interest on loans made from the fund. Money appropriated

1 to or repaid into the fund does not lapse in accordance with AS 37.25.-  
2 010.

3 \* Sec. 27. AS 29.48.110(a) is amended to read:

4 (a) In addition to existing municipal authority providing for the  
5 preservation, protection, and maintenance of historic sites, the local  
6 historical district commission established under AS 29.48.108, in con-  
7 sultation with the Historic Sites Advisory Committee within the Depart-  
8 ment of Natural Resources, may establish [A] historical districts  
9 [DISTRICT] within the boundaries of the municipality.

10 \* Sec. 28. AS 44.33.255(c) is amended to read:

11 (c) The duration for repayment of a loan may not exceed 20 [10]  
12 years.

13 \* Sec. 29. AS 44.47.370(3) is amended to read:

14 (3) purchase or participate in the purchase of nonconforming  
15 and rural housing mortgage loans in accordance with AS 44.47.360 -  
16 44.47.560;

17 \* Sec. 30. AS 44.47.370(4) is amended to read:

18 (4) purchase or participate in the purchase of loans for  
19 building materials for nonconforming and rural housing in accordance  
20 with AS 44.47.360 - 44.47.560;

21 \* Sec. 31. AS 44.47.380 is amended to read:

22 Sec. 44.47.380. [NONCONFORMING] HOUSING ASSISTANCE LOAN FUND.  
23 There is created in the Department of Community and Regional Affairs the  
24 [NONCONFORMING] housing assistance loan fund consisting of money appro-  
25 priated to it by the legislature. The director shall administer the  
26 [NONCONFORMING] housing assistance loan fund in accordance with AS 44.-  
27 47.360 - 44.47.560 and shall use the money in the [NONCONFORMING] housing  
28 assistance loan fund to originate, purchase, or participate in the pur-  
29 chase of

1 (1) nonconforming and rural housing mortgage loans;  
2 (2) loans made for building materials for nonconforming  
3 and rural housing;

4 (3) loans made for renovations or improvements to nonconform-  
5 ing and rural housing;

6 (4) loans made for the construction of owner-occupied noncon-  
7 forming and rural housing other than loans to builders or contractors or  
8 loans that compensate an owner for his labor or services in constructing  
9 his own housing.

10 \* Sec. 32. AS 44.47.385(a) is amended to read:

11 (a) The director may make loans from the [NONCONFORMING] housing  
12 assistance loan fund only for nonconforming and rural housing loans to  
13 qualified buyers for nonconforming and rural housing.

14 \* Sec. 33. AS 44.47.390 is amended to read:

15 Sec. 44.47.390. LIMITATIONS ON USE OF [NONCONFORMING] HOUSING  
16 ASSISTANCE LOAN FUND. The director may not use the money in the [NON-  
17 CONFORMING] housing assistance loan fund to

18 (1) originate a direct loan or purchase or participate in the  
19 purchase of a nonconforming or rural housing mortgage loan that [WHICH]  
20 exceeds the limitations on mortgage loans purchased by the Federal  
21 National Mortgage Association as to principal amount or loan-to-value  
22 ratio;

23 (2) originate a direct loan or purchase or participate in the  
24 purchase of a loan made for building materials for nonconforming or rural  
25 housing

26 (A) that [WHICH] exceeds \$45,000 or exceeds

27 (i) 80 percent of the appraised value of the work  
28 completed on the nonconforming or rural housing for which the  
29 loan is made if the nonconforming or rural housing is pledged

1 as collateral for the loan; or

2 (ii) 90 percent of the value of other property which  
3 is pledged as security for the loan and which is satisfactory  
4 to the director as collateral;

5 (B) unless the terms of the loan agreement require  
6 inspections and certifications, as required by regulations of the  
7 director, at the expense of the borrower; and

8 (C) unless the period of time allowed for repayment of  
9 the loan is equal to or less than 15 years;

10 (3) originate direct loans or purchase or participate in the  
11 purchase of a nonconforming or rural housing mortgage loan that [WHICH]  
12 is secured by real property the marketable title to which is shown in  
13 accordance with AS 44.47.420(b)(2) if the total amount of outstanding  
14 nonconforming and rural housing mortgage loans held by the division  
15 exceeds 10 times the amount of money in the restricted title loss reserve  
16 account (AS 44.47.430).

17 \* Sec. 34. AS 44.47.420(a) is amended to read:

18 (a) Before the director originates or purchases a nonconforming  
19 or rural housing mortgage loan in whole or in part, the director may  
20 require a borrower to show marketable title to real property offered as  
21 security for the loan to be purchased.

22 \* Sec. 35. AS 44.47.430(b) is amended to read:

23 (b) The director may withdraw money from the restricted title loss  
24 reserve account in an amount equal to the loss to the division on a  
25 nonconforming or rural housing mortgage loan originated or purchased in  
26 whole or in part by the division if marketable title to the real property  
27 used to secure the loan was shown in accordance with AS 44.47.420(b)(2).  
28 Money withdrawn from the restricted title loss reserve account under  
29 this section shall be deposited in the [NONCONFORMING] housing assistance

1 loan fund.

2 \* Sec. 36. AS 44.47.440 is amended to read:

3 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participat-  
4 ing in the purchase of a nonconforming or rural housing mortgage loan,  
5 the director may require the borrower to agree to purchase and maintain  
6 fire insurance for the real property for which the loan is made in an  
7 amount not less than the outstanding principal balance of the loan.

8 \* Sec. 37. AS 44.47.470 is amended to read:

9 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or  
10 participating in the purchase of a nonconforming or rural housing mort-  
11 gage loan, the director may have or may require the borrower to have an  
12 appraisal made of the fair market value of the real property, including  
13 structures on the real property, for which the loan is made. In conduct-  
14 ing an appraisal under this section, the appraiser shall give full value  
15 to insulation and other features of construction in structures on the  
16 real property which add to the energy efficiency of the structures.

17 \* Sec. 38. AS 44.47.510(b) is amended to read:

18 (b) Unless otherwise required by an appropriation, the director  
19 shall allocate the money in the [NONCONFORMING] housing assistance loan  
20 fund among the regions established under (a) of this section for the  
21 purpose of originating or purchasing each type of loan described in  
22 AS 44.47.380. In making an allocation under this subsection, the direc-  
23 tor shall consider the past and potential lending activity of private  
24 financial institutions in the region as well as the need for loans in  
25 the region. The director may reallocate the money among the regions as  
26 he considers necessary.

27 \* Sec. 39. AS 44.47 is amended by adding a new section to read:

28 Sec. 44.47.520. LOANS FOR NON-OWNER OCCUPIED HOUSING. (a) In  
29 addition to the powers authorized by AS 44.47.370 the director may adopt

1 regulations allowing the use of money in the housing assistance loan  
2 fund to make loans for the purchase or development of non-owner occupied  
3 housing in rural areas of the state.

4 (b) The rate of interest on a loan authorized by this section may  
5 not exceed nine and one-half percent.

6 (c) In this section

7 (1) "development" means the construction of a new residence  
8 or the repair, remodeling, rehabilitation, or expansion of an existing  
9 residence;

10 (2) "non-owner occupied housing" means a single-family resi-  
11 dence or a multi-family residence having up to eight dwelling units,  
12 that is not nonconforming housing, and is not occupied by the owner.

13 \* Sec. 40. AS 44.47.560 is amended by adding new paragraphs to read:

14 (5) "rural" means

15 (A) a community in the second, third, or fourth judicial  
16 district of the state with a population of 4,500 or less that is  
17 not connected by road or rail to Anchorage or Fairbanks; or

18 (B) a community in the first judicial district of the  
19 state with a population of 4,500 or less;

20 (6) "rural housing" means housing, other than nonconforming  
21 housing, that is located in a rural area of the state.

22 \* Sec. 41. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.153. MULTI-FAMILY HOUSING LOANS. (a) The authority  
24 may purchase loans made for the construction of qualified multi-family  
25 housing.

26 (b) A loan for qualified multi-family housing

27 (1) may not exceed the cost of the qualified multi-family  
28 housing project, or 75 percent of the appraised value of the project,  
29 whichever is less;

1 (2) may not be made unless at least 20 percent of the princi-  
2 pal amount of the loan is retained by the originator of the loan;

3 (3) shall be in the form and contain the terms and provisions  
4 with respect to term of the loan, insurance, repairs, alterations,  
5 payment of taxes and assessments, default reserves, delinquency charges,  
6 default remedies, acceleration of maturity, secondary liens, amortiza-  
7 tion schedules, and other matters the authority may prescribe; and

8 (4) shall bear interest at a rate equal to the cost of funds  
9 to the authority.

10 (c) In this section

11 (1) "cost of funds" means the true interest cost expressed as  
12 a rate on tax-exempt bonds of the authority plus an additional percent-  
13 age as determined by the authority to represent the allocable expenses  
14 of operation, costs of issuance and loan servicing; and

15 (2) "qualified multi-family housing" means residential housing  
16 of 5 - 20 dwelling units that qualifies for tax-exempt bond financing  
17 under the laws of the United States.

18 \* Sec. 42. AS 45.88.030(a) is amended to read:

19 (a) A loan for the development of an alternative energy system or  
20 for the development or implementation of a northern technology under  
21 this chapter may not exceed \$30,000 [\$10,000].

22 \* Sec. 43. AS 45.88.030(e) is repealed and reenacted to read:

23 (e) The rate of interest for a loan under this section, other than  
24 a loan for an alternative energy system may not exceed nine and one-half  
25 percent a year on the unpaid balance of the loan. The rate of interest  
26 for a loan for an alternative energy system is five percent for the  
27 first \$15,000 of the loan and 15 percent for the amount of the loan that  
28 exceeds \$15,000.

29 \* Sec. 44. AS 45.88.500 is amended by adding a new paragraph to read:

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(3) does not include

(A) a wood, coal, or multi-fuel heating stove; or

(B) a fireplace or fireplace insert.

\* Sec. 45. AS 45.89.030 is amended by adding a new subsection to read:

(j) If, in the opinion of the department, it is not necessary to conduct an energy audit to determine that a loan application meets the requirements of this section, the department may waive the audit requirement for the applicant.

\* Sec. 46. AS 45.98.040(2) is amended to read:

(2) state participation in a loan for the restoration, improvement, rehabilitation or maintenance of any one building or structure qualifying under this chapter may not exceed \$250,000 [\$100,000];

\* Sec. 47. The following laws are repealed: AS 03.10.030(b) and (d); AS 16.10.320(c) and (g), 16.10.342(b), and 16.10.560 - 16.10.720.

\* Sec. 48. AS 44.47.410 does not apply to a rural housing mortgage loan made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1, 1983, the interest rate on a rural mortgage housing loan made under AS 44.47.360 - 44.47.560 is eight and three-quarters percent. After September 15, 1982, the Department of Community and Regional Affairs may not make a commitment for a rural housing mortgage loan for an interest rate that is less than an interest rate determined under AS 44.47.410. A loan commitment made by the Department of Community and Regional Affairs after the effective date of this Act and before September 16, 1982, may not exceed six months in length.

\* Sec. 49. This Act takes effect immediately in accordance with AS 01.10.070(c).

Introduced: 1/19/82  
Referred: Resources and  
Finance

1 IN THE SENATE

BY FAHRENKAMP, BENNETT AND PARR

2 SENATE BILL NO. 666

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the mining loan fund (AS 27.09);  
7 and providing for an effective date."

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

9 \* Section 1. AS 27.09.010 is amended by adding a new subsection to read:

10 (b) The mining loan fund is a revolving fund consisting of ap-  
11 propriations made to the fund by the legislature and repayments of  
12 principal and interest on loans made from the fund. Money appropriated  
13 to or repaid into the fund does not lapse in accordance with AS 37.25.-  
14 010.

15 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-  
16 070(c).

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PROPOSED

AMENDMENTS

#1

Proposed amendment by Senator Rodey:

Page 2, line 19: amend to read:

(g) A loan for clearing land may not be made unless the land to be cleared is classified as Class 3 or better by the Soil Conservation Service, and may not

- (1) exceed \$250,000 [\$400,000];
- (2) bear interest that is less than [EXCEEDS] eight percent; or
- (3) have a term in excess of 20 [30] years.

Delete Section 3

Delete Section 6

# 2

Add to Sec. 2 of the bill:

(5) shall, if made at an initial interest rate less than the commercial rate, provide for increasing interest payment of one hundred basis points per year, beginning in the third year, up to the commercial rate of interest, and at the commercial rate thereafter.

(6) shall not, if a refinancing of a loan made under this chapter, be made at a lower percentage rate of interest than the loan being refinanced.

ARLISS

~~Agreement #2 to Amendment #2~~

AMENDMENT TO AGRICULTURAL LOAN ACT

BY ROBEY AMENDMENT  
to ARLISS AMEN-  
dment;

AS 03.10.030(f) is amended to read:

(f) A farm product processing loan may not exceed \$250,000 [~~\$2,500,000~~]. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$250,000 [~~\$2,500,000~~]. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$250,000 [~~\$2,500,000~~], or a farm product processing loan on real estate which has a prior indebtedness of \$250,000 [~~\$2,500,000~~] or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$250,000 [~~\$2,500,000~~] indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest that is less than [EXCEEDING] eight percent a year and shall be secured by a real estate or chattel mortgage or both.

\* Delete amendment #2

78

~~Amendment to~~ Amendment #3

by Rodey

\* Delete Amendment #3 and replace with:

\*Delete Section 44

\* Amend Section 45 to read:

AS 45.88.500(3) does not include

- (A) a [WOOD,] coal [,] or multi-fuel heating stove; or
- (B) a fireplace [OR FIREPLACE INSERT].

Failed  
5/10

\* Adopt intent language to state:

"It is the intent of the conference committee on SB 666 that no more than 65 percent of the appropriation to the Alternative Technology and Energy Revolving Loan Fund be used to make loans for wood stoves."

35-07  
Adopted

#4

590  
3/20/81

Introduced: 3/20/81  
Referred: Community & Regional  
Affairs and Finance

1 IN THE SENATE

BY RODEY, FERGUSON, FISCHER,  
COLLETTA, GILMAN AND RAY

2 SENATE BILL NO. 311

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to senior citizen housing and amending  
7 the housing development revolving loan fund; and  
8 providing for an effective date."

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

10 \* Section 1. AS 18.54.010 is amended to read:

11 CHAPTER 54. SENIOR CITIZENS HOUSING DEVELOPMENT [REVOLVING LOAN] FUND.

12 Sec. 18.54.010. DECLARATION OF PURPOSE. There exists within the  
13 state a serious shortage of decent, safe and sanitary residential  
14 housing available at low or moderate prices or rentals to persons  
15 60 years of age or older [OF LOWER AND MODERATE INCOME]. There also  
16 exists in the state organizations whose purposes are to provide the  
17 kinds of housing needed to alleviate this shortage. Development work  
18 to provide such housing involves substantial expense which is often  
19 beyond the resources of the organizations.

20 \* Sec. 2. AS 18.54.070(a) is amended to read:

21 (a) There is created within the Department of Community and  
22 Regional Affairs a senior citizens housing development fund. Subject  
23 to direct appropriation or through proceeds of a bonding issue the  
24 department shall make grants [OR LOANS] to municipalities [or to corpora-  
25 tions] or to public or private nonprofit corporations designated as tax  
26 exempt under sec. 501(c)(3) and 14 of the Internal Revenue Code of  
27 1954 [ELIGIBLE FOR LOANS UNDER AS 18.54.050] for the purpose of develop-  
28 ing senior citizen housing. A grant from the proceeds of a bond issue  
29 may be made only to municipalities.

Revised Amendment #5  
by Conference Committee on HCSSB 666(Fin) am H  
Adopted May 10, 1982

Passed  
5/10

Page 13, after line 12:

Insert a new section to read:

\* Sec. \_\_\_\_ . AS 44.33.285 is amended to read:

Sec. 44.33.285. ACTION BY GOVERNOR. The governor may, upon recommendation of the commissioner of commerce and economic development, designate by proclamation an area as an area impacted by an economic disaster. When an area is so designated, the legislature may appropriate money for assistance grants [SHALL BE MADE BY THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT AS PROVIDED IN AS 37.11.100] and the governor may recommend in his budget submission that capital projects planned for the area be accelerated and that new projects be funded for the area. The proclamation may provide that waivers of capital projects requirements, as authorized in AS 44.33.300, become effective only to the extent set out in the proclamation.

Page 19, lines 17 - 18:

Add the following to the list of repealed laws:

AS 18.55.360; AS 27.07; AS 37.11.100; AS 44.25.030 - 44.25.038;  
AS 44.33.320 - 44.33.380; AS 44.47.320 - 44.47.350

Revised Amendment <sup>#</sup> G  
By the Conference Committee on HCSSB 666(Fin) am H  
Adopted May 10, 1982

Passed

Page 15, after line 16, insert a new section to read:

\* Sec. \_\_\_\_ AS 44.47.410 is amended to read:

Sec. 44.47.410. INTEREST ON LOANS. (a) The interest rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 for nonconforming housing that is not rural housing is equal to the interest rate, as determined under AS 18.56.098(g)(1) - (4), on a mortgage loan purchased under AS 18.56.098(g) from the proceeds of the most recent applicable issue of taxable bonds before the origination or purchase of the mortgage loan originated or purchased under AS 44.47.380.

(b) The interest rate on a mortgage loan originated or purchased in whole or in part under AS 44.47.380 for rural housing is 10-1/2 percent.

Page 17, line 5:

Delete "nine and one-half" and insert "10-1/2"

Page 17, lines 20 - 21:

Delete all material and insert a new paragraph (6) to read:

(6) "rural housing" means housing, whether or not it is nonconforming housing, that is located in a rural area of the state.

Page 19, lines 19 - 27:

Delete Sec. 49

Am 7 A

Conference Committee on HCSSB 666 am H proposed amendment on owner-occupied triplex and four-plex housing.

Page 9, line 9 - page 10, line 7:

Delete Sec. 19.



Amend 12

Page 10, lines 15 - 24:

Delete Sec. 21.

Page 19, after line 27:

Insert a new section to read:

\* Sec. 50. If a newly constructed owner-occupied triplex or four-plex is completed between the effective date of this Act and October 1, 1984, and the triplex or four-plex is eligible for financing under the provisions of the special mortgage loan purchase program of the Alaska Housing Finance Corporation (AS 18.56.098), the interest rate determined under AS 18.56.098-(g) shall apply to the first \$105,000 of a mortgage loan for a triplex and to the first \$140,000 of a mortgage loan for a four-plex. In this section "newly constructed owner-occupied triplex or four-plex" means an owner-occupied triplex or four-plex that is not occupied before the effective date of this Act and for which a mortgage loan has not been previously purchased by the Alaska Housing Finance Corporation.

Amendment #

7 A

J Rodey

Amend HCS for SB 666 (Finance) am H

Page 9, lines 6 to 8, are amended:

(4) "residence" means an owner-occupied, single-family residence, including a mobile home, [or] and (i) an owner-occupied duplex, (ii) or an owner-occupied triplex or four-plex the construction of which was completed after July 1, 1982.

Divided motion:

- A. Subsidy to \$90,000 on 3 & 4 plexes;
- B. NEW construction, owner occupied, subsidized at \$105,000 for 3 plex & \$140,000 for 4 plex; to SUNSET Oct. 1st, 1984.

Amendment # Agenda # 7 15

Section 21: Delete Section 21

Section 19: Delete Section 19

Add a new Section to read:

AS 18.56.098(g) is amended to read:

(g) The corporation shall establish the interest rate on a first mortgage loan for a single family or duplex residence purchased ....

Add a new Section to read

AS 18.56.098 is amended by adding a new subsection to read:

(1) The corporation shall establish the interest rate on a mortgage loan purchased under (a) of this section for a triplex or fourplex residence in the same manner established for computing the interest rate on a first mortgage loan under (g) of this section except that the amount of loan bearing the interest rate determined in accordance with subsection (2) of this section shall be \$ 105,000 for a triplex residence and \$ 140,000 for a fourplex residence.

7(c)

Conference Committee on HCSSB 666 am H proposed amendment on owner-occupied triplex and four-plex housing.

Page 9, line 9 - page 10, line 7:

Delete Sec. 19.

Page 10, lines 15 - 24:

Delete Sec. 21.

Page 19, after line 27:

Insert a new section to read:

\* Sec. 50. If a newly constructed owner-occupied triplex or four-plex is completed between the effective date of this Act and October 1, 1984, and the triplex or four-plex is eligible for financing under the provisions of the special mortgage loan purchase program of the Alaska Housing Finance Corporation (AS 18.56.098), the interest rate determined under AS 18.56.098-  
→ (g) shall apply to the first \$105,000 of a mortgage loan for a triplex and to the first \$140,000 of a mortgage loan for a four-plex. In this section "newly constructed owner-occupied triplex or four-plex" means an owner-occupied triplex or four-plex that is not occupied before the effective date of this Act and for which a mortgage loan has not been previously purchased by the Alaska Housing Finance Corporation.

Passes  
5

definition of residence - 3/4

Proposed Amendment to HCSSB 666(Fin) am H

Page 10, after line 7:

Insert a new section to read:

\* Sec. \_\_\_\_ AS 18.56.098(g)(2) is amended by adding a new subparagraph to read:

(E) If the proceeds of a taxable bond issue are to be used only for the purchase of mortgage loans for triplex and four-plex residences, the cost of funds of that bond issue is not considered in determining interest rates. The interest rate on the first \$90,000 of a mortgage loan that is purchased with the proceeds from a taxable bond issue used solely for the purchase of mortgage loans for triplex and four-plex residences is equal to the interest rate, as determined under this paragraph, on a mortgage loan purchased with the proceeds of the preceding issue of taxable bonds.

## VIII    OPTIONS

1) NOTHING

~~2)~~    <sup>New</sup> 140,000 Subsidy    new construction only / started Oct '84

3)    <sup>New</sup> 140,000 Subsidy    construction after July 1, 1982 only

4)    140,000 Subsidy    new construction & existing

5)    140,000 Subsidy    new construction &  
      90,000        "        existing "

6)    90,000 Subsidy    new construction &  
      90,000        "        existing "

Mulcahy

Item No. 10

PASSED

11, after line 15 insert new bill sections:

Sec. . AS 18.56.100(a) is amended to read:

(a) There is created a housing development fund [SPECIAL REVOLVING LOAN FUND TO BE KNOWN AS THE "HOUSING DEVELOPMENT FUND"] to be administered by the corporation as a trust fund separate and distinct from any other money or funds administered by the corporation.

Sec. . AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at such interest rate or rates as determined by the corporation, and with such security for repayment as is necessary and practicable, to

[(1) DEFRAY DEVELOPMENT COSTS OF SPONSORS, BUILDERS, AND DEVELOPERS OF RESIDENTIAL HOUSING;

(2) PROVIDE TO PERSONS OF LOWER AND MODERATE INCOME WHO ARE APPLYING FOR MORTGAGES, THE AMOUNTS REQUIRED TO MAKE DOWN PAYMENTS AND PAY CLOSING COSTS AND TO HOUSING OWNERS THE AMOUNTS APPLIED FOR PARTIAL RENTAL PAYMENTS AND MORTGAGE INTEREST PAYMENTS UNDER AS 18.56.090(4); OR

(3)] purchase, make, or participate in the making of mortgage [AND CONSTRUCTION] loans which are not federally insured or guaranteed for [TO SPONSORS, BUILDERS, PURCHASERS AND DEVELOPERS OF LAND DEVELOPMENT OR] residential housing, if the corporation determines that such loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

\* Sec. . AS 18.56.100(c) is amended to read:

(c) To the credit of the housing development fund shall be deposited

(1) grants and contributions to the fund [AND THE PROCEEDS OF SALE OF FUND NOTES]; and

(2) all receipts of the corporation on account of repayment of or sale or other disposition of the security for any loans made under (b) of this section.

ge 19, line 18, after "16.10.342(b)":

Delete "and"

ge 19, line 18, after "16.10.560 - 16.10.720":

Insert ", 18.55.360, and 18.56.100(e) - (k)"

ge 19, after line 18:

Insert a new bill section to read:

\* Sec. . The repeal of AS 18.56.100(e) - (k) in sec. of this Act does not invalidate housing development fund notes issued under AS 18.56.- 00(e) - (k) before the effective date of this Act.

PASSED

AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at such interest rate or rates as determined by the corporation, and with such security for repayment as is necessary and practicable, to

(1) DEFRAY DEVELOPMENT COSTS OF SPONSORS BUILDERS, AND DEVELOPERS OF RESIDENTIAL HOUSING;

(2) PROVIDE TO PERSONS OF LOWER AND MODERATE INCOME WHO ARE APPLYING FOR MORTGAGES, THE AMOUNTS REQUIRED TO MAKE DOWN PAYMENTS AND PAY CLOSING COSTS AND TO HOUSING OWNERS THE AMOUNTS APPLIED FOR PARTIAL RENTAL PAYMENTS AND MORTGAGE INTEREST PAYMENTS UNDER AS 18.56.090(4); OR

(3) purchase, make, or participate in the making of mortgage [AND CONSTRUCTION] loans which are not federally insured or guaranteed to ~~sponsors, builders, purchasers and developers of land development~~ for residential housing, if the corporation determines that such loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

AS 18.56.100(c) is amended to read:

(c) To the credit of the housing development fund shall be deposited

(1) grants and contributions to the fund [AND THE PROCEEDS OF SALE OF FUND NOTES]; and

(2) all receipts of the corporation on account of repayment of or sale or other disposition of the security for any loans made under (b) of this section.

AS 18.56.100(e), (f), (g), (h), (i) and (j) <sup>and (k)</sup> are repealed provided that fund notes heretofore issued in accordance with these paragraphs are confirmed in all respects.

§ 18.56.100(c) is amended to read:

(a) There is created a [SPECIAL REVOLVING LOAN FUND TO BE KNOWN AS THE "] housing development fund ["] to be administered as a trust fund separate and distinct from any other money or funds administered by the corporation.

AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at such interest rate or rates as determined by the corporation, and with such security for repayment as is necessary and practicable, to

[1] DEFRAID DEVELOPMENT COSTS OF SPONSORS, BUILDERS, AND DEVELOPERS OF RESIDENTIAL HOUSING;

(2) PROVIDE TO PERSONS OF LOWER AND MODERATE INCOME WHO ARE APPLYING FOR MORTGAGES, THE AMOUNTS REQUIRED TO MAKE DOWN PAYMENTS AND PAY CLOSING COSTS AND TO HOUSING OWNERS THE AMOUNTS APPLIED FOR PARTIAL RENTAL PAYMENTS AND MORTGAGE INTEREST PAYMENTS UNDER AS 18.56.090(4); OR

(3) purchase, make, or participate <sup>for residential housing</sup> in the making of mortgage [AND CONSTRUCTION] loans which are not federally insured or guaranteed to sponsors, builders, purchasers and developers of land development or residential housing, if the corporation determines that such loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

AS 18.56.100(c) is amended to read:

(c) To the credit of the housing development fund shall be deposited

(1) grants and contributions to the fund [AND THE PROCEEDS OF SALE OF FUND NOTES]; and

(2) all receipts of the corporation on account of repayment of or sale or other disposition of the security for any loans made under (b) of this section.

AS 18.56.100(e), (f), (g), (h), (i) and (j) are repealed provided that fund notes heretofore issued in accordance with these paragraphs are confirmed in all respects.

AHFC

AGENDA ITEM NO. 11

PASSED 4/21

HCSSB 666(Fin) am H

A. Page 10, line 21:

After "(26 U.S.C. 103(A))" insert ", as amended, other than bonds that constitute qualified veterans' mortgage bonds under (i) of this section,"

B. Page 11, lines 5 - 12:

Delete all material and insert the following:

(j) If the money used to purchase a mortgage loan made to a veteran under this section comes from an issue of bonds of the corporation guaranteed by the state, each bond must be issued as part of an issue substantially all of the proceeds of which are used to provide residences for qualifying veterans. In this subsection a qualifying veteran is a person who is a "qualified veteran" as the term is defined or may subsequently be defined under the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103(A)), as amended.

Amend subparagraph (j), lines 5 to 12, page 11, HCEEE 666(Fin) am  
" as follows:

(j) If the money used to purchase a mortgage loan made to a veteran under this section comes from an issue of bonds of the corporation guaranteed by the state each bond must be issued as part of an issue substantially all of the proceeds of which are used to provide residences for veterans. As used in this subsection a qualifying veteran is a person who served on active duty in the United States military service, and who was discharged or released under conditions other than dishonorable or a person who is a qualified veteran as the term may be otherwise defined under the Mortgage Subsidy Bond Tax Act of 1980. [OR BE ISSUED IN SUCH OTHER MANNER THAT MAY BE NECESSARY TO INSURE THAT THE BOND IS A "QUALIFIED VETERAN'S MORTGAGE BOND" UNDER THE MORTGAGE SUBSIDY BOND TAX ACT OF 1980 (26 U.S.C. 103(A)), AS AMENDED.]

AHFC

Delete lines 13-15 page 11

*Rodey*

Item 11

Amendment # \_\_\_\_\_

did NOT  
PASS;

Sec. 22: (a) The interest rate on a mortgage loan purchased from the proceeds of bonds that are exempt from taxation is equal to the rate for loans to other borrowers under the appropriate provisions of AS 18.56.098(g). A higher or lower interest rate shall be established on the entire loan amount if required under the Mortgage Subsidy Bond Tax Act of 1980.

(6) Delete 18.56.098(g)(6).

AGENDA ITEM NO. 12

PASSED  
4/21

HCSSB 666(Fin) am H

Page 12, lines 14 - 17:

Delete underlined material and insert the following:

"The corporation may issue state guaranteed bond notes in anticipation of the sale of state guaranteed bonds to be issued under this chapter. State guaranteed bond anticipation notes are guaranteed as to principal and interest by the state and secured by the full faith, credit and resources of the state."

Item 12

Amendment # \_\_\_\_\_

Section 24. Delete last sentence. (page 12, begins on line 14, ends line 17)

SAME AS  
PRECEDING

AGENDA ITEM NO. 13

*PASSED*

HCSSB 666(Fin) am H

Page 12, line 21:

Delete "and at the price" and insert: "[AND AT THE PRICE]"

Page 12, line 24:

Delete "and at the price"

item 14

did not  
PASS;

Amendment # \_\_\_\_\_

Add new section to read:

AS 18.56.098 is amended by adding a new subsection to read:

(a) In this section and in AS 18.56.099, an individual who owns and occupies more than one residence shall declare which residence is the individual's principal residence for meeting the owner-occupied requirement of the special loan purchase program.

Amendment 15  
by the Conference Committee on MCSSB 666(Fin) am H  
Adopted May 10, 1982

PASSED  
5/11

Page 9, after line 4:

Insert a new section to read:

\* Sec. . AS 18.56.096 is amended by adding a new paragraph to read:

(3) a mortgage loan for the construction of new housing or for the improvement or rehabilitation of existing housing, unless the construction, improvement, or rehabilitation work is performed by a contractor who is registered to work as a contractor under AS 08.18; this paragraph does not apply if the construction, improvement, or rehabilitation work

(A) is totally or substantially performed by the borrower;

(B) is performed by a borrower who acts as the contractor for the construction, improvement, or rehabilitation work; or

(C) is performed in an area designated by the corporation as exempt from the requirements of this paragraph because of the unavailability of registered contractors in that area.

item 15

Amendment # \_\_\_\_\_

18.56.088(c)(3) is modified to read as follows:

"(3) characteristics of housing eligible for loans or purchase of loans,  
including compliance with building codes or similar construction  
standards; and

Amendment # \_\_\_\_\_

Sec. 17 of the bill, modify to read as follows:

page 9, line 3. After the word "markets," delete the period and add  
"; provided that, however, the corporation may not (1) subject its  
(1) ← general assets to the laws of any foreign government,

(2) make any investments or incur any liabilities in a currency  
other than United States currency,

(3) conduct any meetings of the corporation outside of the state of  
Alaska without written authorization of the governor, <sup>or</sup> and

(4) conduct any official business other than by electronic media  
outside of the United States without written authorization of the  
governor."

AGENDA ITEM NO. 16

HCSSB 666(Fin) am H

Page 8, line 29:

After "section;" insert "or"

Page 9, lines 1 - 3:

Delete "; or (7) do anything otherwise necessary to facilitate access to international capital markets"

Insert "In exercising a power under this section, the corporation may not subject its assets to risk of loss through foreign currency exchange."

Amend HCS for SB No. 666 (Finance) am H

Page 9, lines 2 and 3

Delete clause number (7)

Add a new sentence

In exercising a power under this section, the corporation may not subject its assets to foreign currency exchange risks.

18

Add to AS 18.56.09B:

The Corporation shall adopt regulations under AS 18.56.088 to establish a commitment procedure for the purchase of mortgage loans.

U  
Passed

AHFC

\* Sec. AA. AS 44.88 is amended by adding a new section to read:

Sec. 44.88.151. ADMINISTRATIVE PROCEDURE. Except for AS 44.-62.310 and 44.62.312, regarding public meetings, and except for AS 44.62.320(a), regarding legislative review of regulations, the provisions of the Administrative Procedure Act regarding the adoption of regulations (AS 44.62.040 - 44.62.320) do not apply to the authority. The authority shall make available to members of the public copies of the regulations adopted under AS 44.88.151(b) - (e).

Within 45 days after adoption of a regulation under AS 44.88.151-(b) - (e), the chairman of the authority shall submit the regulation adopted to the chairman of the Administrative Regulation Review Committee under AS 24.20.400 - 24.20.460.

(b) The authority may adopt regulations under this section by motion or by resolution or in any other manner permitted by its by-laws.

(c) The authority may adopt regulations to carry out the purposes of this chapter, and shall adopt regulations necessary for the following purposes:

(1) determination of borrower eligibility;

(2) loan guidelines and terms including, but not limited to, maximum loan amounts and required loan-to-value ratios, but excluding loan interest rates;

(3) characteristics of projects eligible for loans or purchase of loans; and

(4) the qualifications of loan originators and servicers and the method of allocating amounts available for the purchase of loans.

(d) Except as provided in AS 44.88.151(e), at least 15 days before the adoption, amendment or repeal of a regulation on a subject specified in AS 44.88.151(c), the authority shall give public notice of the proposed action by publishing the notice in at least three newspapers of general circulation in the state and by mailing a copy of the notice to every person who has filed with the authority a request for notice of proposed regulations. The public notice must include a statement of the time, place and nature of the proceedings for the adoption, amendment or repeal of the regulation and must include an informative summary of the subject of the proposed action. On the date and at the time and place designated in the notice, the authority shall give each interested person or his authorized representative, or both, the opportunity to present statements, arguments or contentions orally or in writing and shall give members of the public an opportunity to present oral statements, arguments or contentions for a total period of at least one hour. The authority shall consider all relevant matter presented to it before taking the proposed action on the regulation. At a hearing under this subsection, the authority may continue or postpone the hearing to a time and place determined by the authority and announced at the hearing before taking the action to continue or postpone the hearing. A regulation adopted, amended or repealed by the authority may vary from the informative summary specified in this subsection if the subject matter of the action taken on the regulation remains the same and if the original notice of the proposed action was written so as to assure that members of the public are reasonably notified of the subject matter of the proposed action in order for them to determine whether their interests could be affect-

ed by the authority's proposed action on that subject.

(e) The adoption, amendment or repeal of a regulation on a subject specified in AS 44.88.151(c) may be made as an emergency regulation if, in its order of adoption, the authority states the facts constituting the emergency and makes a finding that the adoption of the regulation is necessary for the immediate preservation of the orderly operation of the authority's loan and bonding programs. The requirements of AS 44.88.151(d) do not apply to the initial adoption of an emergency regulation covering a subject specified in AS 44.88.151(c); however, upon adoption of an emergency regulation under this subsection, the authority shall, within 10 days after that adoption, publish notice of the adoption in accordance with the notice procedures specified in AS 44.88.151(d). No emergency regulation adopted under this subsection shall remain in effect for more than 120 days unless, prior to the expiration of that period, the authority adopts that regulation a permanent regulation in accordance with the procedures specified in AS 44.88.151(d).

(f) A regulation adopted under AS 44.88.151(b) - (e) becomes effective immediately upon its adoption by the authority or at such other time as specified by the authority in its order of adoption.

\* Sec. BB. AS 44.88.159(a) is amended to read:

(a) The interest rate on a loan financed from the proceeds of tax-exempt bonds or expected [EXCEPTED] by the authority to be financed from the proceeds of tax-exempt bonds is equal to the cost of funds to the authority. In this subsection "cost of funds" means the true interest cost expressed as a rate on tax-exempt bonds of the authority plus an additional percentage as determined by the

authority to represent the allocable expenses of operation, costs of issuance, and loan servicing.

\* Sec. CC. AS 44.88.165 is amended to read:

Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of the total outstanding balance of loans purchased from a financial institution under this chapter becomes delinquent for 90 days or more, the authority shall discontinue purchasing loans for which it has not already made a purchase commitment from that financial institution until the delinquency is reduced to less than two percent.

\* Sec. DD. (a) In addition to the findings and declarations in AS 44.88.010, the legislature finds, determines and declares

(1) that there exists in the state a serious shortage of decent, safe and sanitary multifamily housing units, and that this shortage is inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of communities in the state; and

(2) that it is necessary to give the authority the power to provide a means for financing additional multifamily housing projects in the state.

(b) In addition to the purposes specified in AS 44.88.070, the purpose of the Authority is also to promote, develop and maintain an adequate supply of decent, safe and sanitary multifamily housing projects during times of shortage of such projects in the state, by providing various means of financing and facilitating the financing of multifamily housing projects in the state.

(c) In addition to the powers conferred on the Authority under AS 44.88.080 and its other powers, the Authority has the following powers:

(1) to make loans and to participate in the making of loans, in conjunction with other lenders, the Alaska State Housing Authority or an Alaskan municipality, to assist in the financing of multifamily housing projects;

(2) to own a multifamily housing project with sponsors, developers, builders or other persons or to own a multifamily housing project alone, for the purpose of maintaining a security interest in that multifamily housing project;

(3) to borrow money, to issue its bonds and to provide security for bonds it issues in connection with the financing of multifamily housing projects, except that the Authority shall not issue bonds for the construction financing for a multifamily housing project unless the bonds are, in its opinion, adequately secured by a letter of credit or equivalent security;

(4) to make loans and to participate in the making of loans from the proceeds of tax-exempt bonds for a multifamily housing project at any interest rate determined or agreed to by the authority;

(5) to acquire, sell or otherwise dispose of an interest in a multifamily housing project as necessary or appropriate to provide financing for the housing project;

(6) to enter into agreements with respect to a multifamily housing project on terms and conditions that the Authority considers advisable;

(7) to assist private lenders, the Alaska State Housing Authority and Alaskan municipalities to make loans to finance the costs of multifamily housing projects;

(8) to use the multifamily housing loans security fund to provide a loan loss reserve for loans purchased by the multifamily

housing loan account of the enterprise development fund.

(d) With respect to the issuance of bonds to finance one or more multifamily housing projects, the Authority may waive or modify, as it considers appropriate, the requirements of AS 44.88.090(e), <sup>and pursuant</sup> and 44.88.160 in order to facilitate the financing of that multifamily housing.

(e) The provisions of AS 44.88.105(f) do not apply to capital reserve funds established to secure bonds issued to finance one or more multifamily housing projects.

(f) There is established in the enterprise development fund a multifamily housing loan account, consisting of money and other assets of the enterprise development fund which the Authority deposits into it; however, the Authority shall not deposit into the multifamily housing loan account any proceeds from the sale of bonds of the Authority. The multifamily housing loan account shall be used only to purchase loans for multifamily housing projects. Notwithstanding the provisions of AS 44.88.155(d), a loan purchased by the Authority for the multifamily housing loan account

(1) may not be for a term longer than 30 years from the date the loan is made;

(2) shall be secured as to repayment by a mortgage or other security instrument in the manner the Authority determines is feasible to assure timely repayment under a loan agreement entered into with the borrower; and such a mortgage or other security instrument shall constitute a first lien against the multifamily housing project, except that it may be subordinated by the Authority to a loan made directly or indirectly with the proceeds of a sale of bonds by the Authority, by the Alaska State Housing Authority or by an Alaskan municipality during the time when the loan from such proceeds is outstanding, and may be subordinated

to a loan to refinance such a loan, as the Authority considers appropriate;

(3) shall provide for a schedule of payments of principal and interest satisfactory to the Authority, which may include (without limitation) deferrals or reductions of payments, variable payments, balloon payments, sharing in equity appreciation and other arrangements;

(4) shall be in the form and contain the terms and provisions with respect to insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, acceleration of maturity, secondary liens and other matters as the Authority prescribes.

(g) The interest rate on a loan for one or more multifamily housing projects financed from the proceeds of tax-exempt bonds or expected by the Authority to be financed from the proceeds of tax-exempt bonds may be at a higher or lower rate, as the Authority considers appropriate, than the cost of funds as defined in AS 44.88.159(a) with respect to that loan.

(h) The multifamily housing loans security fund is established in the Authority.

(1) The multifamily housing loans security fund consists of money and assets appropriated or transferred to it, the income produced from its investments and holdings, and such deposits as the Authority may make from repayments of multifamily housing loans purchased by the multifamily housing loan account of the enterprise development fund. The purpose of the multifamily housing loans security fund is to provide a loan loss reserve for the enterprise development fund for multifamily housing loans made by the Authority from the multifamily housing loan account of the enterprise development fund.

(2) The Authority may establish in the multifamily housing loans security fund separate accounts for one or more multifamily housing loans, as it finds appropriate, and may establish other accounts as it considers appropriate.

(3) Money and other assets of the multifamily housing loans security fund shall be held and invested by the Authority at competitive national market rates in the types of investments described in AS 37.10.-070(a).

(4) The multifamily housing loans security fund is not a general asset of the Authority and shall not be pledged or committed in any way except to provide a loan loss reserve for the enterprise development fund for multifamily housing loans made by the Authority from the multifamily housing loan account of the enterprise development fund.

(5) If a multifamily housing loan from the multifamily housing loan account of the enterprise development fund of the Authority is not fully repaid, including accrued interest, and is not fully satisfied after the exercise of such security as the Authority may have required under (f)(2) of this section, the executive director of the Authority shall certify in writing as to those facts. Upon such certification, an amount equal to the unpaid balance, accrued interest and costs attributable to that loan shall be paid over from the multifamily housing loans security fund to the enterprise development fund of the Authority, or if the balance in the multifamily housing loans security fund is less than the amount of the unpaid balance, accrued interest and costs attributable to that loan, the remaining balance of the multifamily housing loans security fund shall be paid over to the enterprise development fund of the Authority. The Authority shall, for purposes of (6) of this subsection, consider such a loan fully discharged upon payment from the

multifamily housing loans security fund to the enterprise development fund under this subsection.

(6) No later than 60 days after all multifamily housing loans have been discharged (or are considered discharged under (5) of this subsection) which are made from the multifamily housing loan account of the enterprise development fund of the Authority, the balance, if any, remaining in the multifamily housing loans security fund shall be transferred by the Authority to the General Fund of the State.

(i) In this section,

(1) "Authority" means the Alaska Industrial Development Authority:

(2) "multifamily housing project" means a specific building, structure, work or improvement of five or more dwelling units, or a group of such buildings, structures, works or improvements, the purpose of which is primarily to provide rental dwelling accommodations and which qualifies for tax-exempt financing under sec. 103 of the Internal Revenue Code of 1954, as amended (26 U.S.C. §103), or sec. 11(b) of the National Housing Act of 1937, as amended, and which is originally financed before January 1, 1984; "multifamily housing project" includes the acquisition, construction or rehabilitation of land, buildings and improvements for rental dwellings, accommodations and other facilities that may be incidental or appurtenant to rental dwelling accommodations.

\* Sec. XX. Section DD of this Act is repealed.

\* Sec. YY. Section XX of this Act takes effect on the day after the transfer of funds by the Alaska Industrial Development Authority to the General Fund of the State is made pursuant to sec. DD(h)(6) of this Act, or if there are no funds available for such transfer, the sixty-first day

\* Sec. . AS 44.88.180(a) is amended to read:

(a) No member of the authority may vote on a resolution of the authority relating to a lease or contract to be entered into by the authority under this chapter if he is a party to the lease or contract or has a direct ownership interest or equity interest in a firm, partnership, corporation or association which may be a party to the contract or lease. [IF A PERSON MAY NOT VOTE BECUASE OF THIS PROHIBITION, FOR ALL PURPOSES REGARDING ACTION OF THE AUTHORITY RELATING TO ADOPTION OF THE RESOLUTION, THE POSITION OF THE PERSONS AS A MEMBER SHALL BE TRANSFERRED TO THE FIRST ONE OF THE FOLLOWING STATE OFFICERS WHO IS NOT THEN ACTING AS A MEMBER AND WOULD NOT BE PROHIBITED FROM VOTING ON THE RESOLUTION BECAUSE OF THE SAME PROHIBITION: COMMISSIONER OF ADMINISTRATION, ATTORNEY GENERAL, COMMISSIONER OF REVENUE, COMMISSIONER OF HEALTH AND WELFARE, COMMISSIONER OF LABOR, COMMISSIONER OF PUBLIC WORKS, COMMISSIONER OF PUBLIC SAFETY.]

after all multifamily housing loans have been discharged (or are considered discharged under sec. DD(h)(5) of this Act) which are made from the multifamily housing loan account of the enterprise development fund of the Alaska Industrial Development Authority.

It is the intent of the legislature that AIDA not make a loan or participate in the making of a loan to assist in the financing of a multifamily housing project if that project would compete with projects financed under a program sponsored by an Alaskan municipality, unless it is with the consent of that Alaskan municipality.

*\* delete section 41*

Item #47

Failed

1  
2  
3  
4 An amendment to modify the structure of the AHFC Board of  
5 Directors.  
6  
7

8  
9 \* Section 1. AS 18.56.030(a) is amended to read:

10 (a) The corporation shall be governed by a board of directors  
11 consisting of

12 (1) the commissioner of revenue [and the commissioner of  
13 commerce and economic development];

14 (2) one other member who is the head of the principal depart-  
15 ment of the executive branch of state government appointed by the  
16 governor;

17 (3) three [TWO] public members appointed by the governor;  
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29

MEEKINS

item 48 A

Proposed amendment to Section 19 of SB 666 regarding the ratchet

Sec. 19. AS 18.56.098(g)(2) is amended to read:

(2) The interest rate on the first \$90,000 of a mortgage loan for a single-family or duplex residence, on the first \$105,000 of a mortgage loan for a triplex residence, and on the first \$140,000 of a mortgage loan for a four-plex residence purchased with the proceeds of a second or subsequent issue of taxable bonds of the corporation shall be determined as follows:

(A) If the cost of funds of an issue of taxable bonds is more than the cost of funds of the preceding issue of taxable bonds, the interest rate shall be increased by an amount equal to the difference between the costs of funds of the two bond issues.

The proposed amendment would insert the following language after "issues":

provided, however, that when the cost of funds is equal to or less than the highest cost of funds of an issue of taxable bonds sold during the prior fiscal year the interest rate shall not be increased.

MEEKINS

B

Proposed amendment to Sec. 19 as written in House CS for Senate Bill No. 666 (Finance) amE

(The proposed amendment is underlined with a continuous line; the dashed underlining is the amendment presently proposed by HCS SB 666.)

\*Sec. 19. A.S. 18.56.098(g)(2) is amended to read:

(2) The interest rate on the first \$90,000.00 of a mortgage loan for a single-family or duplex residence, on the first \$105,000.00 of a mortgage loan for a triplex residence, and on the first \$140,000.00 of a mortgage loan for a four-plex residence purchased with the proceeds of a second or subsequent issue of taxable bonds of the corporation shall be determined as follows:

(A) If the cost of funds of an issue of taxable bonds is more than the cost of funds of the preceding issue of taxable bonds, the interest rate shall be increased by an amount equal to the difference between the cost of funds of the two bond issues[.] provided, however, that when the cost of funds is greater than 1/4 of one percent above the previous cost of funds of an issue of taxable bonds, the interest rate shall not be increased more than 1/4 of one percent in any calendar quarter.

(Subsec. (B), (C) and (D) are the same.)

Proposed amendment to Sec. 19 as written in House CS for Senate Bill No. 666 (Finance) amH

(The proposed amendment is underlined with a continuous line; the dashed underlining is the amendment to AS.18.56.09(g)(2) by HCS SB 666.)

(2) The interest rate on the first \$90,000 of a mortgage loan for a single-family or duplex residence, on the first \$150,000.00 of a mortgage loan for a triplex residence, and on the first \$140,000.00 of a mortgage loan for a four-plex residence purchased with the proceeds of a second or subsequent issue of taxable bonds of the corporation shall be determined as follows:

(A) If the cost of funds of an issue of taxable bonds is more than the cost of funds of the preceding issue of taxable bonds, the interest rate shall be increased by an amount equal to the difference between the cost of funds of the two bond issues[.] provided, however, that during the period from July 1, 1982 to June 30, 1983 ~~that~~ the interest rate shall be increased by an amount equal to the difference between the cost of funds of the two bond issues up to a maximum of one quarter percent per issue of taxable bonds.

(Subsec. (B), (C) and (D) are the same.)

\* Delete Section 23

\* Add a new section to read:

AS 18.56.088(c)(5) establishment of a procedure including a fee schedule  
for the individual  
commitment of funds at a specific interest rate for a period not to  
exceed one year.

*Rodey*

*Rodey*

#48(d)(d)

Amendment to AS 18.56.098(g)(2)A modifying the ratchet:

(A) If the cost of funds of an issue of taxable bonds is more than the cost of funds of the preceding issue of taxable bonds, the interest rate shall be increased by an amount equal to the lesser of (1) the difference between the cost of funds of the two bond issues (.); or (2) if the difference between the cost of funds and the interest rate is equal to or less than 5.75 percent, an amount equal to the difference between the cost of funds of the two bond issues up to a maximum of one quarter percent per issue of taxable bonds; or (3) if the difference between the cost of funds and the interest rate is greater than 5.75 percent, an amount equal to the excess over 5.75 percent.

Failed 5/12

Proposed Amendment No. IV 48 (e)  
by Conference Committee on HCSSE 666(Fin) am R

Page 19, after line 27:

Insert a new section to read:

\* Sec. . Notwithstanding the provisions of AS 18.56.098(g)(2), the interest rate on the state-subsidized portion of a mortgage loan purchased by the Alaska Housing Finance Corporation under the special mortgage loan purchase program (AS 18.56.098) may not increase more than one-half percent after each applicable issue of taxable bonds up to a maximum increase of one percent during the period between the effective date of this Act and July 1, 1983. However, if the application of this section would result in a difference between the interest rate and the cost of funds, as that term is defined in AS 18.56.098(g)(7)(A), of more than five and three-quarters percent, the interest rate shall increase instead to a rate that reduces the difference between the interest rate and the cost of funds to five and three-quarters percent.

48 D

Proposed amendment to Sec. 19 as written in  
House CS for Senate Bill No. 666 (Finance) amH

(The proposed amendment to AS 18.56.098(a)(2)(A) is  
underlined with a continuous line.)

(A) If the cost of funds of an issue of taxable  
bonds is more than the cost of funds of the  
preceding issue of taxable bonds, the interest  
rate shall be increased by an amount equal to  
the difference between the cost of funds of the  
two bond issues[.] provided, however, that if  
the difference between the cost of funds and the  
interest rate is equal to or less than 5.75  
percent the interest rate during the period  
from July 1, 1982 to June 30, 1983, shall be  
increased by an amount equal to the difference  
between the cost of funds of the two bond  
issues up to a maximum of one quarter percent  
per issue of taxable bonds.

(Subsec. (B), (C) and (D) are the same.)

Amendment II 7  
by the Conference Committee on HCSSB 666(Fin) am H  
Adopted May 10, 1982

Passed  
5/10

Page 7, line 25:

After "state" insert ", other than in an area where the division of  
housing assistance has a loan office"

Proposed Addition to HCS for SB 666 (Finance)

Sec. 18.56.170. CREDIT OF STATE NOT PLEDGED. (a) Obligations issued under the provisions of this chapter, except state guaranteed bonds, do not constitute a debt, liability or obligation of the state or of any political subdivision of the state or a pledge of the faith and credit of the state or of any such political subdivision but are payable solely from the revenues or assets of the corporation. Each obligation issued under this chapter, except a state guaranteed bond, shall contain on its face a statement that the corporation is not obligated to pay it nor the interest on it except from the revenues or assets pledged for it and that neither faith and credit nor the taxing power of the state or of any political subdivision of the state is pledged to the payment of the principal of or the interest on the obligation.

(b) Expenses incurred by the corporation in carrying out the provisions of this chapter are payable from funds provided under this chapter and no liability may be incurred by the corporation in excess of these funds. (S 1 ch 107 SLA 1971)

1) page 2, line 7: amend to read:

interest be the state in the principal amount of not more than \$300,000,000  
[\$400,000,000]

2) page 2, line 19: amend to read:

[\$400,000,000] \$300,000,000 of its revenue bonds that are unconditionally  
guaranteed as to

3) page 3, line 5: amend to read:

Mortgage Bonds                                    [\$400,000,000] \$300,000,000

4) page 3, line 10: amend to read:

principal amount of not more than [\$400,000,000] \$300,000,000 for

Amendment No. III #5

Adopted 5/5

TO: HCSSB 666(Fin) am H

Page 4, line 7:

Delete "AS 16.10.300 - 16.10.370" and insert "AS 16.10.310(a)(1)(B)"

Page 4, line 28 through page 5, line 4:

Delete all material

Page 5, line 5:

Delete "(2)" and insert "(1)"

Page 5, line 6:

Delete "(3)" and insert "(2)"

Page 5, line 7:

Delete "(4) may" and insert "(3) shall"

Page 5, line 9:

Delete "(5)" and insert "(4)"

Delete "75" and insert "90"

Page 5, lines 14 23:

Delete all material and insert the following:

\* Sec. 10. AS 16.10.320(d) is repealed and reenacted to read:

(d) Loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed a total of \$300,000. Loans made to a borrower under AS 16.10.-310(a)(1)(B) or (C) may not exceed a total of \$100,000. A loan to an associate of the borrower is considered to be a loan to the borrower.

Page 6, line 6:

Delete "AS 16.20.320(e)", and insert "AS 16.10.320(e)"

Page 6, line 12:

Delete "(a)(1)" and insert "(d) [(a)(1)]"

Page 6, line 20:

Delete "75" and insert "90 [75]"

Page 6, line 23:

Delete "granted" and insert "made [GRANTED]"

Page 6, line 24:

Delete "AS 16.10.333(a)" and insert "AS 16.10.310(a)(1)(A) and (B)  
[AS 16.10.333(a)]"

Page 6, line 27 through page 7, line 7:

Delete all material and insert a new section to read:

\* Sec. 13. AS 16.10.320 is amended by adding new subsections to read:

(h) A loan for an entry permit under AS 16.10.310(a)(1)(B) may be made for up to 100 percent of the appraised value of the collateral

used to secure the loan if the borrower demonstrates that (1) he has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; and (2) he has not owned an Alaska limited entry permit in the year immediately preceding the application for the loan. In this subsection "three years of experience as a commercial fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the borrower has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder.

(i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A), a subsequent loan may not be made to the borrower or an associate of the borrower under AS 16.10.310(a)(1)(B) or (C). If a loan is made to a borrower under AS 16.10.310(a)(1)(B) or (C), a subsequent loan may be made to the borrower or an associate of the borrower under AS 16.10.310(a)(1)(A) if the total of the loans received by the borrower or the associate under AS 16.10.310 does not exceed \$300,000.

Page 19, line 18:

Delete "16.10.560 - 16.10.720" and insert "16.10.650 - 16.10.720"

Page 19, after line 27 insert new bill sections to read:

\* Sec. 50. All assets of the fishermen's mortgage and note fund (AS 16.10.650) are transferred to the commercial fishing revolving loan fund (AS 16.10.340). Repayments of principal and interest on loans made from the fishermen's mortgage and note fund shall be deposited into the commercial fishing revolving loan fund by the commissioner of the Department of

Commerce and Economic Development as they are received.

\* Sec. 51. A borrower who receives a loan before the effective date of this Act under AS 16.10.650 - 16.10.720 may receive a loan under

(1) AS 16.10.310(a)(1)(A) after the effective date of this Act if the total of the loans received by the borrower under AS 16.10.650 - 16.10.720 and AS 16.10.310(a)(1)(A) does not exceed \$300,000;

(2) AS 16.10.310(a)(1)(B) or (C) if the total of the loans received by the borrower under AS 16.10.650 - 16.10.720 and AS 16.10.310(a)(1)(B) or (C) does not exceed \$100,000.

\* Sec. 52. A borrower who receives a loan under AS 16.10.310 before the effective date of this Act may receive a loan under

(1) AS 16.10.310(a)(1)(B) or (C) after the effective date of this Act if the total of the loans received by the borrower under AS 16.10.310 before the effective date of this Act and AS 16.10.310(a)(1)(B) or (C) after the effective date of this Act does not exceed \$100,000;

(2) AS 16.10.310(a)(1)(A) after the effective date of this Act if the total of the loans received under AS 16.10.310 before the effective date of this Act and AS 16.10.310(a)(1)(A) after the effective date of this Act does not exceed \$300,000.

\* Sec. 53. Notwithstanding AS 16.10.320(i) and secs. 51 and 52 of this Act the total of all loans that a borrower receives under (1) AS 16.10.650 - 16.10.720; (2) AS 16.10.310 before the effective date of this Act; and (3) AS 16.10.310 after the effective date of this Act, may not exceed \$300,000.

\* Sec. 54. In secs. 51 - 53 of this Act a loan to an associate of a borrower is considered to be a loan to the borrower. In this section "associate of a borrower" has the same meaning set out under AS 16.10.320(d).

Page 19, line 28:

Change "Sec. 50" to "Sec. 55"

III 5

Dept. of Commerce

Proposed amendment to SB 666:

Repeal AS 16.10.337 (c)

**Sec. 16.10.337. Deficiencies and transfer of entry permits after foreclosure.** (a) Upon a foreclosure on an entry permit as provided in AS 16.10.335, the commissioner shall offer the commission a right of first refusal if the permit is subject to a buy-back program under AS 16.43.290 — 16.43.330 at a price equal to the amount outstanding on the note plus any costs the department directly incurred in administering the loan.

(b) If the commission does not exercise its right of first refusal within 30 days after it receives the offer, or if the permit is not subject to a buy-back program under AS 16.43.290 — 16.43.330, the department shall promptly notify the debtor of this fact. The debtor has 30 days from the postmark date of the notice to nominate a person qualified to assume the note. The person nominated must qualify under the requirements of AS 16.10.333(a). If qualified, he may assume all rights and liabilities of the original debtor.

(c) If the debtor is unable to nominate a qualified person to assume the note under (b) of this section, the permit must be made available to a qualified person, chosen as provided in this section, who must assume the note subject to all rights and liabilities of the original debtor. The commission shall provide the commissioner with a list of persons chosen by lottery who qualify as transferees of entry permits under AS 16.43.010 — 16.43.380 and regulations adopted by the commission and who have met the residency and commercial fishing participation requirements of AS 16.10.310(a). The commissioner then shall determine, in order of presentation, any remaining qualifications. The commissioner shall allow the first applicant meeting all qualifications to assume the note.

(d) Nothing in this section affects the right of the commissioner to institute legal action for a deficiency resulting from a default on a note given under AS 16.10.333. In addition to any deficiency, the debtor is liable for the costs of administering the note and for costs and attorney fees. (§ 4 ch 83 SLA 1978)

Passed  
5/5

Amendment III # 31  
by the Conference Committee on HCSSB 666(Fin) am H  
Adopted May 10, 1982

PASSED  
5/10

Page 16, after line 7, insert new sections to read:

\* Sec. . AS 44.47.460(b) is amended to read:

(b) The director may execute service agreements with private lending institutions or with regional native housing authorities established under AS 18.55.996 to service loans originated by the division or loans originated under AS 18.55.997.

\* Sec. . AS 44.47.460(c) is amended to read:

(c) Under the servicing agreement, the private financial institution or the regional native housing authority shall administer the loan and may charge the division a negotiated origination or servicing fee on the division's share of the loan. When appropriate, the private financial institution or the regional native housing authority may also charge the borrower a reasonable originator fee not to exceed one percent.

III 32

Original sponsor: Rules/Governor

Offered: 3/17/82  
Referred: Finance

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 694 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank  
7 Authority; and providing for an effective date."

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

9 \* Section 1. AS 39.25.120 is amended by adding a new paragraph to read:  
10 (20) employees and agents, other than the executive secretary  
11 and legal counsel, of the Alaska Municipal Bond Bank Authority.

12 \* Sec. 2. AS 44.85.070 is amended to read:

13 Sec. 44.85.070. STAFF. The bond bank authority shall employ an  
14 executive secretary who may with the approval of the bond bank authority  
15 select and employ additional staff as necessary. Employees and agents of  
16 the bond bank authority other than legal counsel and the executive sec-  
17 retary are in the partially exempt [CLASSIFIED] service under AS 39.25.  
18 In addition to its staff of regular employees, the bond bank authority  
19 may contract for and engage the services of the bond counsel, consul-  
20 tants, experts, and financial advisors the bond bank authority considers  
21 necessary for the purpose of developing information, or conducting  
22 studies, investigations, hearings or other proceedings.

23 \* Sec. 3. AS 44.85.100(b) is amended to read:

24 (b) The bond bank authority shall include in the report required  
25 by (a) of this section an estimate of the amount of revenue bonds of the  
26 bond bank authority to be issued during the fiscal year following the  
27 fiscal year in which the report is submitted [12-MONTH PERIOD]. The bond  
28 bank authority may not issue revenue bonds, other than refunding bonds,  
29 in excess of \$50,000,000 during any 12-month period beginning after

1 June 30, 1981, unless the legislature, by law, approves the estimate  
2 required by this subsection for that 12-month period.

3 \* Sec. 4. AS 44.85 is amended by adding a new section to read:

4 Sec. 44.85.165. MUNICIPAL BOND BANK REVOLVING LOAN FUND ESTAB-  
5 LISHED. There is established in the Department of Revenue a municipal  
6 bond bank revolving loan fund. The municipal bond bank revolving loan  
7 fund consists of money appropriated to it by the legislature. Principal  
8 payments on a loan made under this section shall be returned to the bond  
9 bank revolving loan fund. Interest payments on a loan made under this  
10 section shall be transferred to the general fund as provided by AS 37.-  
11 10.050 - 37.10.060. The bond bank authority may make loans to munici-  
12 palities from the municipal bond bank revolving loan fund. A loan made  
13 under this section

14 (1) may be used only for

15 (A) expenditures authorized to be paid from revenues of  
16 a municipal bond issue if the bonds have been authorized as re-  
17 quired by law but have not been sold;

18 (B) expenditures authorized under a grant from the state  
19 or federal government made after the grant is authorized but before  
20 it is received; or

21 (C) expenditures authorized by a municipal governing  
22 body in anticipation of tax revenues expected to be received during  
23 the period of the loan;

24 (2) shall be for a period of one year or less;

25 (3) may not exceed an amount that, when added to the bor-  
26 rower's outstanding aggregate municipal bond bank revolving loan fund  
27 balance, totals \$1,000,000; and

28 (4) shall bear interest at a rate that is approved by the  
29 bond bank authority by resolution and that is not less than the market

1 rate the authority would have to pay at the time of the loan for notes  
2 issued for a similar purpose.

3 \* Sec. 5. AS 44.85.180(c) is amended to read:

4 (c) Notwithstanding the provisions of (a) and (b) of this section,  
5 the total amount of bond bank authority bonds and notes outstanding at  
6 any one time, except bonds or notes issued to fund or refund bonds or  
7 notes, may not exceed \$200,000,000 [\$150,000,000].

8 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-  
9 070(c).

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III #45

Offered: 4/19/82  
Referred: Rules

Original sponsor: Kerttula by request

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 697 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Resources Corporation  
7 in place of the Alaska Renewable Resources Corporation  
8 (AS 37.12); and providing for an effective date."

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

10 \* Section 1. AS 37.12.010 is amended to read:

11 Sec. 37.12.010. ALASKA [RENEWABLE] RESOURCES CORPORATION CREATED.  
12 There is created the Alaska [RENEWABLE] Resources Corporation to carry  
13 out the purposes of this chapter. The corporation is a public corpora-  
14 tion of the state and an instrumentality of the state within the Depart-  
15 ment of Commerce and Economic Development [REVENUE], but has a legal  
16 existence independent of and separate from the state. The exercise by  
17 the corporation of the powers conferred by this chapter ; considered an  
18 essential function of the state.

19 \* Sec. 2. AS 37.12.015 is repealed and reenacted to read:

20 Sec. 37.12.015. PURPOSES. The purposes of the corporation are to  
21 (1) facilitate the rehabilitation, enhancement, and development  
22 of the state's resources so as to strengthen and diversify the state  
23 economy;

24 (2) provide development capital for the establishment and  
25 expansion of small enterprises in resource industries in the state in  
26 ways that enhance private capital investment; and

27 (3) strengthen and diversify the state's economy by the  
28 establishment and expansion of small enterprises that are self-supporting  
29 and that may

1 (A) develop underutilized state resources and reduce the  
2 state's dependence on oil and gas;

3 (B) reduce the seasonality of employment in the state;

4 (C) offer employment opportunities for unemployed state  
5 residents;

6 (D) provide additional tax revenues to the state govern-  
7 ment and to local governments;

8 (E) increase exports from the state or reduce imports  
9 into the state; or

10 (F) provide new products or services not previously  
11 available in the state.

12 \* Sec. 3. AS 37.12 is amended by adding a new section to read:

13 Sec. 37.12.022. DEVELOPMENT CAPITAL FUND. The development capital  
14 fund is established in the corporation, consisting of money or assets  
15 appropriated or transferred to the corporation, and payments of princi-  
16 pal and interest on loans and equity investments made by the corporation.  
17 The fund shall be used to finance projects that qualify for assistance  
18 under this chapter, and to pay the operating expenses of the corporation.  
19 If money remains in the development fund after financing projects that  
20 qualify for assistance under this chapter and after paying the operating  
21 expenses of the corporation, the money shall be invested by the corpora-  
22 tion under AS 37.10.070(a).

23 \* Sec. 4. AS 37.12.025 is amended to read:

24 Sec. 37.12.025. BOARD OF DIRECTORS [TRUSTEES]. A board of direc-  
25 tors [TRUSTEES] of the corporation is established as its governing body.

26 \* Sec. 5. AS 37.12.030 is repealed and reenacted to read:

27 Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board  
28 consists of four members with business, lending, or investment experience  
29 appointed by the governor and the commissioner of commerce and economic

1 development or his designee. The board shall annually elect a chairman  
2 from among its members.

3 \* Sec. 6. AS 37.12.035 is amended to read:

4 Sec. 37.12.035. TERM OF OFFICE. The members of the board [OF  
5 TRUSTEES] shall be appointed for terms of four years, and they may be  
6 reappointed. Terms of members appointed by the governor shall be stag-  
7 gered. The governor shall immediately appoint a member to fill a vacancy  
8 in the membership of the board for the unexpired term [THE INITIAL TERMS  
9 SHALL BE ONE MEMBER SERVING FOR TWO YEARS, ONE MEMBER SERVING FOR THREE  
10 YEARS, AND ONE MEMBER SERVING FOR FOUR YEARS].

11 \* Sec. 7. AS 37.12.050 is amended to read:

12 Sec. 37.12.050. QUORUM AND TRANSACTION OF BUSINESS. (a) Three  
13 [TWO] members of the board constitute a quorum for the transaction of  
14 business and the exercise of the powers and duties of the board.

15 (b) The board may meet and transact business by electronic media  
16 if (1) public notice of the time and locations where the meeting will  
17 be held by electronic media has been given in the same manner as if the  
18 meeting were held in a single location; (2) participants and members  
19 of the public in attendance can hear and have the same right to partici-  
20 pate in the meeting as if the meeting were conducted in person; and (3)  
21 copies of pertinent reference materials, statutes, regulations, and  
22 audio-visual materials are reasonably available to participants and to  
23 the public. A meeting by electronic media as provided in this subsec-  
24 tion has the same legal effect as a meeting in person.

25 \* Sec. 8. AS 37.12.055 is repealed and reenacted to read:

26 Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the  
27 board receive \$200 for each day spent on official business of the corpora-  
28 tion, and are entitled to per diem and travel expenses authorized by  
29 law for state boards and commissions under AS 39.20.180.

1 \* Sec. 9. AS 37.12.060 is repealed and reenacted to read:

2       Sec. 37.12.060. EXECUTIVE DIRECTOR; STAFF. (a) The board shall  
3 employ an executive director to administer the corporation in accordance  
4 with this chapter, and to perform other duties that the board may pre-  
5 scribe. The executive director serves at the pleasure of the board and  
6 may not be a member of the board. The board determines the salary of  
7 the executive director.

8       (b) The executive director may, with the approval of the board,  
9 select and employ staff. The executive director and staff are in the  
10 exempt service under AS 39.25.

11 \* Sec. 10. AS 37.12.065(a) is amended to read:

12       (a) Members of the board [OF TRUSTEES] are subject to the pro-  
13 visions of AS 39.50.

14 \* Sec. 11. AS 37.12.070(11) is repealed and reenacted to read:

15       (11) invest in projects that are economically viable and are  
16 or are expected to become income-producing by buying stock or other  
17 equity, by purchasing secured and unsecured debt of any priority, and  
18 debt with flexible repayment schedules and royalty and profit sharing  
19 agreements, but investments may not be made at below market rates;

20 \* Sec. 12. AS 37.12.075 is repealed and reenacted to read:

21       Sec. 37.12.075. DUTIES. In carrying out the purposes of this  
22 chapter the board shall

23       (1) provide financial assistance for resource projects that  
24 the board finds will accomplish the purposes of the corporation as set  
25 out in AS 37.12.015;

26       (2) keep minutes of each meeting of the board and send a  
27 certified copy of the minutes to the governor and the Legislative Budget  
28 and Audit Committee;

29       (3) annually prepare long-range operating and financial plans

1 and the budget for the next fiscal year;

2 (4) monitor approved projects for compliance with this chapter  
3 and provide operational and performance evaluations of projects receiving  
4 financial assistance;

5 (5) before an investment is made in a resource project by the  
6 corporation, prepare written findings on the project that include a  
7 consideration of the expectation of return from the project and the risk  
8 involved in undertaking the project.

9 \* Sec. 13. AS 37.12.080(a)(2) is amended to read:

10 (2) use the financial mechanism most appropriate to the  
11 conditions of the applicant and the proposed resource project and which  
12 will most effectively utilize the funds available; [GRANTS MAY BE MADE  
13 BY THE BOARD OF UP TO 90 PERCENT OF THE TOTAL PROJECT COSTS FOR THE  
14 FOLLOWING PURPOSES:

15 (A) PROJECTS FOR THE APPLIED RESEARCH AND DEVELOPMENT OF  
16 PRODUCTS, TECHNOLOGIES, OR INNOVATIONS FOR THE REHABILITATION,  
17 ENHANCEMENT, OR DEVELOPMENT OF THE STATE'S RENEWABLE RESOURCES;

18 (B) PROJECTS FOR THE DEMONSTRATION, ON A ONE-TIME BASIS,  
19 OF THE ECONOMIC OR TECHNICAL FEASIBILITY OF A NEW PRODUCT, MARKET,  
20 OR TECHNOLOGY INVOLVING A RENEWABLE RESOURCE; OR

21 (C) PROJECTS FOR THE REHABILITATION, ENHANCEMENT, OR  
22 DEVELOPMENT OF A COMMON-PROPERTY RESOURCE WHERE THE BENEFITS FROM  
23 THE PROJECT CANNOT BE CAPTURED BY ANY SINGLE ECONOMIC UNIT;]

24 \* Sec. 14. AS 37.12.080(a) is amended by adding a new paragraph to read:

25 (5) require that if the corporation makes an equity invest-  
26 ment it agrees to start divesting itself of the shares held within 10  
27 years or before the end of the term of the loan, whichever occurs first.

28 \* Sec. 15. AS 37.12.080(b)(1) is amended to read:

29 (1) invest or otherwise provide assistance of more than five

1 percent of the resources of the corporation or \$500,000 [\$1,500,000],  
2 whichever is less, in a single project or applicant [UNLESS THE LEGISLA-  
3 TURE HAS APPROVED THE INVESTMENT BY CONCURRENT RESOLUTION];

4 \* Sec. 16. AS 37.12.080(b)(2) is repealed and reenacted to read:

5 (2) invest in or finance

6 (A) more than 49 percent of the combined equity and debt  
7 obligation of an applicant;

8 (B) more than 49 percent of the voting shares of a re-  
9 source project; or

10 (C) more than 70 percent of the cost of a resource  
11 project;

12 \* Sec. 17. AS 37.12.080(b)(3) is amended to read:

13 (3) make a loan for a period in excess of 30 years [UNLESS  
14 THE LEGISLATURE HAS APPROVED THE LOAN BY CONCURRENT RESOLUTION];

15 \* Sec. 18. AS 37.12.080(b)(5) is amended to read:

16 (5) provide funds to any state agency [UNLESS THAT EXPENDI-  
17 TURE IS INCLUDED IN THE CORPORATION'S ANNUAL BUDGET];

18 \* Sec. 19. AS 37.12.080(b)(6) is amended to read:

19 (6) make [ALLOCATE TO] grants [MORE THAN 10 PERCENT OF THE  
20 ANNUAL APPROPRIATION OF THE CORPORATION].

21 \* Sec. 20. AS 37.12.080(b) is amended by adding a new paragraph to read:

22 (7) make loans to provide short-term working capital.

23 \* Sec. 21. AS 37.12.090 is repealed and reenacted to read:

24 Sec. 37.12.090. REPORTS AND PUBLICATIONS. (a) The corporation  
25 shall publish an annual report by January 10 of each year for distribu-  
26 tion to the governor, the legislature, and the public. The report shall  
27 be written in easily understandable language, shall consider the assigned  
28 duties of the corporation, and shall include

29 (1) a financial statement audited by an independent outside

1 auditor;

2 (2) a statement of the corporation's investments under this  
3 chapter including an appraisal of the investments at market value;

4 (3) a description of corporation investment activity during  
5 the period covered by the report;

6 (4) a comparison of the corporation's performance with the  
7 goals of the corporation;

8 (5) an overall financial plan describing the anticipated risk  
9 and return on investment in the different categories of investment  
10 undertaken;

11 (6) a summary of employment provided and of wages and state  
12 and local taxes paid by resource projects invested in or assisted by the  
13 corporation; and

14 (7) any other information the members of the board believe  
15 would be of interest to the governor, the legislature, and the public.

16 (b) The annual income statement and balance sheet of the corp ora-  
17 tion shall be published in at least one newspaper in each judicial  
18 district.

19 (c) The corporation may publish other relevant reports.

20 \* Sec. 22. AS 37.12.095 is repealed and reenacted to read:

21 Sec. 37.12.095. OPERATING BUDGET. The operating budget of the  
22 corporation is subject to the Executive Budget Act (AS 37.07).

23 \* Sec. 23. AS 37.12.125(2) is amended to read:

24 (2) "board" means the Board of Directors [TRUSTEES] of the  
25 Alaska [RENEWABLE] Resources Corporation;

26 \* Sec. 24. AS 37.12.125(3) is amended to read:

27 (3) "corporation" means the Alaska [RENEWABLE] Resources  
28 Corporation;

29 \* Sec. 25. AS 37.12.125(4) is amended to read:

1 (4) "project" means products, markets, innovation, or tech-  
2 nological developments for the rehabilitation, enhancement, or develop-  
3 ment of [RENEWABLE] resources and includes applied research for those  
4 products, markets, or technological developments;

5 \* Sec. 26. AS 37.12.125(5) is repealed and reenacted to read:

6 (5) "rehabilitation, enhancement and development" means an  
7 activity that leads to an increase in the quality or productivity of a  
8 resource, and to an increase in the benefits derived from the resource  
9 for citizens of the state;

10 \* Sec. 27. AS 37.12.125(6) is repealed and reenacted to read:

11 (6) "resource" includes, but is not limited to fisheries,  
12 agriculture, forest products, renewable energy, tourism, mining, basic  
13 manufacturing and other industrial development; "resource" does not  
14 include real estate development or retail sales or services.

15 \* Sec. 28. AS 37.12.125 is amended by adding a new paragraph to read:

16 (7) "small enterprise" means a business enterprise with gross  
17 sales revenue of \$10,000,000 or less for its annual reporting period  
18 ending immediately before an application to the corporation for financial  
19 assistance; a new business enterprise that has not completed an annual  
20 reporting period before an application but that anticipates sales revenue  
21 of \$10,000,000 or less in its first annual reporting period is a "small  
22 enterprise".

23 \* Sec. 29. AS 24.20.201(a)(9) is amended to read:

24 (9) hold public hearings on the confirmation of the members  
25 of the Board of Trustees of the Alaska Permanent Fund Corporation [, AND  
26 THE MEMBERS OF THE BOARD OF TRUSTEES OF THE ALASKA RENEWABLE RESOURCES  
27 CORPORATION];

28 \* Sec. 30. AS 24.20.206(1) is amended to read:

29 (1) report to the legislature its recommendations relating to

1 the confirmation of appointees to the Board of Trustees of the Alaska  
2 Permanent Fund Corporation [AND THE BOARD OF TRUSTEES OF THE ALASKA  
3 RENEWABLE RESOURCES CORPORATION];

4 \* Sec. 31. AS 44.66.010(a)(7) is amended to read:

5 (7) Alaska [RENEWABLE] Resources Corporation (AS 37.12.010) --  
6 June 30, 1992 [1982];

7 \* Sec. 32. AS 46.12.120(4) is amended to read:

8 (4) in developing its programs, consult with the Alaska  
9 Council on Science and Technology, the Alaska Power Authority, the  
10 Alaska [RENEWABLE] Resources Corporation, the division of energy and  
11 power development of the Department of Commerce and Economic Develop-  
12 ment, the Department of Natural Resources, and the University of Alaska;  
13 the board shall meet with responsible officials and representatives of  
14 these organizations and agencies at least twice each year;

15 \* Sec. 33. The following laws are repealed: AS 37.12.020, 37.12.040,  
16 37.12.070(12), and (14), 37.12.080(a)(1)(D), (a)(1)(G) and (a)(3), 37.12.-  
17 085(2), and 37.12.115.

18 \* Sec. 34. The initial terms of members of the Board of Directors of the  
19 Alaska Resources Corporation appointed by the governor under AS 37.12.030 as  
20 amended in sec. 5 of this Act shall be one member serving one year, one  
21 member serving two years, one member serving three years, and one member  
22 serving four years. Initial members of the Board of Directors of the Alaska  
23 Resources Corporation shall be appointed within 30 days from the effective  
24 date of this Act. The Board of Trustees of the Alaska Renewable Resources  
25 Corporation serves as an interim Board of Directors of the Alaska Resources  
26 Corporation until the initial Board of Directors of the Alaska Resources  
27 Corporation is appointed by the governor. The Board of Trustees of the  
28 Alaska Renewable Resources Corporation is dissolved on appointment of the  
29 initial Board of Directors of the Alaska Resources Corporation.

1 \* Sec. 35. The Alaska Renewable Resources Corporation is dissolved on the  
2 effective date of this Act.

3 \* Sec. 36. All appropriations, records, equipment, and other assets,  
4 liabilities, and obligations of the Alaska Renewable Resources Corporation  
5 are transferred to the Alaska Resources Corporation on the effective date of  
6 this Act.

7 \* Sec. 37. Employees of the Alaska Renewable Resources Corporation become  
8 employees of the Alaska Resources Corporation on the effective date of this  
9 Act.

10 \* Sec. 38. The limitation on financial assistance in AS 37.12.080(b)(1)  
11 and (2) as amended in secs. 15 and 16 of this Act applies to financial assis-  
12 tance provided or commitments made under AS 37.12 after the effective date of  
13 this Act.

14 \* Sec. 39. This Act takes effect immediately in accordance with AS 01.10.-  
15 070(c).

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III #45

LEGISLATIVE SUMMARY

Senator Arliss Sturgulewski

CSSB 697 "An Act establishing the Alaska Resources Corporation in place (Finance) of the Alaska Renewable Resources Corporation (AS 37.12)"

- Sec. 1 Changes the name by deleting the word renewable. Moves the Corporation from the Department of Revenue to Commerce and Economic Development.
- Sec. 2 Purposes are to facilitate the rehabilitation, enhancement and development of the state's resources to strengthen the state's economy.
- Sec. 3 A capital fund is established, consisting of transfers and appropriations and payments on loans. The fund will pay ARC operating expenses, will finance new projects and can be invested.
- Sec. 4 Changes from a board of trustees to a board of directors.
- Sec. 5 Board of directors will consist of 4 members with business or investment experience appointed by the governor, as well as the Commissioner of Commerce and Economic Development. The board annually elects a chair.
- Sec. 6 Terms of the board members shall be for 4 years with the terms staggered. Adds language that the governor shall appoint a member to fill unexpired terms. Deletes the language of one member serves 2 years, one member serves 3 years, and one member serves 4 years.
- Sec. 7 Changes the quorum from 2 members to 3 and allows for electronic meetings.
- Sec. 8 Members receive no salary but they are entitled to per diem and travel expenses and \$200 per business day honorarium.
- Sec. 9 The board shall employ an executive director who may, with board approval, have additional staff. All are in the exempt service.
- Sec. 10 Deletes the words "of trustees."
- Sec. 11 The board shall invest in economically viable projects by equity or debt investments at market rates.
- Sec. 12 Duties: financial assistance for projects that will accomplish the purposes of the Corporation; promote the use of state's resources in the state and development of import substitution and export markets; prepare long range operating

and financial plans and a budget; monitor projects and provide operational and performance evaluations; and evaluate individual projects.

- Sec. 13 Deletes the words "renewable resource." Deletes the provisions that: grants may be made for up to 90% of the projects costs for the purposes of: (1) applied research and development of products, technologies, for the rehabilitation, enhancement, or development of renewable resources; (2) demonstration, one-time basis, economic or technical feasibility of new products, market, or technology involving renewable resources; or (3) rehabilitation, enhancement, or development of a common-property resource where the benefit from the project cannot be captured by any single economic unit.
- Sec. 14 Adds a new section requiring the Corporation to begin divesting equity investments with 10 years or the term of the loan, whichever occurs first.
- Sec. 15 The board may not invest in one project more than 5% of the Corporation's assets or \$500,000 whichever is less.
- Sec. 16 The board may not invest in more than 49% of the combined equity and debt of an applicant and may not own more than 49% of the voting shares and may not finance more than 70% of the cost of the project.
- Sec. 17 Loans may not exceed 30 years.
- Sec. 18 Funds may not be provided to state agencies.
- Sec. 19 No grants can be made.
- Sec. 20 No loans can be made for short term working capital.
- Sec. 21 Specifies reports and publications required of the board: financial statements, investment appraisal, performance report, overall financial plan. Annual income statement and balance sheet shall be published in at least one newspaper in each judicial district.
- Sec. 22 The operating budget of the Corporation is subject to the Executive Budget Act.
- Sec. 23 Changes the definition of board by deleting the word "trustees" and replacing it with "directors."
- Sec. 24 Deleting the word "renewable."
- Sec. 25 Changes the definition of project by deleting the word "renewable."

- Sec. 26 Defines "rehabilitation, enhancement and development."
- Sec. 27 Changes the definition of "resource" by deleting the word "renewable." With a new definition of resource as including but not limited to fisheries, agriculture, forest products, renewable energy, tourism and mining, but excluding real estate, retail sales or services.
- Sec. 28 "Small enterprise" is defined as a business with actual or anticipated gross sales revenues of \$10 million or less.
- Sec. 29 Deletes the provision that the Legislative Budget and Audit Committee hold confirmation hearings on the members.
- Sec. 30 Deletes the provision that the Legislative Budget and Audit Committee make recommendations regarding the confirmation of the appointees to the board.
- Sec. 31 Deletes the word "renewable" from the name of the Corporation.
- Sec. 32 Deletes "renewable" from the Corporation name.
- Sec. 33 Repeals 37.12.020 allocating 5% of mineral sales, leases and bonuses to the Corporation and requiring 50% of receipts be deposited in the renewable resource investment fund.

Repeals 37.12.040 Removal and vacancies. The governor may remove a member with the consent of a majority of the legislature in joint session. Provisions of time and when the legislature is not in session. A vacancy does not impair a quorum.

Repeals 37.12.070(12) Powers of the board: provide grants for projects having broad public application which do not have direct income-producing potential.

Repeals 37.12.070(14) Powers of the board: deposit or invest surplus funds through Treasury Division.

Repeals 37.12.080(a)(1)(D) Specifying a minimum time of project in Alaska (instead, all projects are required to have an Alaskan site).

Repeals 37.12.080(a)(1)(G) Requiring the board to resolve resource use conflicts.

Repeals 37.12.080(a)(3) Requiring consideration of local preferences and priorities.

Repeals 37.12.085(2) Eligibility for financial assistance: state residency for 3 years or majority Alaskan ownership.

Repeals 37.12.115 Provision of technical assistance, including preinvestment advances.

- Sec. 34 Initial terms of the board shall be one member serving 1 year, one member serving 2 years, one member serving 3 years and one member serving 4 years. The board shall be appointed within 30 days. Trustees serve as an interim board until appointees serve.
- Sec. 35 Terminates the present Alaska Renewable Resources Corporation on the effective date of this Act.
- Sec. 36 Transfers all records, appropriations, equipment and other assets or liabilities to the Alaska Resources Corporation on the effective date.
- Sec. 37 Employees are transferred on the effective date.
- Sec. 38 Limitations on financial assistance applies only to commitments made after the effective date of the Act. [This provides the new Corporation with the ability to handle the on-going needs and assistance requirements of the existing portfolio.]
- Sec. 39 Immediate effective date.

Amendment III 52  
by the Conference Committee on HCSSB f 66(Fin) am H  
Adopted May 10, 1982

Passed  
5/10

Page 4, line 17:

After "seasons" insert "or for adverse market conditions for Alaskan products"

Page 17, after line 21:

Insert a new section to read:

\* Sec. . AS 44.81.210(a)(3) is amended to read:

(3) establish amortization plans for repayment of loans, which may include extensions for poor fishing or farming seasons, or for adverse market conditions for Alaskan products;

\* Add a new section to AS 44.47.420(b):

(3) by delivering to the director a copy of a letter of intent signed by an authorized representative of the Department of Natural Resources which shows that the title to a homesite will be transferred from the State to the borrower if the borrower fulfills the requirements of AS 38.08.060.

\* Amend AS 44.47.430 (b) to read:

(b) The director may withdraw money from the restricted title loss reserve account in an amount equal to the loss to the division on a nonconforming housing mortgage loan originated or purchased in whole or in part by the division if marketable title to the real property used to secure the loan was shown in accordance with AS 44.47.420(b 2 or (b) (3) . Money withdrawn from the restricted title loss reserve account under this section shall be deposited in the nonconforming housing loan fund.

Failed

Amendment #53 (B)  
by the Conference Committee on HCSSB 666(Fin) am H  
Adopted May 10, 1982

Page 15, after line 16, insert the following:

"(4) originate a direct loan for nonconforming or rural housing or purchase or participate in the purchase of a nonconforming or rural housing mortgage loan, other than a loan for the repair, remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower has an outstanding housing loan made under a state loan program that bears interest at a rate that was less than the prevailing market interest rate for similar housing loans at the time the loan was made."

Page 17, after line 5, insert the following:

"(c) The principal amount of loans made for non-owner occupied housing under this section may not exceed 20 percent of the total principal amount of loans made for nonconforming and rural housing under AS 44.47.360 - 44.47.560."

Page 17, line 6:

Delete "(c)" and insert "(d)"

Page 17, line 12, delete "." and insert the following:

"; the director may modify this definition if the director determines that there is a special need for non-owner occupied housing and that a

change in the definition is necessary to enable the division to meet that need."

~~ITEM (2)~~  
III 54

PROPOSED AMENDMENT TO SMALL BUSINESS LOAN ACT

Sec. AS 45.95.020 (a) is amended to read:

AS 45.95.020. SMALL BUSINESS LOANS. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire real or tangible personal property and provide working capital for [FINANCE OR REFINANCE OR EQUIP] businesses with 10 or fewer employees, excluding [INCLUDING] farming, mining and fishing, not exceeding \$100,000 [\$500,000]. The loans shall be secured by acceptable collateral and may not exceed 75 percent of the fair market value [APPRAISED] value of the collateral offered as security. The rate of interest may not exceed twelve and one-half [nine and one-half] percent a year on the unpaid balance. For the purposes of this subsection, business equipment includes [A] but is not limited to, [FARMING EQUIPMENT AND] fire protection systems approved under AS 18.70.081.

Sec. AS 45.95.020 (c) is repealed.

Effect of amendments. — The 1979 amendment in subsection (b), substituted "commissioner of commerce and economic development" for "commissioner of commerce" and "Department of Commerce and Economic Development" for "Department of Commerce" in the first sentence and "may purchase" for "shall purchase" in the second sentence.

The 1980 amendment repealed

subsection (b), which read: "The commissioner of commerce and economic development may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce and Economic Development as security for loans made under this chapter. The Department of Revenue may purchase the mortgages and notes offered."

Chapter 95 Small Business Loans.

Section

- 10. Powers and duties of Department of Commerce and Economic Development in general
- 20. Small business loans
- 30. Sale or transfer of preferred commercial paper
- 40. Sale or transfer of mortgages and notes

Section

- 50. Power of commissioner to assign and sell mortgages
- 60. Creation of fund
- 70. Eligibility for loans
- 80. Definitions

Sec. 45.95.010. Powers and duties of Department of Commerce and Economic Development in general. (a) The Department of Commerce and Economic Development shall formulate general policies and adopt regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

(c) The department shall

(1) cooperate with the state and its political subdivisions and agencies;

(2) adopt regulations necessary for the conduct of its business and for carrying out the provisions of this chapter, and make necessary regulations to maintain such standards;

(3) require bonds and undertakings from persons employed by it as shall in its judgment be necessary, and pay the premiums on them;

(4) establish such regional and local offices and such advisory groups as may be necessary or considered expedient to carry out or assist in carrying out its duties and authority. (§ 8 ch 109 SLA 1971; am § 109 ch 218 SLA 1976)

Effect of amendment. — The 1976 amendment substituted "Department of Commerce and Economic Development" for "Department of Commerce" in subsection (a).

Sec. 45.95.020. Small business loans. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire, finance or refinance or equip businesses, including farming, mining and fishing, not exceeding \$500,000. The loans shall be secured by acceptable collateral and may not exceed 75 percent of

the appraised value of the collateral offered as security. The rate of interest may not exceed nine and one-half percent a year on the unpaid balance. For the purposes of this subsection business equipment includes a but is not limited to, farming equipment and fire protection systems approved under AS 18.70.081.

(b) Repealed by § 14 ch 122 SLA 1980.

(c) No loans authorized by this section may be made unless the commissioner is satisfied that no money is available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section.

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the small business revolving loan fund. Each voucher shall be approved by the commissioner or any bonded deputy authorized to act as a certifying officer. Upon repayment of loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business revolving loan fund.

(e) The commissioner may not disqualify an applicant for, or prejudice an applicant's privilege to receive, a loan to purchase and install a fire protection system solely because of a loan already made to the applicant under this chapter. (§ 8 ch 109 SLA 1971; am § 1 ch 103 SLA 1974; am § 110 ch 218 SLA 1976; am § 6 ch 139 SLA 1977; am § 25 ch 72 SLA 1979; am §§ 6, 7 ch 45 SLA 1980; am § 14 ch 122 SLA 1980)

**Effect of amendments.** — The 1976 amendment deleted "of commerce" following "commissioner" in the first sentence of subsection (a), in the first and third sentences of former subsection (b), in subsection (c), and in the second sentence of subsection (d).

The 1977 amendment substituted "\$300,000" for "\$100,000" at the end of the first sentence of subsection (a).

The 1979 amendment, in subsection (a), substituted "\$500,000" for "\$300,000" at the end of the first sentence and "nine and one-half per cent" for "eight per cent" in the third sentence.

The first 1980 amendment added fire protection systems approved under AS 18.70.081 to subsection (a) of AS 45.95.020 to insure that such systems were eligible for loans under AS 45.95. As enacted, that amendment inserted "fire protection systems approved under AS 18.70.081" preceding "mining and fishing" in the first

sentence of subsection (a). The section has been rearranged by the revisor of statutes pursuant to AS 01.05.031 in the interest of clarity.

The second 1980 amendment repealed subsection (b), which read: "The commissioner may enter into agreements with private banks, other lending institutions and individuals for the purpose of guaranteeing loans made to qualified applicants. The guarantees may not exceed 90 per cent of the amount loaned and the loans shall be secured in the same manner provided for direct loans under this section. A loan made under this subsection and guaranteed by the commissioner and the state shall bear an interest rate not exceeding eight per cent a year on the unpaid balance."

**Editor's note.** — Section 1, ch. 139, SLA 1977, provides: "INTENT. It is the intent of the legislature to foster an awareness of the need to preserve our

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE DIVISION

HCSSB 666 (Fin) am H  
April 21, 1982

This review of the above referenced bill reflects the comments of Department of Community and Regional Affairs on those portions of the legislation affecting this department. The items referenced are based on the agenda #1 of the FCC for Tuesday, April 20.

Question 3. Shall the Housing Development Revolving Loan Fund and the Senior Citizen Housing Development Fund be combined and made a grant program.

Response:

AS 18.54

#3) Legislature should repeal AS 18.54.020, 030, 040 and 060. AS 18.54.050 should be incorporated into AS 18.54.070 and transferred to Title 44 to conform with other Statutes of the Department and Division of Housing Assistance. AS 18.54.070 should also be amended to make the program a grant program. DCRA concurs that an amendment as described in SB 311 successfully accomplishes the repeal of the referenced statutes, and reiterates its position that the appropriate sections be transferred to Title 44 for conformity with other statutes affecting the department's division of housing assistance.

Question 5: Shall the interest rate on loans made by Native Regional Housing Authorities be modified?

Response: #5) The department concurs with the action of the FCC of 4/20 which set the interest rate on these loans at a fixed amount of 10 1/2% for rural loans, and 12 3/8 for urban/suburban loans.

Question 19: Shall the interest rate for rural housing loans be set at AHFC ratchet rate?

Response: #19) The department advocates that rural housing loans services be consistent and supports the interest rate amounts discussed in question 5 above.

C&RA  
provided by  
MEEKINS

Question 20: Shall the language in Sections 31-35 of the bill be modified to truly accomplish the transfer of the rural housing programs from AHFC to the Department of Community and Regional Affairs?

Response:

#20) Language in sections 31-35 of the bill appear to accomplish the entire transfer except for one item. The department proposes the following amendment

Amend AS 44.47.410(b) and (c).

(b) the Director may execute services agreements with private lending institutions or regional native housing authorities established pursuant to AS 18.55.996 to service loans originated by the Division or loans originated pursuant to AS 18.55.997.

(c) Under the servicing agreement, the private financial institution or regional native housing authority shall administer the loan and may charge the division a negotiated origination or servicing fee on the division's share of the loan. When appropriate, the private financial institution or regional native housing authority shall administer the loan and may charge the borrower a reasonable originator fee not to exceed one percent.

These amendments to AS 44.47.410(b) and (c) are necessary to allow regional housing authorities to participate in the rural program as envisioned in the amendments contained in Section 15 of SB 666.

Question 21: Shall language in Section 39 of the bill relating to non-owner occupied housing be modified?

Response:

#21) The concern here is that the AHFC Non-Owner occupied program being transferred to HAD under this bill may duplicate the AIDA multi-family program enacted in Section

41 of SB 666. This will not be the case since the HAD program is limited to rural areas of the State as defined in Section 40 of the bill. Another concern is that the Non-Owner Occupied program is limited by SB 666 to no more than 8 units per program, may not be non-conforming and can never be occupied by the owner. All of these conditions should be flexible in the rural areas. It is suggested that a new sentence be added on page 17 after line 12 to read:

"The director may modify portions of this definition upon demonstration of special need for non-owner occupied housing."

Some examples of flexible needs would be teacher housing units or small planned unit developments.

Question 22: Shall language in Section 49 of the bill relating to effective dates be modified?

Response:

#22) Section 49 should be modified to agree with whatever decision is reached on the interest rate question. (See question #5.)

Question 23: Shall Regional Housing Authorities perform the loan function for rural housing in places where the Department of Community and Regional Affairs have no loan offices?

Response:

#23) The Regional Housing Authorities currently perform the loan function for the AHFC rural program. If that program is transferred to HAD, there is a question as to whether or not they should continue to perform that function if a HAD loan office is in the same region. The department proposes that in those regions where a HAD field office exists, there is no need for a regional housing authority to participate in the program.

Question 30: Shall the temperate social activities revolving loan fund (AS 47.320-50) be repealed?

Response: #30) The temperate social activities revolving loan fund was created by the Legislature in 1978. It has never been funded and there have been no requests for funding to date.

Thank you for this opportunity to comment.

BACKGROUND



ALASKA STATE LEGISLATURE  
SENATE BANKING COMMITTEE  
POUGH V, JUNEAU 99811

Analysis of House CS for Senate Bill No. 666 (Finance) am H: the Loans Bill

- Sections 1-7: Alaska Agricultural Loan Act
- Sections 8-14: Commercial Fishing Loan Act
- Section 15: Regional Native Housing Authorities
- Sections 16-25: Alaska Housing Finance Corporation
- Section 26: Mining Loan Fund
- Section 27: Historical Districts
- Section 28: Child Care Facility Revolving Loan Fund
- Sections 29-40: Division of Housing Assistance
- Section 41: Alaska Industrial Development Authority
- Sections 42-45: Alternative Technology and Energy Revolving Loan Fund
- Section 46: Residential Energy Conservation Fund
- Section 47: Historical District Revolving Loan Fund
- Section 48: Repealers
- Sections 49-50: Effective Dates

Sections 1-7: Amend the Alaska Agricultural Loan Act to: (1) allow loans to be made for the purpose of clearing land; (2) provide that short-term loans for the purpose of farm product processing may be made for \$500,000 or less; (3) adjust the delinquency penalties and schedule; (4) increase the maximum principal amount that can be lent without board approval; and (5) provide that board meetings are exempt from certain public meeting requirements.

Sections 8-14: Substantially rewrite the Commercial Fishing Loan Act to (1) establish different loan terms for borrowing for different purposes; (2) provide for outreach in rural areas; (3) decrease loan amounts; (4) increase interest rates; (5) disallow loans for the purpose of refinancing; (6) increase loan-to-value for certain loans for the purchase of entry permits; and (7) provide for guarantors.

Section 15: Amends statutes relating to Regional Native Housing Authorities to (1) acknowledge the transfer of the rural programs from AHFC to the Division of Housing Assistance and (2) redefine "rural".

Sections 16-25: Amend AHFC statutes to (1) allow for international borrowing; (2) provide for the financing of triplexes and four-plexes; (3) specify the interest rate for these loans; (4) provide for the issuance of bonds for housing for qualified veterans under the Ullman Bill provisions; (5) skirt the usury law; (6) provide for interest rate commitments at certain fees; and (7) provide for cooperation with the State Bond Committee in the issuance of vets bonds secured with the State's General Obligation.

Section 26: Amends language in the Mining Loan Fund to specify that it is a revolving fund.

Section 27: Amends historical districts law to provide that a municipality may have more than one historical district.

Section 28: Increases the maximum term for loans made under the Child Care Facility Revolving Loan Fund.

Sections 29-40: Amend statutes relating to the Division of Housing Assistance to: (1) provide for the transfer of the rural programs from AHFC; and (2) redefine the meaning of "rural".

Section 41: Amends AIDA legislation to allow the corporation to purchase loans made for the construction of multi-family housing at certain terms and with a certain interest rate.

Sections 42-45: Amend the Alternative Technology and Energy Revolving Loan Fund to: (1) increase the maximum loan amounts; (2) increase the interest rate for loans of a certain type and size; and (3) disallow loans for the purchase of wood stoves.

Section 46: Waives the audit requirement under the Residential Energy Conservation Fund.

Section 47: Increase maximum loan amounts for loans made under the Historical District Revolving Loan Fund.

Section 48: Repeals laws in the Alaska Agricultural Loan Act and the Commercial Fishing Loan Act.

Sections 49-50: Provide for the effective dates for certain parts of the legislation dealing with the Division of Housing Assistance, and an immediate effective date for everything else.

AGRICULTURE

A. S. 3. 10

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
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# MEMORANDUM

State of Alaska

TO: The Honorable Russ Meekins  
Chairman  
Sub-committee on Loan Funds

DATE: March 4, 1982

FILE NO:

TELEPHONE NO:

FROM: John W. *Jack* Katz  
Commissioner  
Department of Natural Resources

SUBJECT: ARLF

I have attached our recommendations for certain statutory changes with respect to the Agricultural Revolving Loan Fund as requested by the Sub-committee in the February 17 hearing.

I have also attached the status information on the ARLF requested by the Committee.

If you have any questions, please do not hesitate to call.

Attachments

Proposed Amendments for Ag Revolving Loan Fund Act:

Section 03.10.020 is amended to read:

The department may (1) make loans to individual resident farmers, homesteaders, and partnerships or corporations composed of farmers and homesteaders, for clearing land for agricultural purposes, for development of farms, storage and processing of farm produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;

Section 03.10.030(a) and (b) are repealed and reenacted to read:

Section 03.10.030. Limitation on Loans. (a) Farm development, chattel and irrigation loans may be for terms as determined by the commissioner, except that the total of these loans may not exceed \$1,000,000 per borrower. The mortgage which secures the farm development loan may be of any priority if the total indebtedness on real estate, including the secured farm development loan, does not exceed \$500,000. A loan, whether farm development, chattel or irrigation, which, if granted, would raise the existing indebtedness on the real estate above \$500,000 or a loan on real estate which has a prior existing indebtedness of \$500,000 or more, may be made only if all prior mortgages agree to subordinate their mortgages to that of the State for the amount of the loans which exceed the \$500,000 indebtedness limit on the real estate. All farm development, chattel and irrigation loans shall be secured by a real estate or chattel mortgage, or both.

(Three options for AS 03.10.030(b) are listed on page 3.)

Section 03.10.030(c) is amended to read:

(c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes, except that the limit for short term processing loans may not exceed \$500,000.

Section 03.10.030(d) is repealed and reenacted to read:

(d) A clearing loan may not exceed \$400,000 per farm, nor bear interest exceeding 8%, nor run longer than 30 years.

Section 03.10.030(e) is amended to read:

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 30th [15th] day after the date specified for payment in the loan agreement

or unless it is received by the department on or before the 30th [15th] day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director may [SHALL] assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven per cent of the delinquent payment, but in no case will the combined delinquency and loan interest exceed 15%.

Section 03.10.050 is amended to read:

Administration of fund. (a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$50,000 [\$25,000] may be made by the commissioner without the approval of a majority of the board.

A new sub-section is added to AS 44.62.310 to read:

(6) meetings of loan boards to act on applications for loans.

Options for AS 03.10.030 (b)

Options 1 and 2 propose formula approaches to an escalated interest rate. In a competitive situation, either of these options may jeopardize established enterprises by providing lower interest rates only to new borrowers.

Option 1

(b) Farm development, chattel or irrigation loans may not run longer than 30 years, nor bear an initial interest rate of less than 6%. The Department shall, by regulation, adopt a schedule of escalating interest rates for borrowers, to result in a gradual increase in the interest rate for new loans to old borrowers, until that rate reaches the commercially available rate.

Option 2

(b) Farm development, chattel or irrigation loans may not run longer than 30 years. A sliding interest scale for loans shall be as follows:

For new borrowers and those having borrowed for less than 5 years from the ARLF the interest shall be 6%. For each year exceeding 5 years, the interest rate for new loans shall increase by 1% per year. For the purposes of this section, all borrowers are considered new borrowers at the time of adoption of this section.

Option 3

Option 3 authorizes the flexibility to escalate interest rates on any loan over the period of the loan or on subsequent loans by a former borrower. This option establishes the objectives for an escalated interest rate and places the responsibility on the department to impose interest rates within the parameters of those objectives.

(b) Farm development, chattel or irrigation loans may not run longer than 30 years, nor bear an interest rate of less than 8% or to exceed the commercial rate [10%].

The director shall establish interest rates by regulation which

- encourage agricultural development;
- discourage continued dependency of non-viable agricultural enterprises on artificially low interest rates; and
- do not disadvantage incumbent enterprises.

The Department recommends Option 3.

ARLF Status Sheet

Losses since 1954 = 202,271.33 or .006 of Total

Attached sheet lists, as of January 31, 1982, loans made and delinquencies. The delinquency rate shown is computed on the actual dollar amount of the loan delinquent over 15 days.

If the active delinquency rate is computed by considering the entire loan delinquent if any portion of a payment is delinquent, the following rates are obtained:

	Amount Delinquent	% of area	% of Total
Matanuska area	686,570	7.15	2.36
Delta area	2,490,839	15.44	8.58
Tanana area	175,055	13.33	.60
Kenai area	98,273	5.12	.33
Other areas	- 0 -	- 0 -	- 0 -
Totals	3,420,741		11.78
Total litigation	1,017,163		<u>1.81</u>
			13.59

BREAKDOWN OF LOANS MADE

	<u># of Loans</u>	<u># of Borrowers</u>	<u>\$ Value this category</u>
0 - \$ 20,000	217	89	\$ 805,949
20 - 50,000	152	45	1,151,835
50 - 100,000	97	31	1,735,462
100 - 250,000	51	34	4,052,316
250 - 500,000	21	24	10,295,068
+ 500,000	5	16	10,998,386

AREA/LOANS	%	FUNDS LOANED	LOAN BALANCE	ACCRUED INTEREST	DELINQUENCIES - OVER 15 DAYS		
					AMOUNT	% OF AREA	% OF TOTAL
//							
SKA AREA							
ve -		74 Borrowers, 151 Loans	9,597,287.77	140,790.73	106,682.65	1.08	.35
ation -		8 Borrowers, 11 Loans	308,476.15	32,609.81	101,352.72	1.02	.35
Totals		82 Borrowers, 162 Loans	9,905,763.92	173,400.54	208,035.37	2.10	.69
AREA							
ve -		70 Borrowers, 220 Loans	15,622,545.38	747,206.09	1,310,918.35	8.31	4.36
ation -		5 Borrowers, 8 Loans	150,282.00	18,438.13	73,155.23	.46	.24
Totals		75 Borrowers, 228 Loans	15,772,827.38	765,644.22	1,384,073.58	8.77	4.60
AREA							
ve -		32 Borrowers, 61 Loans	1,313,680.57	28,263.06	69,545.99	4.67	.23
ation -		2 Borrowers, 8 Loans	174,651.35	7,277.58	69,627.85	4.68	.23
Totals		34 Borrowers, 69 Loans	1,488,331.92	35,540.64	139,173.84	9.35	.46
AREA							
ve -		32 Borrowers, 49 Loans	1,919,279.74	22,938.42	39,637.18	2.02	.13
ation -		1 Borrower, 3 Loans	46,678.10	4,562.61	31,433.03	1.60	.10
Totals		33 Borrowers, 52 Loans	1,965,957.84	27,501.03	71,070.21	3.62	.23
REAS							
ve -		12 Borrowers, 20 Loans	586,223.05	6,338.30	.00	.00	.00
ation -		1 Borrower, 6 Loans	337,075.44	70,252.25	270,856.38	29.34	.90
Totals		13 Borrowers, 26 Loans	923,298.49	76,590.55	270,856.38	29.34	.90
ALSA							
ve -		*218 Borrowers, 501 Loans	29,039,016.51	945,536.60	1,526,784.17	5.07	
ation -		17 Borrowers, 36 Loans	1,017,163.04	133,140.38	546,425.21	1.81	
Totals		235 Borrowers, 537 Loans	30,056,179.55	1,078,676.98	2,073,209.38	16.88	

\* Borrowers have loans in another area

AREA/LOANS	% OF FUNDS LOANED	LOAN BALANCE	ACCRUED INTEREST	DELINQUENCIES - OVER 70 DAYS	
				AMOUNT	% OF AREA % 0
//					
SKA AREA					
ve - 74 Borrowers, 151 Loans		9,597,287.77	140,790.73	106,682.65	1.08
gation - 8 Borrowers, 11 Loans		308,476.15	32,609.81	101,352.72	1.02
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Totals 75 Borrowers, 228 Loans	52.48	15,772,827.38	765,644.22	1,384,073.58	8.77
AREA					
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\* Borrowers have loans in another area

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## DIVISION OF BUSINESS LOANS

Loan Type	Maximum Loan	Interest Rate	Maximum Term
Commercial Fishing	\$ 500,000	9.5%	15 years
Fisheries Enhancement	6,000,000	9.5%	30 years
Child Care Facilities	50,000	7.0%	10 years
Residential Care Facilities	20,000	7.0%	10 years
Alternative Technology	10,000	9.5%	20 years
Alternative Energy Systems	10,000	9.0%	20 years
Residential Energy Conservation	5,000	9.0%	10 years
Bulk Fuel	50,000	Changes	1 year
Mining	5,000,000	10.0%	15 years
Fishermen's Mortgage and Note	100,000	10.5%	15 years
Historical District	100,000	7.5%	30 years

Note: Small Business and Tourism loans are now handled by the Alaska Industrial Development Authority (AIDA) and Commercial Fishing loans by the Alaska Commercial Fishing and Agriculture Bank (CFAB) and AIDA.

### USES OF LOANS:

**Commercial Fishing** To purchase limited entry permits. (Loans for the purchase of vessels and gear are handled by AIDA and CFAB.)

Eligibility: Five year State resident, one year fishing experience.

**Fisheries Enhancement** To plan, construct and operate hatchery facilities. (If request is for more than \$1,000,000, the applicant must be a qualified regional association.)

Eligibility: Qualified regional associations or private nonprofit corporations approved by a regional association.

**Child Care Facilities** To construct, renovate, or equip child care facilities in order to obtain or renew a license for the facility.

Eligibility: The applicant submits to the department a plan for the use of the loan funds which is approved by the commissioner.

**Residential Care Facilities** To construct, renovate or equip residential care facilities in order to obtain a license. (A residential care facility is a foster home, group home or institution which provides 24-hour nonmedical care for dependent adults.)

Eligibility: Residential care facility which can be licensed when the improvements made with the loan funds are completed.

Alternative Technology  
and Energy Systems

To develop means of energy production utilizing energy sources other than fossil or nuclear fuel; the purchase, construction and installation of an alternate energy system which is likely to result in energy conservation or energy cost savings; the development and implementation of methods of waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, less costly, and less energy intensive than methods presently utilized.

Eligibility: Project must be in Alaska.

Residential Energy  
Conservation

To purchase, construct, and install energy conservation improvements in residential buildings.

Eligibility: Project approved by certified energy auditor.

Bulk Fuel

To assist communities in purchasing bulk fuel.

Eligibility: Organized municipality or unincorporated village with a population under 2,000, or individual endorsed by the municipality.

Mining

To underwrite advanced mineral exploration, development or mining in Alaska.

Eligibility: Resident individuals, corporations, and partnerships which have five years' mining or prospecting experience in Alaska.

Fishermen's Mortgage  
and Note

To purchase from private financial institutions mortgages and notes made to repair, restore or upgrade existing vessels and gear, purchase entry permits and gear, construct or purchase a vessel.

Eligibility: State resident for five years, not eligible for any other state or federal loan program for same purpose, has no occupational opportunities other than commercial fishing and is economically dependent on commercial fishing.

Historical District

For the restoration, improvement, rehabilitation or maintenance of a historical structure.

Eligibility: Structure must be within a historical district established by the Historic Sites Advisory Committee.

**STATISTICS ON COMMERCE LOAN PROGRAMS**

	Small Business	Commercial Fish	Tourism	Child Care	Fish Enhancement	Water Resource	Historical District	Alternative Energy	Residential Energy	Mining	Bulk Fuel	Fish Mortgage & Note	TOTAL**
Total No. Loans Committed FY '72-82	1,342	1,978	59	15	51	5	8	1,080	457	21	17	5	5,038
Total Dollar Amount Committed FY '72-82	202,325,306	114,046,668	29,874,673	253,167	14,502,562	2,500,000	417,750	4,814,346	1,717,036	14,839,284	606,000	236,527	386,133,319
Total No. Loans Committed FY '81	302	435	4	1	22	-0-	-0-	442	158	15	1	-0-	1,380
Total Dollar Amount Committed FY '81	46,961,591	21,205,619	4,318,825	9,000	4,733,474	-0-	-0-	2,243,251	601,884	9,935,281	50,000	-0-	90,058,928
Total No. Loans Committed FY '82	-0-	97	-0-	3	9	-0-	2	637	299	6	16	5	1,074
Total Dollar Amount Committed FY '82	-0-	4,812,366	-0-	110,167	2,783,730	-0-	125,000	2,570,814	1,126,879	4,904,000	556,000	236,527	17,225,483
FY '82 Appropriation**	-0-	4,500,000	-0-	180,000	8,000,000	-0-	200,000	*4,250,000	*4,250,000	30,000,000	1,000,000	1,800,000	54,180,000
Disbursements (No. of Loans)*** Through 1/31/82	-0-	97	-0-	3	8	-0-	2	651	310	6	16	5	1,098
Disbursements (Dollars) Through 1/31/82	-0-	4,686,082	-0-	110,167	2,783,730	-0-	125,000	2,552,696	1,115,877	4,939,000	539,386	236,527	17,088,465
Appropriations Not Disbursed Available for Loans FY '82	-0-	-0-	-0-	69,833	5,216,270	-0-	75,000	1,697,304	3,134,123	25,061,000	460,614	1,563,473	37,277,617
Total No. Outstanding Loans	661	1,557	18	8	36	1	4	920	394	9	-0-	-0-	3,608
Total Dollar Amount Loans Outstanding	74,310,000	78,380,000	4,400,000	90,000	14,040,000	910,000	260,000	3,935,000	1,419,000	8,560,000	-0-	-0-	186,304,000
No. of Applications Received FY '82	7	177	1	3	10	-0-	2	704	324	12	12	17	1,269

\* An additional 2,500,000 was appropriated for the energy programs in rural areas.

\*\* 120,000 was appropriated to the residential care program. No applications have ever been received.

\*\*\* This figure includes loans closed, loans in the process of closing and partial disbursements on construction loans.

The FY '81 appropriation to the Division of Business Loans was \$93,900,000. This amount was allocated between the programs to meet the demand for loans in specific areas.

DIVISION OF VETERANS' AFFAIRS  
MONTHLY ACTIVITY REPORT

MONTH ENDING January, 1982

12/31/81

	Beginning Balance		Payoffs		Net Adjustments		Transfers/Deletes		Principal Payments	Plus New Loans		Ending Balance	
	No.	Amount	No.	Amount			No.	Amount				No.	Amount
Veterans'	167	6,941,251.71	1	98.50	-	3.87		-105,636.89	17,792.46	(1)	65,500.00	167	6,883,219.99
Treasury	2502	109,057,102.84	18	315,069.47	+	1,713.66		- 53,500.00	401,463.20		-0-	2484	108,288,783.83
AHFC	2146	114,084,082.91	8	378,982.76		-142,895.31		+ 68,863.20	95,996.38		-0-	2138	113,535,071.66
<b>Total</b>	<b>4815</b>	<b>230,082,437.46</b>	<b>27</b>	<b>694,150.73</b>		<b>-141,185.52</b>		<b>- 90,273.69</b>	<b>515,252.04</b>	<b>(1)</b>	<b>65,500.00</b>	<b>4788</b>	<b>228,707,075.48</b>

INCOME SUMMARY

Alaska Housing Finance Corp.

Department of Revenue

TOTAL INCOME TO VETERANS' FUND

1. Interest	619,620.38		610,301.33 -	
Less Service Fee	41,333.24		40,772.85	
Total Interest		578,287.14		569,528.48
2. Principal Payments	95,996.38		401,463.20	
Payoffs	378,982.76		315,069.47	
Net Adjustments	142,895.31		1,713.66	
Total Principal		617,874.45		718,246.33
		1,196,161.59		1,287,774.81

1. Interest - V.A.	37,068.48	
Service Fee - Treas.	41,333.24	
Service Fee - AHFC	40,772.85	119,174.57
2. Principal Payments		17,792.46
Payoffs		98.50
Net Adjustments		3.87
Late Charges		10,524.02
Total Principal		147,593.42

LITIGATION

	Beginning Balance		New Accounts		Less Repossessed/Judgement		Plus Debits	Less Credits	Taken out of Foreclosure/Repossessed		Ending Balance	
	No.	Amount	No.	Amount	No.	Amount			No.	Amount	No.	Amount
Foreclosure												
Non-F/C												
Active	21	1,085,242.18	5	278,682.23			1,489.83	4,395.16	2	76,400.05	24	1,284,619.03
<b>Total</b>												

Judgement	3	93,533.90				275.00			3	93,808.90
Repossessed	6	593,058.61				4,060.21	1,450.00		6	595,668.82

Assumptions	Approved	Disapproved	Extensions	Approved	Disapproved
Beginning	140	1	Beginning	46	14
This Month	7	0	This Month	0	0
Ending	147	1	Ending	46	14

JV assumptions: 52-220-4936-6 Fischback \$63,815.64 53-210-1213-3 Simmons \$64,294.80

ALLOCATION OF PRINCIPAL AND INTEREST BY LOAN FUND

Fund Title		Statutes	Position
Small Business	Int	AS 45.95.020(d) states payments are to be deposited in the Small Business Revolving Loan Fund	Loan Fund
	Prin		Loan Fund
Commercial Fishing	Int	No specific language, however, AS 16.10.339 refers to the "Commercial Fishing Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Tourism	Int	No specific language, however AS 45.90.010 creates the "Tourism Revolving Fund"	Loan Fund
	Prin		Loan Fund
Historical District	Int	No specific language, however, AS 45.98.010 creates a "Historical District Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Alternative Technology	Int	Principal & interest to go to fund per AS 45.88.030(d). Sec. AS 45.88.010 title refers to termination of fund on 6/30/84	Loan Fund
	Prin		Loan Fund
Child Care	Int	Principal and interest to go to fund per AS 44.33.255(c).	Loan Fund
	Prin		Loan Fund
Residential Care	Int	Principal and interest to go to fund per AS 44.33.350(d).	Loan Fund
	Prin		Loan Fund
Water Resources	Int	No specific language, however, AS 45.86.010 creates the "Water Resources Revolving Loan Fund."*	Loan Fund
	Prin		Loan Fund
Mining	Int	Principal and interest to go to general fund per AS 27.09.040(e).	Gen. Fund
	Prin		Gen. Fund
Bulk Fuel	Int	Interest not specifically mentioned AS 45.87.020(c) states repayments of principal to "Bulk Fuel Revolving Loan Fund."	Gen. Fund
	Prin		Loan Fund
Residential Energy	Int	AS 45.89.040(h) "amounts repaid shall be deposited to the "Residential Energy Conservation Fund."	Unclear
	Prin		Loan Fund
Fisherman's Mortgage & Note	Int	Not specifically addressed in the statutes.	Pending
	Prin		Pending
Fisheries Enhancement	Int	No specific language, however, AS 16.10.505 creates a revolving fund known as the Fisheries Enhancement Revolving Loan Fund.	Loan Fund
	Prin		Loan Fund
WWII Veterans	Int	AS 26.15.040 states payments of principal and interest go to the "WWII Fund."	Loan Fund
	Prin		Loan Fund

\*All but one loan was forgiven by the Legislature in 1981 as a grant.

ALLOCATION OF PRINCIPAL AND INTEREST BY LOAN FUND

Fund Title		Statutes	Position
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Historical District	Int	No specific language, however, AS 45.98.010 creates a "Historical District Revolving Loan Fund"	Loan Fund
	Prin		Loan Fund
Alternative Technology	Int	Principal & interest to go to fund per AS 45.88.030(d). Sec. AS 45.88.010 title refers to termination of fund on 6/30/84	Loan Fund
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Residential Care	Int	Principal and interest to go to fund per AS 44.33.350(d).	Loan Fund
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Water Resources	Int	No specific language, however, AS 45.86.010 creates the "Water Resources Revolving Loan Fund."*	Loan Fund
	Prin		Loan Fund
Mining	Int	Principal and interest to go to general fund per AS 27.09.040(e).	Gen. Fund
	Prin		Gen. Fund
Bulk Fuel	Int	Interest not specifically mentioned AS 45.87.020(c) states repayments of principal to "Bulk Fuel Revolving Loan Fund."	Gen. Fund
	Prin		Loan Fund
Residential Energy	Int	AS 45.89.040(h) "amounts repaid shall be deposited to the "Residential Energy Conservation Fund."	Unclear
	Prin		Loan Fund
Fisherman's Mortgage & Note	Int	Not specifically addressed in the statutes.	Pending
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The Division of Business Loans  
A Draft Discussion Paper Prepared June 23, 1981

Section I: Introduction

The purpose of this paper is to describe the loan programs that are part of the Division of Business Loans. The Division has undergone significant changes recently. Prior to FY 81, loans were made under prepurchase agreements with the Department of Revenue. Since then, direct appropriations are made to the Division. More importantly, the lending responsibility in some areas (small business, tourism, and commercial fishing) is being ended as of July 1, 1981. Lending in those areas will be part of AIDA. Thus, the Division will look quite different in the future from the way it looked in the past. To a large extent, it will be a source for lending for social purposes, such as child and residential care, and historical districts. But, in the last ten years, the Division has loaned \$345.5 million to 3,255 borrowers.

The second section is a description of the loan programs. Table I summarizes the loans that have been available and the current terms of the loans. Table II shows the loans made in each program from its inception through February 28, 1981. The table also shows the appropriation for FY 81 and the estimate for FY 82. A casual glance at this table shows the dramatic change that will take place in the Division when the lending authority changes in July. Following these tables, there is a written description of each of the loan programs. The description covers the purpose of the loans, terms, and eligibility requirements.

Section III contains an analysis of the employment impact and financial return to the State with a focus on small business loans. It is seen that a lack of data places a severe limitation on any serious evaluation of the programs. Further, there is a pressing need to get the Division to set long-term objectives and to show how their activity meets those objectives. Otherwise, one is left to conclude that the only objective is to make loans. In effect, the conclusion in that section is a plea for more relevant data. To the extent data have not been collected in the past, such a change would assist future evaluation of the Division rather than clarify the impact of past activity.

## Section II: The Loan Programs

In this section, the loan programs of the Division are listed and described. Table I lists the types and terms of the loans, while Table II provides the historical lending activity of each program. Following the tables, there is a short written description of each loan program.

TABLE I

### Division of Business Loans Types and Terms of Loans

<u>Type of Loan</u>	<u>Maximum Loan</u>	<u>Interest Rate</u>	<u>Maximum Term</u>
Small Business <sup>a</sup>	\$500,000	9.5%	15 yrs.
Tourism <sup>a</sup>	3,000,000	9.5%	20 yrs.
Commercial Fishing <sup>b</sup>	500,000	9.5%	15 yrs.
Fisheries Enhancement	6,000,000	9.5%	30 yrs.
Fisherman's Mtge & Note	200,000	10.5%	15 yrs.
Mining	5,000,000	10.0%	15 yrs.
Child Care Facilities	30,000	7.0%	10 yrs.
Residential Care Facilities	20,000	7.0%	10 yrs.
Residential Energy Conservation	5,000	5.0%	10 yrs.
Alternative Energy System	10,000	5.0%	20 yrs.
Bulk Fuel	50,000	variable	1 yr.
Historical District	100,000	7.5%	30 yrs.

<sup>a</sup>Transferred to AIDA as of 7/1/81.

<sup>b</sup>Transferred to AIDA as of 7/1/81 with the exception of loans for limited entry permits on which the above terms apply.

TABLE II

Division of Business Loans  
Approved Loans (FY 72-FY 80)  
and Appropriations (FY 81-FY 82)  
(000's)

FY	Small Business <sup>b</sup>		Comm'l Fishing <sup>c</sup>		Tourism <sup>b</sup>		Fisheries Enhance		Hist. Dist.	
		\$	#	\$	#	\$	#	\$	#	\$
1972	1	188.0	-	-	-	-	-	-	-	-
1973	14	547.9	2	11.5	7	2,251.2	-	-	-	-
1974	34	1,539.0	25	1,041.9	7	1,960.1	-	-	-	-
1975	50	3,325.5	62	2,418.6	10	5,245.0	-	-	-	-
1976	33	2,509.6	75	3,190.2	4	2,187.9	-	-	-	-
1977	61	4,511.0	136	6,228.8	6	1,659.0	3	965.0	-	-
1978	138	22,369.1	234	13,044.3	3	4,194.0	2	2,865.0	-	-
1979	237	42,096.4	357	29,733.6	8	4,230.5	4	945.7	1	78.8
1980	470	78,531.2	555	32,548.1	10	3,828.2	11	2,210.2	2	214.0
Subtotal	1,040	155,567.7	1,446	88,217.1	55	25,555.8	20	6,985.9	3	292.8
1981 <sup>a</sup>	254	39,198.0	253	16,549.7	2	203.3	8	2,994.2	-	-0-
Total	1,294	194,756.7	1,699	104,766.8	57	25,759.1	28	9,980.1	3	292.8
1981 <sup>d</sup>	NA	47,500.0	NA	21,000.0	NA	1,500.0	NA	6,000.0	-	-0-
1982	-	-0-	NA	4,500.0	-	-0-	NA	12,000.0	NA	800.0

TABLE II (cont.)

FY	Child Care <u>Facilities</u>		Residential Care <u>Facilities</u>		Residential Energy <u>Conservation</u>		Alternative <u>Technology</u>		<u>Mining</u>	
	#	\$	#	\$	#	\$	#	\$	#	\$
1972	-	-	-	-	-	-	-	-	-	-
1973	-	-	-	-	-	-	-	-	-	-
1974	-	-	-	-	-	-	-	-	-	-
1975	-	-	-	-	-	-	-	-	-	-
1976	-	-	-	-	-	-	-	-	-	-
1977	4	34.3	-	-	-	-	-	-	-	-
1978	4	34.0	-	-	-	-	-	-	-	-
1979	1	30.0	-	-	-	-	-	-	-	-
1980	2	35.8	-	-	-	-	1	10.0	-	-
Subtotal	11	134.0	-	-	-	-	1	10.0	-	-
1981 <sup>a</sup>	-	-0-	-	-0-	9	37.9	145	833.0	8	8,912.3
Total	11	134.0	-	-0-	9	37.9	146	843.0	8	8,912.3
1981 <sup>d</sup>	NA	300.0	NA	400.0	NA	1,600.0	NA	1,600.0	NA	10,000.0
1982	NA	100.0	NA	120.0	NA	1,250.0	NA	1,200.0	NA	10,000.0

TABLE II (cont.)

FY	Fishermen's Mtge. & Note <u>Program</u>		Water <u>Resources<sup>e</sup></u>		<u>Total<sup>f</sup></u>	
	#	\$	#	\$	#	\$
1972	-	-	-	-	3	138.0
1973	-	-	-	-	23	2,810.6
1974	-	-	-	-	66	4,541.0
1975	-	-	-	-	122	10,989.1
1976	-	-	-	-	112	7,887.7
1977	-	-	1	450.0	210	13,398.1
1978	-	-	4	2,050.0	381	42,506.3
1979	-	-	-	-	608	77,114.9
1980	-	-	-	-	1,051	117,377.5
Subtotal	-	-	5	2,500.0	2,576	276,763.2
1981 <sup>cl</sup>	-	-0-	-	-	679	68,728.4
Total	-	-0-	5	2,500.0	3,255	345,491.6
1981 <sup>cl</sup>	NA	2,500.0	-	-	NA	93,900.0
1982	NA	1,800.0	-	-	NA	32,950.0

<sup>a</sup>The 1981 loan figures are loan commitments for FY 81 through 2/28/81.

<sup>b</sup>Transferred to AIDA as of 7/1/81.

<sup>c</sup>Transferred to AIDA as of 7/1/81, but loans still available for limited entry permits.

<sup>d</sup>Adjusted appropriation for FY 81. Differs from original appropriation in loan categories but not in total.

<sup>e</sup>These were special loans made to provide for feasibility studies for hydro power projects.

<sup>f</sup>Total excludes the five water resources loans. The total appropriations for FY 81 and FY 82 includes loan categories not shown separately here. Included are appropriations of \$1.5 million in FY 81 and \$1.0 million in FY 82 for bulk fuel loans, and of \$100 thousand in FY 82 for a hatchery grant.

## Small Business Loans

General: This program terminates on July 1, 1981, when these types of loans become part of AIDA. Through February 28, 1981, loans under this program represented 56.4% of the total loans made by the Division of Business Loans. Of the total \$194.8 million in small business loans, 93.6% were made from FY 78 to FY 81, accounting for 59.6% of the loans made by the Division during that time. The explosive growth in the number of loans made and in their average size probably reflects the increase in the maximum loan limit in the past few years and the record spread between the bank prime rate and the Division's loan rate. This is discussed further in the analysis section.

Loan Use: The Division has made loans to be used to acquire, finance, refinance, and equip businesses. Types of businesses include farming, mining, and fishing. Types of equipment include farm equipment and fire protection systems.

Terms: The maximum loan amount has been \$500,000 with 10.0% bank participation. The maximum direct loan without such participation is \$50,000. The maximum loan amount was raised to \$500,000 from \$300,000 in 1979. It had been increased from \$100,000 in 1977. The term of the loan varies with the collateral backing it, but the maximum term is fifteen years with real estate backing. The interest rate is 9.5% on the unpaid balance. This rate was increased from 8.0% in 1979.

Eligibility: Following are eligibility criteria:

1. Borrower must be a resident of good character, with collateral and a knowledge of Alaskan economic conditions, and with the ability to repay the loan.
2. The business should have growth potential, and the loan will create jobs and provide additional services in the community.
3. The borrower cannot obtain private capital "on a guaranteed basis." The program used to provide a guarantee on 90% of a bank loan.

## Commercial Fishing Loans

General: This program terminates on July 1, 1981, except for loans for limited entry permits. Other commercial fishing loans will be available through AIDA and CFAB. Through February 28, 1981, loans under this program accounted for 30.3% of the total loans made by the Division of Business Loans. Of the \$104.8 million in commercial fishing loans, 87.7% were made from FY 78 to FY 81, accounting for 30.1% of the loans made by the Division during that time.

The policy statement in the statute creating the program states that the goal is to promote the rehabilitation of the State's fisheries, to develop a predominantly resident fishery, to provide for the continued maintenance of commercial fishing gear and vessels, and to finance limited entry permits by providing long-term, low-interest loans. The program fills a void, according to the Division, since banks generally will not accept a limited entry permit as collateral.

Loan Use: Loans prior to July 1, 1981, are used for:

1. Repair, restore, and upgrade existing vessels and gear.
2. Construction and purchase of vessels.
3. Purchase of entry permits and gear.

Terms: For the construction of a new vessel, the loan maximum is \$1 million, or 35% of the total price of a vessel, whichever is less. Otherwise, the maximum loan is \$500,000, although the borrower may not owe more than \$500,000 to this fund. However, the borrower may use 49% of the loan to refinance the same type of loan obtained from any other source. The maximum term of the loan is fifteen years if secured by vessels or real estate, and eight years if secured by equipment and gear. The interest rate is 9.5%, having been increased from 7.0% in 1979.

Eligibility: Loans are available to individual fishermen who have been Alaskan residents for five years prior to the loan, and have had a crewmember or commercial fishing license for any one of the previous five years, and have participated actively in fishing. Loans are also available to corporations, partnerships, and joint ventures owned 100% by qualified individual fishermen.

#### Fisheries Enhancement Loan

General: This is a relatively new program with lending beginning in FY 77. Of the total \$10.0 million in loans, 52.2% were made in FY 80 and FY 81. Appropriations for FY 81 and estimated FY 82 imply a substantial increase in lending, as the projected FY 82 appropriation for this program accounts for 36.4% of the total request.

The policy section of the statute states that its goal is to promote the enhancement of state fisheries by means of grants to regional associations for organizational and planning purposes, and by long-term, low-interest loans for hatchery planning, construction, and operation.

Loan Use: Loans can be made to permit holders for planning, construction, and operation of a hatchery, and to regional associations for preconstruction activities leading to a permit. Loans may also be available to regional associations (or nonprofit corporations approved by such associations) for planning and implementation of fisheries enhancement and for rehabilitation activities including lake fertilization and habitat improvement.

Terms: The maximum loan amount for a hatchery or other enhancement/rehabilitation activity by a qualified regional association is \$6 million. The limit for any other borrower is \$1 million. The loan may cover planning and construction costs, plus ten years of operating costs if the borrower can establish a 10% equity position through royalty assessments within ten years. Principal repayment may not be required for a period of from six to ten years during which interest does not accrue. The maximum term is thirty years. The interest rate is 9.5%, having been increased from 8.5% in 1979. Grants for organization and planning may not exceed \$100,000 per region, plus up to another \$100,000 on a 50/50 cash matching basis with the regional association.

Eligibility: Regional associations qualified under AS16.10.380.

#### Fishermen's Mortgage and Note Loans

General: This is a new program, effective June 21, 1980, and no loans have been made yet. The eligibility requirements outlined below illustrate that the program is targeted largely to rural areas. As such, according to the Division, it fills a void not otherwise served by private capital. As a secondary lender, the program purchases mortgages and notes for loans made by CFAB or by private financial institutions.

Loan Use: Loans are made to repair, restore, and upgrade existing vessels or gear, to purchase an entry permit, to purchase gear, and to construct or purchase a vessel, including costs between contract and documentation of a vessel.

Terms: The maximum loan amount is \$200,000, but the total debt of a borrower cannot exceed \$200,000. The interest rate is 10.5%, and the maximum term is fifteen years.

Eligibility: The borrower must have been an Alaskan resident for five years, and must not qualify for a separate State or Federal loan program. The borrower may lack other employment opportunities, or fishing may be a cultural way of life. The borrower may not be refused solely for lack of a credit history.

#### Tourism Loans

General: This program terminates on July 1, 1981, after which these types of loans are available through AIDA. About 48.4% of the tourism loans were made between FY 78 and FY 81, representing only 4.1% of the Division's total loans during that time. The \$25.8 million in tourism loans made under this program account for 7.5% of the Division's total loans. The statute creating this loan fund contains no statement of goals of any kind.

Loan Use: There is no discussion in the statute concerning the use of loans. In the absence of stated goals, limits on loan usage could imply goals, or indicate sectors of the economy that are thought to be not adequately served by the private financial sector. In the absence of stated goals and loan uses, there is no way to evaluate a program.

Terms: Maximum State participation in a loan is \$3 million, and for any loan exceeding \$150,000 there must be a 20% participation by a private financial institution, which also earns a 0.5% service fee. The interest rate is 9.5% on the unpaid balance, having been raised from 8.0% in 1979. The maximum term of the loan is twenty years.

Eligibility: Loans are available to businesses directly involved in the tourist industry.

## Mining Loans

**General:** This is a new program, effective on June 10, 1980, and the first loans have been made in FY 81. The \$8.9 million in loans made in the current fiscal year, through February 28, account for 13.0% of the Division's total loans, but the projected \$10.0 million in loans for FY 82 represent 30.4% of the Division's appropriation request for loans. The goal of the program is to finance advanced mineral exploration, development, or mining in the State.

**Loan Use:** There is no specific statement concerning limitations on the use of loans.

**Terms:** The maximum loan is \$5 million, but the outstanding debt of a borrower to the fund cannot exceed that figure also. The maximum term is fifteen years, and the interest rate is 10.0%. Except for placer mining, loan repayment begins one year after mineral production begins, or five years from the date of the loan, whichever is sooner. For placer mining, loan repayment does not begin before the end of the second placer mine season following the date of the loan. Interest on all loans accrues from the date of the loan and is paid monthly. Principal and interest payments go into the General Fund.

**Eligibility:** Loans are available to Alaskan residents with a minimum of five years of mining/prospecting experience, or to corporations with five years of experience that are 51% owned by residents. Applicants must submit an operating plan, and the Division determine its economic feasibility.

## Child Care Facility Loans

**General:** This is essentially a social program whose purpose is to provide low-interest loans to increase child care facilities in Alaska. From FY 77 through FY 80, the activity of this loan fund was quite stable in the range of \$30-35,000 per year. Through February 28, 1981, in FY 81 no loans have been made although the Division anticipates making loans equal to almost triple the loans made in the previous four years.

**Loan Use:** Loans are available for the construction, renovation, and equipping of child care facilities. The loans must enable the facilities to comply with the appropriate licensing standards or certification by the Department of Education.

**Terms:** There can be one loan to each facility, and the maximum amount is \$30,000. If a loan is larger than \$10,000, there must be collateral equalling 100% of the loan. The maximum term is ten years, and the interest rate is 7.0% on the unpaid balance. The loan rate was raised from 6.0% in 1979.

**Eligibility:** The borrower must show that the proposed loan will enable the facility to obtain or renew a license from the Department of Health and Social Services, or a certificate from the Department of Education. The plan must be approved by the commissioner.

### Residential Care Facility Loans

General: This is a social program whose purpose is to provide low-interest financing to increase residential care facilities in Alaska when private funds are not available. There has been no activity in this loan fund even though the Division has planned for loans in FY 81 that exceed those made for child care facilities.

Loan Use: Loans are available for the construction, renovation, and equipping of facilities to enable them to comply with licensing standards. The commissioner must agree that the borrower cannot obtain private funds.

Terms: The maximum loan amount is \$20,000 for a term of ten years. The loan rate is 7.0%. Like loans for child care facilities, the loan becomes due if the facility closes.

Eligibility: The borrower must not be able to obtain a private sector loan, and must show that the loan will enable the facility to qualify for a license from the Department of Health and Social Services. Also, the borrower may not have received more than \$10,000 in loans from the fund in the preceding five years.

### Residential Energy Conservation Loans

General: This is a new loan fund, beginning its activity in FY 81. The Division plans to lend more than \$1.0 million in each of FY 81 and FY 82. The purpose of the loan fund is to finance residential energy audits and the conservation improvements recommended as a result of those audits. The audits are financed through grants, while the improvements are financed through loans.

Loan Use: Grants for energy audits are available in the maximum amounts of \$300 for a single-family house, and \$200 for a multi-unit residence. Loans are available for the purchase, construction, and installation (including labor cost) of energy conservation improvements which are recommended by an audit.

Terms: The maximum loan amount is \$5,000, or the total cost savings ten years following the installation. The maximum term is ten years, and the loan rate is 5.0% until January 1, 1984. After that date, the loan rate fluctuates with a yearly average of long-term municipal bond yields.

Eligibility: The improvement must be recommended by an energy audit.

### Bulk Fuel Loans

General: The purpose of this program is to assist small communities (with population under 2,000) in purchasing bulk fuel. The short-term nature of the need and the loan terms makes this program different from the others.

Loan Use: The loan may be used to pay up to 90% of the wholesale price of fuel purchased by small communities.

Terms: The maximum loan each year is \$50,000. The loan must be repaid in one year or less. The interest rate varies with an average of the preceding year's long-term municipal bond yields, but interest may be waived or reduced.

Eligibility: Borrower must be an organized municipality or unincorporated village with a population under 2,000, or an individual endorsed by the municipality.

### Alternative Technology and Power Resource Loans

General: This loan fund began activity in FY 80 with one loan, but has made 145 loans in FY 81, through February 28, 1981. The Division plans to about maintain its recent pace of activity. The purpose of the program is to finance projects which reduce the utilization of fossil fuels in production and in generation of energy. The fund terminates on June 30, 1984.

Loan Use: Loans are available to develop means of energy production utilizing energy sources other than fossil or nuclear fuel. Loans may be used to develop and implement methods of energy production, waste disposal, recycling, food production, transportation, building design, and industrial enterprise which may be more efficient, cheaper, and less energy intensive. The loans may be used for the purchase, construction, and installation of alternative energy systems for the development and implementation of more efficient, less costly, less energy intensive, and more appropriate (for the Alaskan environment) technologies.

Terms: The maximum loan is \$10,000 for a term of twenty years. The loan rates for most loans is 9.5%, but the rate is 5.0% for those described in the second sentence in the preceding paragraph. After December 31, 1983, the loan rates change and vary with an average of the preceding year's long-term municipal bond yields.

Eligibility: The project must be in Alaska.

### Historical District Loans

General: This is a small, social program to preserve structures of historical importance. Through February 28, 1981, a total of only three loans have been made.

Loan Use: Loans may be used for the restoration, improvement, rehabilitation, or maintenance of structures in a historical district.

Terms: State loans may not total more than \$1.5 million in one district, and loans for each building or structure may not exceed \$100,000. The maximum term is thirty years, and the loan rate is 7.5% on the unpaid balance. This loan rate was increased from 6.5% in 1979.

Eligibility: The structure must be within a historical district established by the Historic Sites Advisory Committee.

### Section III: Analysis and Comment

It is not possible to do a thorough analysis of the impact of the loan programs because of an almost total lack of important data. The lack of data is not really the fault of the Division of Business Loans, however. They are in the process of computerizing what data they do collect, which will help somewhat. The data that are collected, and the few objectives set by the Division reflect the lack of direction indicated in legislation. To a large extent, the Division's real objective has been to make some dollar amount of loans in each program. Thus, they are only measured on the obvious criteria of administrative expenses and defaults on loans. As a result, it is not totally fair to devise objectives and measurement criteria after the fact, and to apply them to the Division's past activity, or to fault the Division for not collecting such data. In fact, to the extent that measurement standards would require more and different data collection, they would impose real costs on the Division and the borrowers.

However, it is still appropriate to investigate the impact of the Division's activity, and to question the desirability of expanding or eliminating those activities. A number of the loan programs are really social programs, such as bulk fuels, residential care, and, to an extent, child care. An indirect benefit of child care could be that it allows a woman to enter the workforce, stay off of welfare, and further stimulate the local economy via a multiplier effect. With no such data collected, however, it is probably best to consider them as social programs that can also have positive economic benefits. In that case, the Division's use of output measures (slots opened) for such programs are appropriate. On the other hand, business, tourism, and fishing loans are explicitly economic programs, and output measures such as fry release from hatcheries are not appropriate. The State can support hatcheries such that the fry release is increased by sixty million, for example, but that is meaningless. Why not set the goal at eighty million? The real measure is the impact of such an investment, and its resultant fry release, on the earnings of fishermen, the multiplier effects, and the return to the State in the form of interest and taxes (and lower transfer payments) relative to its opportunity cost. There are also social benefits to increased employment, but, to count these, one must assume that the projects would not have been undertaken without the program.

This latter problem complicates any analysis of impact. It can be argued that financing costs of 9.5% rather than 15.0% will result in some projects taking place that would not take place otherwise. But, in that case, it is only the marginal increase that is a real benefit to the program. Since all of the loans are made at a subsidized rate, the difference between the market rate and the subsidized rate on projects that would have been undertaken anyway is an unnecessary cost of this program (with no offsetting benefits). Therefore, it is not correct to conclude that all of the employment generated by such a program is a benefit of the program.

The State's involvement in business financing has been growing, but is a rather recent development. Therefore, there are sparse data to draw on to determine if the major impact is to drive private capital out. Over time, one thing to watch will be the loan to deposit ratio of local banks. If they are

driven from business loan financing, it is likely that their liquidity will be higher than average, and the loan to deposit ratio will fall, relative to banks elsewhere. As an aside, a recent report of the Federal Home Loan Board shows that the liquidity ratio of thrifts in Alaska is about four times the average for this district, which probably reflects State deposits and the dominance of AHFC in housing finance.

One reason to suspect that much of the explosion in the Division's loans in recent years has simply been a replacing of private financing is that the spread between the loan rates and the bank prime rate has widened dramatically in the last two and a half years. The table below shows the prime rate that has existed in each of the fiscal years since the loan programs began.

TABLE III

The Prime Rate from FY 72 to FY 80

Fiscal Year	Prime Rate		
	Average	High	Low
1972	5.35%	6.00%	4.75%
1973	6.06	7.49	5.25
1974	9.78	11.54	8.30
1975	9.83	12.00	7.07
1976	7.22	7.96	6.75
1977	6.59	7.25	6.25
1978	7.71	8.63	6.75
1979	10.85	11.75	9.00
1980	14.98	19.77	11.54

Taking business loans as an example, it is clear that the 9.5% loan rate since 1979 has been a large inducement to substitute public borrowing for private borrowing (especially if the borrower would pay more than prime). In contrast, the 8.0% loan rate which was in effect prior to 1979 was a far less inducement. So, it seems reasonable to conclude that much of the increased loan demand recently has been a result of such replacement, rather than a generation of new economic activity.

Ignoring that complication, one can make a stab at estimating the impact of the business loan program on earnings and employment by using national averages, and further assuming that Alaskan businesses are similar to the national averages in those respects. Because of these assumptions, however, the analysis should be taken with reservation.

Most businesses in Alaska are quite small. According to the Department of Revenue, of the 3,460 domestic and multi-state firms filing tax returns in 1978, 3,320 of them had sales under \$10.0 million. Assets and sales per employee rise as the size of the business rises. Using data published in the 1980 edition of the Statistical Abstract of the United States, it is possible to make a rough estimate of the number of jobs supported by the small business loan program. The publication gives assets per employee of the top and the second five hundred companies in size for 1970, 1975, and 1979. Using the figures from the second five hundred and assuming a constant growth rate for the intervening years, by dividing the amount of loans in each year (increase in assets) by the estimated assets per employee, one derives an estimate for employment. Thus, it is estimated that the \$194.8 million of small business loans made through February 28, 1981, has supported an increase in employment of 4,287 persons at an average of \$45,400 assets per employee. If that sounds like a high figure, it should be kept in mind that it is in nominal dollars and rises with inflation. Also, it is weighted by the timing of the loans, and most of the loans have been made in the last three years. It could be argued that the employment gain is understated because even the second five hundred firms have a higher assets per employee ratio than the small firms in Alaska. On the other hand, higher wage rates in Alaska would tend to make businesses more capital intensive than the national average. Those two factors work to offset each other, so an estimated employment gain of 4,287 persons seems reasonable.

In addition to the benefit of having higher employment, the health of the economy is improved as those people spend their income on other goods and services (a multiplier effect). It is not possible at this time to estimate the multiplier effect, but it is a legitimate indirect benefit of the program.

What has been the direct financial return to the State on its investment? Prior to FY 81, the loan programs were funded by prepurchase agreements with the Department of Revenue, rather than by direct appropriations. The small business loans held by that Department on January 31, 1981, had an average yield of 8.5%. In addition, the State receives tax revenues on the profits associated with the increase in assets of each firm. The Statistical Abstract states that corporations with assets under \$10.0 million in 1976 had a pre-tax return on assets of 5.22%. Using that as an average implies that the \$194.8 million in loans generated \$10.2 million in pre-tax profits. The corporate tax rate (about 5.3% on the first \$50,000 and 9.4% on the balance) would add roughly 0.4% to the 8.5% direct financial return. The 8.9% return calculated here ignores the tax receipts on profits generated by the multiplier effects mentioned above. It also ignores default experience which the Division of Business Loans could not provide.

It is possible to compare the loan rate, plus an allowance for taxes, with an alternative investment that the State could have purchased. Since the maximum loan term is fifteen years for business loans, this analysis assumes an average term of seven years. The alternative investment is assumed to be U.S. Treasury securities with a seven year maturity. These yields are shown on Table IV. It can be argued that this alternative is overly conservative since Treasuries are much higher in quality than small business loans. While that is true, it could still be appropriate to use them for several reasons. First, it is desirable to be conservative in estimating the opportunity cost. Second, such securities likely would have been purchased if the funds were not

used for business loans. Third, the financial return on loans may be understated since it excludes benefits that could be associated with a multiplier effect and lower transfer payments. On the other hand, administrative costs and defaults are also excluded.

A casual glance at Table IV shows that the loan rate exceeds the average yield on Treasuries in each fiscal year prior to FY 79. However, 82.1% of the small business loans have been made since FY 78. As discussed earlier, this is likely to always occur when the State loan rate falls relative to rates in the private sector. Using a seven year average maturity, weighted by the timing of the loans made, it is calculated that total income on U.S. Treasury securities would exceed the income of the loans by about \$10.3 million before compounding. After compounding, the difference in income to the State is about \$20.8 million, or 10.7% of the total loans made by the Division in the business loan program.

This opportunity cost estimate, or the difference between the income actually earned and that which could have been earned by a reasonable alternative investment, of almost 11% of the total loans must be weighted against the employment gains. It should be kept in mind that if the loan program primarily replaces public for private financing, then those benefits are not attributable to the loan program. In that case, the forgone income is an absolute loss to the State.

Table IV  
Approximate Financial Return to Small  
Business Loans Compared to Treasuries<sup>a</sup>

FY	Loan Rate & Taxes	Yield on U.S. Treasury Securities		
		Avge.	High	Low
1972	8.4%	6.17%	6.92%	5.91%
1973	8.4	6.46	6.83	6.09
1974	8.4	7.25	7.93	6.77
1975	8.4	7.82	8.41	7.30
1976	8.4	7.89	8.39	7.44
1977	8.4	7.15	7.70	6.37
1978	8.4	7.71	8.40	7.12
1979	8.4	8.88	9.23	8.38
1980	9.9	10.53	13.00	8.92
1981	9.9	12.57	14.30	9.84

<sup>a</sup> The Treasury yield shown is the yield on U.S. Treasury securities with a seven year maturity. The yield of the loan program is the statutory loan rate plus an assumed 0.4% allowance for tax revenues. It is a gross yield, before defaults or administrative costs.

This analysis focuses on business loans because the national data are more applicable to them, and because their goal is an economic one. Namely, they seek to finance activity that would otherwise not take place. If the same assets per employee ratio is appropriate for all of the programs, then the employment gain is about 7,600 with business loans generating about 56.3% of the gain. However, it is not likely that the same ratio should apply across industries.

One thing that is clear from this analysis is that the Division has no real guidelines to use to evaluate its performance. Without an understanding of the purpose of the programs, it is not possible to state objectively if they should be maintained, increased, or reduced. The analysis shows direct benefits which may be attributed to the programs. The cost of the programs is the difference between what the State earns on the average life of the loans and what it would have earned on the funds in the best alternative. The current spread between the 9.9% return on business loans and long term Treasury securities (about 13.5%) is rather wide. However, this spread could narrow sharply in the next few years if the Federal Government succeeds in reducing the inflation rate. In any event, it is necessary to question whether the benefits of the loan programs are worth the cost.

Such a policy question cannot be answered in the absence of data. Data collection is not free, but the cost of having a multi-billion dollar loan program without direction or evaluation is high. If, in the future, it is determined that public financing simply replaces private financing, then the benefits outlined above are not attributable to the program, and the costs are incurred for nothing. The lack of direction in the program is evident from the data the Division collects and the few measures it suggests. Fry release from hatcheries means nothing except as it relates to the income of fishermen. The Division does ask the fishermen who borrow to estimate the increase in income that will result, but all agree that the estimate is dubious and there is no follow-up data collected. The imputed goal of the Division is to make a certain amount of loans, since that is about all they can report. Yet the real purpose of the programs certainly is not to lend for the sake of lending.

If it is decided that no additional data will be collected to use for evaluation, it might be helpful to use the restriction present in the residential care facilities program. That program only lends when private funds are not available. That could be a valid restriction for all programs. The State could retain the option of providing financing for projects which are feasible at lower interest rates, but not at current high rates in the private sector. In this way, the State could be more certain that it is financing activity which would otherwise not take place and be a positive counter cyclical force. It cannot avoid the possibility that borrowers and private institutions will be encouraged to push off riskier loans on the State. That, by itself, is not bad, since it may be a legitimate goal to finance somewhat more risky ventures.

### Conclusion

Given the lack of data concerning the impact of the loan programs in the Division, it is not possible to arrive at a clear conclusion. This analysis suggests that the programs may have supported an increase in employment of roughly 4,000 to 7,000 in the last ten years. However, the explosive growth in the programs in recent years coincides with a dramatic widening of the spread between the loan rate and private rates as represented by the bank prime rate. Thus, it is likely that much of the lending represents replacement of private capital with public funds. This means that the projects would have been financed anyway, and the employment benefits are not attributable to the loan programs. In that case, the State bears a cost of a program with little benefit. The spread between private and public lending rates then becomes an income transfer to the borrowers, who are likely to be of higher than average income already.

DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: 465-2500

February 8, 1982

*Letter*  
Honorable Joe Hayes  
Speaker of the House  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Hayes:

*stating*  
As required by AS 37.05.035, the Department of Commerce and Economic Development, Division of Loans and Veterans' Affairs, submits for your review the following report on loans closed during FY '81:

- Loans made by loan type

The prevailing market rates used were obtained from the Department of Revenue, Division of Treasury.

Because of the number of assumptions made during FY '81 and the use of subsidized loan funds, a separate section on assumptions was included with the report of loans made by loan type. The prevailing market rate at the time of the assumption was used to determine the amount of subsidy provided by the State for this type of loan.

Sincerely,



Charles R. Webber  
Commissioner

*Dept. Comm. & Econ. 19*

CRW/jar#26V2

ANNUAL STATE LOAN REPORT  
LOANS CLOSED BY TYPE  
FISCAL YEAR 1981

	Total # of Loans	Total Principal Loaned	*Return on Loan at Business Loans Interest Rate	Return on Loan at Prevailing Interest Rate	Total State Subsidy
Residential Energy Alternative Technology	47	\$ 181,508	\$ 80,182	\$ 110,546	\$ 30,364
Commercial Fish	276	1,333,824	598,694	1,838,165	1,239,471
Small Business	405	25,472,412	14,313,698	26,314,649	12,100,951
Tourism	450	74,340,534	49,467,489	72,047,265	22,597,776
Mining	5	834,575	881,996	1,738,146	856,150
Fish Enhancement	10	9,303,834	3,449,845	5,243,477	1,793,632
Bulk Fuel	15	3,396,714	3,794,022	8,649,299	4,855,277
Child Care	0				
Water Resources	0				
Historical Districts	0				
<b>Total Amounts For Business Loans</b>	<b><u>1,208</u></b>	<b><u>\$114,863,501</u></b>	<b><u>\$72,585,926</u></b>	<b><u>\$115,941,547</u></b>	<b><u>\$43,473,621</u></b>
Assumptions: **					
Veterans	49	\$ 2,510,933	\$ 3,491,818	\$ 4,238,128	\$ 746,310

- \* (a) Business Loan interest rate is 5% energy loans; 10% for Historical Dist.; 9.5% Commercial Fish, Tourism, Small Business and Fish Enhancement  
 (b) Vets original interest rate on loan unless person assuming is a nonvet, in which case interest rate is at prevailing market rate

\*\* No new loans were made.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

February 16, 1982

MEMORANDUM

TO: Representative Bylsma  
FROM: Leslie Longenbaugh, Research Staff  
RE: State Loan Programs; Aggregate Loans  
Research Request Number 82-47

Barbara Johnson of your staff asked that we provide the most recent available information on all loans made to date by the State-sponsored loan programs. Each quarter this Agency prepares an activity report on the State loan programs; I am now working on the report covering activity in the third quarter of State fiscal year 1982. Because the report is not yet published, I have included in this memorandum the information on total loans outstanding to date that is readily available from my files.

As of December 31, 1981:

Total loans outstanding: 68,059

Total balance outstanding: \$2,517,646,078

Mean amount of balance outstanding on loans: \$37,992

Total delinquent loans: 2,250, or 3.3% of all outstanding loans

Total loans in default:<sup>1</sup> 1,621, or 2.4% of all outstanding loans

I am enclosing a copy of the latest published quarterly report, which covers loan activity during July, August and September 1981. As soon as the report for the second quarter of FY 82 is available I will send it to your office. Meanwhile, please call on us if we can be of any further assistance.

---

<sup>1</sup>Loans are considered to be in default for the purposes of this memorandum when they are at least 91 days delinquent. Although I have begun recently to ask responding loan programs to define loans in default as those which have been remanded to the program's counsel for legal action, no such information is yet available from the loan programs.



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Juneau, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

January 7, 1982

MEMORANDUM

TO: Senator Dankworth  
ATTN: Dianne Morrison  
FROM: Deb Pomeroy  
RE: Amount of Loans in Default for Each Loan Program  
Research Request 81-206

Dianne Morrison of your staff asked this agency to find the amount of loans in default for each of the State loan programs. Each lending agency has its own definition of the time when a delinquent loan becomes a loan in default; we have chosen to consider sixty-days delinquency as the cutoff point.

The chart on the following pages shows each loan program, the agency responsible for administering the loan program, the dollar amount in default, and the total amount of outstanding loans. There are a few items which should be noted:

- 1) The Alaska Industrial Development Authority's delinquent loans are all a part of the \$144,646,552 in loans which were transferred to AIDA from the Division of Business Loans in 1980 by the State.
- 2) The Alternative Technology and Energy Revolving Loan Program and the Residential Energy Conservation Loan Fund figures for the amount in default may be a little high as the Division of Business Loans is in the process of converting to a computerized system, and some of the payments may not have been credited as yet.
- 3) The Memorial Scholarship Loan Fund figures are as of May 1981. Kerry Romesburg of the Postsecondary Education Commission informed me that as the Loan Fund is such a small one, computations are done by hand in May and again in December. The December figures should be available sometime in January. If you would like, that information could be forwarded to you when it is available.

I hope this information is useful to you. If you have any questions or would like more information, please call.

dp  
Attachment

AMOUNTS OF LOANS IN DEFAULT PER PROGRAM

<u>Administering Agency</u>	<u>Loan Program</u>	<u>Amount in Default<sup>1</sup></u>	<u>Total Loans Outstanding</u>	<u>Date Computed</u>
Division of Agriculture, Department of Natural Resources	Agriculture Revolving Loan Fund	\$1,826,939 <sup>2</sup>	\$ 28,690,720	11/30/81
Alaska Housing Finance Corporation	Alaska Housing Finance Corporation	\$8,265,000	\$1,628,182,600	10/31/81
Alaska Industrial Development Authority	Alaska Industrial Development Authority	\$3,524,312	\$ 188,373,152 <sup>3</sup>	11/30/81
Alaska Medical Facility Authority	Division of Treasury, Department of Revenue	\$ 0	\$ 11,410,000	10/31/81
Alaska Municipal Bond Bank	Alaska Municipal Bond Bank	0	\$ 76,647,646	11/30/81
Alaska Power Authority	Alaska Power Authority	0	\$ 2,693,648	11/30/81
Alaska Renewable Resources Corporation	Alaska Renewable Resource Corporation	\$1,205,396	\$ 18,987,179	11/30/81
Division of Business Loans, Depart- ment of Commerce & Economic Dev.	Alternative Technology and Energy Revolving Loan Program	\$ 47,299 <sup>4</sup>	\$ 2,519,000	10/31/81
"	Bulk Fuel Revolving Loan Fund	0	\$ 16,000	10/31/81
"	Child Care Facility Revolving Loan Fund	0	\$ 82,000	10/31/81
"	Commercial Fishing Revolving Loan Fund	\$ 3,000	\$ 73,717,000	10/31/81
"	Fisheries Enhancement Revolving Loan Fund	0	\$ 13,839,000	10/31/81

<sup>1</sup>A loan in default, for the purposes of this memorandum is defined as one which payment is 60 or more days past due.

<sup>2</sup>This figure includes loans in litigation as well as active loans.

<sup>3</sup>This includes 802 (\$144,646,552) loans transferred to AIDA from the Division of Loans by the State. The delinquent loans are all part of those appropriated loans.

<sup>4</sup>This figure may be high, as the Division of Business Loans is in the process of converting to a computerized system, and some of the payments may not yet be credited.

<u>Administering Agency</u>	<u>Loan Programs</u>	<u>Amount in Default<sup>1</sup></u>	<u>Total Loans Outstanding</u>	<u>Date Computed</u>
Division of Business Loans, Department of Commerce & Economic Dev.	Fishermen's Mortgage and Note Fund	0	\$ 0	10/31/81
"	Historical District Revolving Loan Fund	0	\$ 259,000	10/31/81
Postsecondary Education Commission, Department of Education	Memorial Scholarship Loan Fund <sup>3</sup>	\$ 1,850	\$ 19,600	5/81
Division of Business Loans, Department of Commerce & Economic Dev.	Mining Loan Fund	0	\$ 8,807,000	10/31/81
Division of Housing Assistance, Dept. of Community & Regional Affairs	Nonconforming Housing Loan Program	0	\$ 20,990,075	11/30/81
Division of Business Loans, Department of Commerce & Economic Dev.	Residential Care Facility Revolving Loan Fund	0	0	10/31/81
"	Residential Energy Conservation Loan Fund	\$ 10,144 <sup>4</sup>	\$ 972,000	10/31/81
Postsecondary Education Commission, Department of Education	Scholarship Revolving Loan Fund	\$4,815,906	\$ 95,567,170	11/30/81
Division of Business Loans, Department of Commerce & Economic Dev.	Small Business Revolving Loan Fund	\$2,920,000	\$ 75,276,000	10/31/81
"	Tourism Revolving Loan Fund	\$1,064,000	\$ 4,517,000	10/31/81
Division of Veterans' Affairs, Dept. of Commerce & Economic Dev.	Veterans' Revolving Loan Fund	\$1,870,000	\$234,450,000	
Division of Business Loans, Department of Commerce & Economic Dev.	Water Resources Revolving Loan Fund	0	\$ 909,000	10/31/81

<sup>3</sup>The Memorial Scholarship Loan Fund figures are computed by hand twice a year, once in May and again in December. The December figures will be available sometime in January.

<sup>4</sup>This figure may be high, as the Division of Business Loans is converting this program to a computerized system, and some of the payments may not yet be credited.

VALUE OF LOANS CLOSED AND MORTGAGES PURCHASED  
BY AGENCIES OF ALASKA STATE GOVERNMENT  
(thousands of dollars)

	Fiscal Years Ending June 30				JUL-DEC 1978	JUL-DEC 1979	Percent Change JUL-DEC 1978 to JUL-DEC 1989
	FY 1976	FY 1977	FY 1978	FY 1979			
<b>LOANS CLOSED</b>							
Division of Business Loans	7,888	13,848	44,556	77,115	44,622	38,154	-14%
Division of Veterans' Affairs	45,285	52,592	94,893	91,078	57,893	2,511	-96%
Total Loans	53,173	66,440	139,449	168,193	102,515	40,665	-60%
<b>MORTGAGES PURCHASED<sup>a</sup></b>							
Alaska Housing Finance Corp.	27,734	96,913	115,827	155,357	77,996	111,996	+44%
Retirement Funds (Teachers' and Public Employees')	36,102	74,587	59,600	61,226	27,516	31,161	+13%
State of Alaska - General Fund	0	0	0	50,000	0	50,000	--
Total Mortgages Purchased	63,836	171,500	175,427	266,593	105,512	193,157	+83%
<b>GRAND TOTALS - LOANS &amp; MORTGAGES</b>	<b>117,009</b>	<b>237,940</b>	<b>314,876</b>	<b>434,776</b>	<b>208,027</b>	<b>233,822</b>	<b>+12%</b>

a/ Figures shown for retirement funds include mortgages actually purchased plus commitments to purchase.

Source: Treasury Division, Alaska Department of Revenue; Division of Veterans' Affairs, Division of Business Loans, and Alaska Housing Finance Corporation, Alaska Department of Commerce and Economic Development.

DIVISION OF BUSINESS LOANS  
Number of Loans Closed, and Total Amounts Loaned  
(thousands of dollars)

Type of Loan	FY 1976		FY 1977		FY 1978		FY 1979		JUL-DEC 1978		JUL-DEC 1979	
	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$
Small Business . . . . .	33	\$ 2,510	61	\$ 4,511	138	\$22,369	237	\$42,096	145	\$24,893	152	\$19,637
Commercial Fishing . . . . .	75	3,190	136	6,229	234	13,044	357	29,734	221	17,494	267	13,781
Tourism . . . . .	4	2,198	6	1,559	3	4,194	8	4,230	4	1,859	8	3,591
Child Care . . . . .	0	0	4	34	4	34	1	30	1	30	1	15
Fisheries Enhancement . . . . .	0	0	3	965	2	2,865	4	946	2	345	4	1,080
Water Resources . . . . .	0	0	1	450	4	2,050	0	0	0	0	0	0
Historical Sites . . . . .	0	0	0	0	0	0	1	129	0	0	1	50
<b>TOTALS . . . . .</b>	<b>112</b>	<b>\$ 7,388</b>	<b>211</b>	<b>\$13,848</b>	<b>385</b>	<b>\$44,556</b>	<b>608</b>	<b>\$77,115</b>	<b>373</b>	<b>\$44,622</b>	<b>433</b>	<b>\$38,154</b>

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
DIVISION OF VETERANS' AFFAIRS  
Number of Loans Closed, and Total Amounts Loaned  
(thousands of dollars)

Fiscal Years Ending June 30

Loan Category	FY 1976		FY 1977		FY 1978		FY 1979		JUL-DEC 1978		JUL-DEC 1979	
	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$	No.	Total \$
Single Family Dwellings . . . . .	810	\$36,897	754	38,331	1,198	67,726	1,124	65,750	703	41,305	25	1,620
Multiple Dwellings:												
Duplexes . . . . .	23	1,526	62	4,437	136	11,333	116	9,019	79	6,290	6	526
Other . . . . .	31	1,760	45	3,144	43	3,891	53	5,157	28	2,678	0	0
Business:												
Partnership . . . . .	4	515	7	898	7	768	9	1,245	10	1,450	0	0
Other . . . . .	58	3,760	70	4,660	122	9,492	99	8,358	61	5,153	3	315
Personal . . . . .	38	779	126	1,123	177	1,628	168	1,549	109	1,018	5	50
Farm . . . . .	1	48	0	0	1	55	0	0	0	0	0	0
<b>TOTALS . . . . .</b>	<b>1,020</b>	<b>45,285</b>	<b>1,064</b>	<b>52,592</b>	<b>1,684</b>	<b>94,893</b>	<b>1,569</b>	<b>91,078</b>	<b>990</b>	<b>57,893</b>	<b>39</b>	<b>2,511</b>
<b>GRAND TOTALS: LOANS OF BOTH OF ABOVE AGENCIES</b>	<b>1,132</b>	<b>53,173</b>	<b>1,275</b>	<b>66,440</b>	<b>2,069</b>	<b>139,449</b>	<b>2,177</b>	<b>168,193</b>	<b>1,363</b>	<b>102,515</b>	<b>474</b>	<b>40,665</b>

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

ROOM 508  
CAPITOL BUILDING  
POUCH V  
JUNEAU, ALASKA 99811

907-465-3818  
907-465-3810

MEMORANDUM

March 4, 1982

TO: All Members  
Legislative Budget and Audit Committee

FROM: Senator Arliss Sturgulewski, Chairman *AS*  
Legislative Budget and Audit Committee

RE: Revolving Loan Funds

The Legislative Budget and Audit Committee, the Finance Committees, and many of the members of the legislature, have made it clear that they are concerned with state agency expenditures that occur outside the normal budgeting process. The several revolving loan funds are a major source of such "off-budget" expenditures. In order to get some idea of the size of revolving loan fund receipts, I requested information from both the Legislative Audit Division and the Division of Loans and Veteran Affairs, Department of Commerce. The attached memoranda provide an overview of FY 81 returns of repaid principal and interest to revolving loan funds, as well as projections of annual returns and activity levels of funds administered by the Division of Loans and Veteran Affairs.

It is interesting to note that the present volume of loans outstanding under these revolving funds is \$2.1 billion, with an FY 81 return of principal and interest estimated at \$146 million. This represents a significant amount of money for "new" loans to Alaskan firms and residents.

Attachments

# STATE OF ALASKA

AUDIT DIVISION  
POUC- W-ALASKA OFFICE BUILDING

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

February 25, 1982

RECEIVED  
FEB 26 1982

BUDGET/AUDIT  
COMMITTEE TO:

Senator Arliss Sturgulewski  
Chairman  
Legislative Budget and  
Audit Committee

FROM:

Gerald L. Wilkerson  
Legislative Auditor  
Division of Legislative Audit

SUBJECT:

Revolving Loan Programs - Unappropriated  
Funds

This memo constitutes the short report you requested on the State's revolving loan funds, and the amounts of money which are returned to each fund on an annual basis, unless otherwise specified.

Your expressed concern that millions of dollars may be outside or ignored by the legislative and budget processes is most dramatically reflected in funds received by the Alaska Housing Finance Corporation's Housing Development Fund on loans made with appropriated funds. It is estimated that for the 13-month period ending December 31, 1982 the fund has received principal and interest repayments in excess of \$67 million on appropriated funds.

Another State agency receiving significant "cash" repayments is the Alaska Industrial Development Authority which has estimated that it has accumulated approximately \$60 million in reserves on loans and funds appropriated to it since its inception.

The cash accumulated by other loan funds is relatively immaterial at the present because of historic "under" funding of loan programs. Loan funds administered by the Division of Business Loans such as Commercial Fishing, Small Business, Tourism, Child Care, Historical District, etc. have not received appropriations sufficient to meet loan demand or no appropriations have been made until recently. As a remedy, loans were sold to the Treasury Division to provide funds to meet loan demand. As a result the loan funds accumulate relatively little cash from their portfolio since most of the money received must be passed on to Treasury.

Senator A. Sturgulewski  
Page 2  
February 25, 1982

It is our understanding that the accumulated cash in these funds do not need to be reappropriated in order to be reloaned by the various agencies. This does not apply to ARRC because of a unique statutory requirement which mandates that the corporation may expend money only as appropriated by the Legislature.

The attached schedule demonstrates the estimated accumulation of cash on appropriated funds for loans for currently active revolving-type of funds. Strict comparability between funds is not possible since different administrative agencies use varying dates of measure. However, you should be able to gain an understanding of the approximate relative amounts that are of concern.

REVOLVING LOAN FUNDS  
ESTIMATED ACCUMULATION OF  
NET "CASH" FOR VARIOUS PERIODS

Fund	FY'81 Unless Other- wise Noted (Note 1)	Amount of Loans Outstanding (Note 2)	Number of Loans Outstanding (Note 2)	Comments
Child Care Facility	\$ 3,805	\$ 85,710	7	Net of transfers to Treasury. No repayments as of 06/30/81. All loans owned by Treasury.
Fisheries Enhancement	-0-	11,042,622	31	
Historical District	-0-	166,740	3	
Bulk Fuel	8,587	49,950	1	
Residential Energy Con- servation	3,375	259,568	74	
Alternative Technology and Energy	42,249	1,682,471	379	
Tourism	92,799	5,901,434	21	Net of transfers to Treasury, AIDA.
Commercial Fisheries	2,106,487	80,980,298	1,487 *	Net of transfers to Treasury, AIDA.
Small Business	2,712,278	75,560,269	611 *	Net of transfers to Treasury, AIDA.
Fishermen's Mortgage and Note	-0-	-0-	-0-	
Residential Care Facilities	-0-	-0-	-0-	
Veteran's	1,995,950	244,101,836	5,119	
Medical Malpractice Liability	-0-	3,000,000	1	
Alaska State Housing Authority (ASHA)	-0-	-0-	-0- *	No activity in revolving portion of funds.
Alaska Power Authority Power Project	-0-	22,124,347	17 *	
Alaska Industrial Develop- ment Authority (AIDA)	60,000,000	157,441,349	850	Inception to date.
Capital City	-0-	-0-	-0-	
Public Law 92-203	-0-	-0-	-0- *	
AHFC Housing Develop- ment	67,243,565	1,366,592,368	20,351 *	13-months ended 12/31/81.
Alaska Renewable Resources Corp. (ARRC)	1,361,882	17,519,389	54 *	Inception to 09/31/81. Of the cash accumulated \$875,861 has been released.
ARRC Commercial Fish Purchases Assistance	4,218,805	Not Available	Not Available	Inception to 09/31/81. Of the cash accumulated \$3,025,691 has been released.
Alaska Gas Pipeline Financing Authority	-0-	-0-	-0-	
Alaska Municipal Bond Bank Authority	-0-	75,105,500	31 *	
Housing Development	-0-	-0-	-0-	
Senior Citizens Housing Development	-0-	-0-	-0-	
Temperate Social Activities	-0-	-0-	-0-	
Nonconforming Housing	-0-	6,265,300	99 *	
Agriculture	3,080,915	22,193,896	411 *	Of the cash accumulated \$3,016,000 has been released.
Outdoor, Recreational, Open Space and Historical Properties Development	-0-	-0-	-0- *	
Scholarship	2,780,279	53,738,926	24,986 *	
Memorial Scholarship	4,200	19,600	16 *	
<b>Total</b>	<u>\$145,655,176</u>	<u>\$2,142,931,472</u>	<u>54,549</u>	

Note 1:

The amounts are comprised of principal and interest payments from notes held only by the funds.

Note 2:

Amount of loans outstanding and number of loans outstanding were obtained from Legislative Audit reports except those funds asterisked (\*), which were obtained from the House Research Agency report "State Loan Programs: Monthly Activity Report, Fourth Quarter FY 1981" dated August 31, 1981.

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF VETERANS' AFFAIRS

February 22, 1982

JAY S. HAMMOND, GOVERNOR

POUCH DA  
JUNEAU, ALASKA 99811  
PHONE: 465-2555

RECEIVED  
FEB 25 1982

BUDGET/AUDIT  
COMMITTEE

Honorable Arliss Sturgulewski  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Sturgulewski:

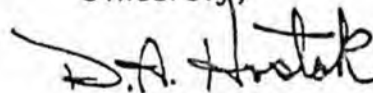
Enclosed you will find cash flow projections on the loan funds which you requested of Dave Massey. These projections assume that all fund monies are invested in loans. The following characteristics and assumptions should be taken into consideration when reviewing the projections.

The number of loans actually being serviced by the Division of Loans and Veterans' Affairs is much larger than the portfolio balance shown on the enclosed cash flow projection. Since you were more concerned with the "true revolving" cash flow, the figures for loans serviced by the division for the Department of Revenue and the Alaska Housing Finance Corporation were not included.

Depending on the size of the portfolio, its age and consistency of its expansion over the last five years, the figures on the cash flow projection will vary from conservative (for the older portfolios such as the Veterans, Small Business, Commercial Fishing and Tourism portfolios) to the ideal potential cash flow for those portfolios where very little history is available at the current funding level.

On the veterans' loan portfolio, only two types of loans are available with a large variance between loan amounts (\$10,000 for personal loans and \$125,000 for multiple dwellings). An estimate was made at the combination of personal and multiple dwelling loans which could be made on a continuing basis.

Sincerely,



D. A. Hostak  
Director

DH/krb 5/11

Enclosure

Cash Flow on Loan Funds

Assuming All Fund Monies Were Invested In Loans

	Estimated				# New Loans Possible Yearly
	Average Balance	Yearly Interest	Return of Principal	Total Principal + Interest	
Veterans' Loans	10,290,000-	893,900	443,200	1,337,100-	21 Personal 9 Multiple Dwellings
Small Business	75,000,000-	7,076,020	8,820,850-	15,896,870-	No Authority
Child Care	207,700	18,210-	14,250-	32,460	1 Loan Per Year
Commercial Fish	22,177,349-	2,106,850	1,143,790	3,250,640	66 Loans Per Year
Historical District	200,000	16,680	7,920	24,600	1 Loan Every 2 1/2 Years
Bulk Fuel	* 1,000,000	54,440-	1,000,000	1,054,440	
Tourism	4,500,000	384,900-	338,060-	722,960	No Authority
Mining	42,000,000-	4,401,600	10,380,550	14,782,150	18-19 Loans Per Year
Residential Energy	4,979,000-	501,650	248,790	750,440	200 Loans Per Year
Alternate Energy	6,410,210-	282,810-	775,450-	1,058,260-	211 Loans Per Year
Water Resources**	910,000-	74,900	-0-	74,900	No Authority
Fisheries Enhance- ment***	14,934,000-				

\* These loans are for one year only and the monies go back to the General Fund.

\*\* There is only one loan left in this fund and the authority and funding have been deleted (the one loan is interest only until 1987).

\*\*\* Payments on these loans are deferred for 6 years. Since the current loans are only 1-4 years old no revenues are expected until 1984.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.

SENIOR HOUSING-

AS 18.54

### SENIOR CITIZEN HOUSING PROGRAM

The Senior Citizen Housing Program provides funding to municipalities and non-profit housing development corporations for senior citizen housing projects. Funds are available for planning and construction on a grant basis and the Department attempts to utilize federal housing funds in conjunction with State resources where possible. The program was originated in 1975 with the proceeds of \$7.5 million bond sale and continued in 1981 with an appropriation of \$16 million for fiscal years 1982 and 1983.

To date the Department has expended \$7.2 million of the 1976 bond proceeds and provided planning and construction funds for 488 units with a total cost of over \$24 million. The Department has committed the entire \$8 million available for FY 82 and has received funding requests for over \$13 million in FY 83. Attached are charts detailing the FY 82 and proposed FY 83 activity.

The Department would like to point out that the FY 83 appropriation of \$8 million contained in Section 3, Chapter 76, SLA 81, is limited to "planning, development and construction of federally assisted senior citizen housing projects." The proposed FY 83 activity contains some projects that do not show available federal funding and may not be able to secure federal funding in light of budget reductions at the Federal level. While the Department will continue to encourage utilization of State and Federal resources where possible, the Department would prefer to have greater flexibility in utilization of the FY 83 appropriation. Consequently, the Department recommends that Section 3, Chapter 76, SLA 81, be amended to read as follows:

"Section 3. The sum of \$8,000,000 is appropriated from the general fund to the Department of Community and Regional Affairs for planning, development, and construction of federally assisted senior citizen housing and other housing projects that meet the special needs of senior citizens."

The Department informs the Legislature that requests for FY 83 funding currently total \$15,984,500. Future funding needs will largely depend on data and information provided by the Statewide Housing Needs Study being conducted by the Department and scheduled for completion in December 1982.

SENIOR CITIZEN HOUSING PROGRAM  
 CONSTRUCTION GRANTS  
 FINANCIAL STATUS - MARCH 15, 1982  
 FISCAL YEAR 1982

<u>PROJECT LOCATION</u>	<u># UNITS</u>	<u>SPONSOR</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT SUBMITTED</u>	<u>COMMITTED</u>	<u>ADJUSTMENTS</u>	<u>FUNDS DISBURSED</u>
Chugiak/Eagle Riv	24	Municipality of Anchorage	2,500,000				
Kenai	24	Cook Inlet Housing Auth.	1,066,000	1,066,000	1,066,000		959,400
Homer	24	Homer Senior Citizens, Inc.	2,400,000				
Wrangell	24	Wrangell/Senior Citizens, Inc.	685,000	685,000	685,000	200,000	
Valdez	15	City of Valdez	1,100,000				
TOTALS:			7,751,000	1,751,000	1,751,000	200,000	959,400

RECAP:

Appropriation:	8,000,000
Committed:	1,751,000
Available to Commit:	6,249,000

SENIOR CITIZEN HOUSING PROGRAM  
 PLANNING GRANTS  
 FINANCIAL STATUS - MARCH 15, 1982  
 FISCAL YEAR 1982

<u>PROJECT LOCATION</u>	<u># UNITS</u>	<u>SPONSOR</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT SUBMITTED</u>	<u>COMMITTED</u>	<u>ADJUSTMENTS</u>	<u>FUNDS DISBURSED</u>
Anchorage FY-82 Appropriation		Cook Inlet Housing Auth.	90,000	90,000	90,000		90,000
Fairbanks (Bond Fund)			50,000				
Homer (Bond Fund)			63,000	63,000	63,000		63,000
Kodiak FY-82 Appropriation			52,500	52,500	52,500		
Valdez (Bond Fund)			<u>30,000</u>	<u>30,000</u>	<u>30,000</u>		<u>          </u>
TOTALS:			285,500	235,500	235,500		153,000

\*Planning Grants to municipality sponsors are funded from the Bond Fund.

Bond Fund Availability:	342,248
Committed:	143,000
Available to Commit:	<u>199,248</u>

FY-82 Appropriation (G.F) \$142,500

SENIOR CITIZEN HOUSING PROGRAM

CONSTRUCTION GRANT REQUEST

FISCAL YEAR 1983

<u>PROJECT LOCATION</u>	<u># UNITS</u>	<u>SPONSOR</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT SUBMITTED</u>	<u>COMMITTED</u>	<u>ADJUSTMENTS</u>	<u>FUNDS DISBURSED</u>
Anchorage Phase I	60	Cook Inlet Housing Auth.	5,500,000				
Anchorage-Phase II	60	Cook Inlet Housing Auth.	4,484,000				
Fairbanks	24		2,400,000				
Kodiak	15-35		1,500,000				
Metlakatla	8		800,000				
Ninilchick	10	Cook Inlet Housing Auth.	600,000				
St. Mary's	8	City of St. Mary's	600,000				
Wadulla	24	City of Wadulla	<u>2,400,000</u>				
TOTALS:			18,284,000				

Appropriation: \$8,000,000



# LAWS OF ALASKA

1981

Source

SCS C555HB 150(Fin)

Chapter No.

76

## AN ACT

Making special appropriations to the Department of Community and Regional Affairs for housing projects and studies; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

Approved by the Governor: July 10, 1981  
Actual Effective Dates: Secs. 1 and 2 effective July 11, 1981;  
Sec. 3 effective July 1, 1982

AN ACT

Making special appropriations to the Department  
of Community and Regional Affairs for housing projects  
and studies; and providing for an effective date.

\* Section 1. The sum of \$8,000,000 is appropriated from the general fund to the Department of Community and Regional Affairs, senior citizens housing development fund (AS 18.54.070) to develop senior citizen housing, including but not limited to, conventional housing, housing for the frail elderly, group homes, congregate housing, and other housing that meets the special needs of senior citizens.

\* Sec. 2. The sum of \$125,000 is appropriated from the general fund to the Department of Community and Regional Affairs to study and assess the need in the state for housing for senior citizens, handicapped persons, and for persons of low and moderate income.

\* Sec. 3. The sum of \$8,000,000 is appropriated from the general fund to the Department of Community and Regional Affairs for planning, development, and construction of federally assisted senior citizen housing projects.

\* Sec. 4. Sections 1 and 2 of this Act take effect immediately in accordance with AS 01.10.070(c).

\* Sec. 5. Section 3 of this Act takes effect July 1, 1982.

HOUSING AUTHORITIES

AS. 18.55

SUPPLEMENTAL HOUSING DEVELOPMENT

GRANT PROGRAM

This program was created by Section 7, Chapter 86, SLA 81 to provide funding for access roads, water and sewer facilities and electrical line extensions related to development of housing by Regional Housing Authorities under the U.S. Department of Housing and Urban Development (HUD) remote housing program. The Department of Community and Regional Affairs (DCRA) can provide up to 20% of the development cost associated with each unit of housing. The Federal Government has placed a cap of about \$92,000 per unit which limits the State contribution to no more than \$18,400 per unit. The FY 82 appropriation for the program is \$12,351,400 as contained in Chapter 87, SLA 81.

DCRA has received requests for \$13,628,701 for 824 units in 37 locations during fiscal year 1982. To date grant awards have been made for the communities of Akutan, Atka, Nikolski, Levelock, Mentasta, Ouzinkie and Port Lions totalling \$2,032,781. The Department intends to make grant awards for the entire FY 82 appropriation prior to the end of the fiscal year.

Attached are charts which detail FY 82 and proposed FY 83 activity under the program.

The Department points out that the program manager at the time of the FY 83 budget preparation process perceived the program as an experiment that would be reviewed by the Legislature prior to appropriation of additional funds. Consequently, the Governor's FY 83 budget contains no additional funding for the program. Since that time, the program manager has changed and the Department is prepared to strongly recommend continuation of the program. Attached is a copy of a capital budget amendment for \$20 million to continue the project during FY 83. The Governor's office has taken no action on this request to date.

Based on recent developments in Congress, the Department feels an appropriation of \$7 million will be sufficient to cover the number of units definitely scheduled for funding during FY 83.



# LAWS OF ALASKA

1981

Source

SCS CSHB 502(1s)

Chapter No.

26

## AN ACT

Relating to housing authorities and to supplemental housing development grants, and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH SECTION.

Approved by the Governor July 16, 1981  
Actual Effective Date July 17, 1981

1 (1) A housing authority created under this section shall have its  
2 financial records audited annually by an independent certified public  
3 accountant. The legislative auditor may prescribe the form and content  
4 of the financial records of the housing authority and shall have access  
5 to these records at any time.

6 \* Sec. 7. AS 18.55 is amended by adding a new section to read:

7 Sec. 18.55.998. SUPPLEMENTAL HOUSING DEVELOPMENT GRANTS. (a)

8 There is created in the Department of Community and Regional Affairs a  
9 supplemental housing development grant fund. Subject to the avail-  
10 ability of appropriations for the purpose, the department shall make  
11 grants to regional housing authorities established under AS 18.55.996  
12 for the cost of on-site sewer and water facilities, road construction  
13 to project sites, and extension of electrical distribution facilities  
14 to individual residences.

15 (b) A grant may be made only for residential housing for which  
16 federal loan or grant approval has been obtained from the United States  
17 Department of Housing and Urban Development and which will be made  
18 available to the public on a nondiscriminatory basis. A grant may not  
19 be used to retire or repay obligations or debts of the grant recipient.  
20 A grant may only be for the difference between the maximum amount  
21 available under federal law or regulation for construction of the  
22 residential housing for which the grant is made and the actual costs of  
23 the construction. A grant may not exceed 20 percent of the United  
24 States Department of Housing and Urban Development total development  
25 cost per unit in effect at the time the grant is made.

26 (c) Grant money may be used only for the purposes specified in  
27 (a) of this section. No part of the grant money may be used for  
28 administrative or other costs of a regional housing authority whether  
29 the costs are directly associated with the construction or are general

Chapter 86

costs of the authority.

(d) The department shall adopt regulations to carry out the purposes of this section. The provisions of the Administrative Procedure Act (AS 44.62) apply to regulations adopted under this section.

\* Sec. 8. This Act takes effect immediately in accordance with AS 01.10.070(c).

# MEMORANDUM

State of Alaska

DEPARTMENT OF COMMUNITY & REGIONAL AFFAIRS

TO Ron Lehr, Director  
Division of Budget & Management  
Office of the Governor

DATE February 8, 1982

FILE NO:

TELEPHONE NO: 465-4700

FROM Richard Ake, <sup>RA</sup> Deputy Commissioner  
Department of Community & Regional  
Affairs

SUBJECT Revision/Addition  
Capital Budget

Attached are revisions to the Department of Community & Regional Affairs' FY-83 Capital Budget request for the Economic Development Program, Development Category.

This revision adds the Supplemental Housing Development Grant project and will enable continuation of grants to local Regional Housing Authorities providing funds to cover the difference between available federal funding and actual costs of housing construction. The funds will only be used for electrical distribution systems, sewer and water, and road extensions.

CONDITION - CLIENT - BENEFIT Briefly describe the conditions addressed by the objectives, the client groups served and the benefit those clients receive.	OBJ. NO.	LONG RANGE OBJECTIVES State your long range objectives and indicate the year in which your objective would be achieved.	Year Objective Achieved
<p><u>Conditions Addressed:</u></p> <p>Current Federal funding programs for housing are not providing Alaska residents in the rural areas of the State with sufficient funding to develop low moderate income home ownership housing units. As a result, the units are in jeopardy of not being built with the corresponding loss of Federal funding to the State's economy of approximately \$92,200 per housing unit. Firm Federal funding reservations for 567 housing units has been approved by HUD at \$92,200 per unit or \$52,277,400. Additional funding needed to complete some of the units is approximately \$7,000,000 for the costs of on-site water and sewer facilities, road construction to project sites, and extension of electrical distribution facilities to individual residences.</p> <p>An additional 708 units are awaiting HUD funding of \$65,277,600 for FY '83 and FY '84 construction. The State's share under the Supplemental Housing Development Program is estimated to be \$13,310,400.</p> <p>If State funding of \$20,000,000 is not provided to supplement Federal funding of \$117,000,000, approximately 73% of the planned units will not be built with the loss to the State of \$85,000,000 in Federal construction funding.</p>	2	Continue to provide supplemental housing development funds to stabilize and utilize all federal funding allocated to the State.	Ongoing

**31 CAPITAL PROGRAM OBJECTIVES**

CATEGORY DEVELOPMENT  
 AGENCY COMMUNITY & REG. AFFAIRS  
 PROGRAM ECONOMIC DEVELOPMENT

Page 3 of 4  
 Revised Date 2/8/82

FY 83

<b>CONDITION - CLIENT - BENEFIT</b> Briefly describe the conditions addressed by the objectives, the client groups served and the benefit those clients receive.	<b>U. I. NO.</b>	<b>LONG RANGE OBJECTIVES</b> State your long range objectives and indicate the year in which your objective would be achieved.	<b>Year Objective Achieved</b>
<p>The effects of the supplemental program are experienced in several ways:</p> <ul style="list-style-type: none"> <li>- Rural residents receive safe and sanitary housing, as well as the benefits of home ownership with 80% of the costs picked up by the Federal government.</li> <li>- The economy of the local rural areas are aided, due to the local employment in the construction trades to develop the units.</li> </ul>			

CATEGORY DEVELOPMENT

AGENCY COMMUNITY & REGIONAL AFFAIRS

PROGRAM ECONOMIC DEVELOPMENT

Page 4 of 4

Revised Date  
2/8/82

FY 83

31 CAPITAL PROGRAM  
OBJECTIVES

The proposed Supplemental Housing Development Program addresses problem areas concerned with financing homes for low income rural Alaskan families:

- (1) Family finances are typically too low for the eligibility of State mortgage loans.
- (2) Typical available housing is neither safe nor sanitary.
- (3) Federal financing is available, but not adequate, and unfortunately, the available Federal funding will be lost to the State unless supplemental funding is provided.

The projects located in approximately 28 villages for a total of 567 housing units have received firm funding commitments from HUD for \$52,000,000 and now require \$7,000,000 supplemental funding from the State in order to be constructed during the FY '83-84 construction seasons.

An additional 700 units are expected to receive a firm funding commitment as soon as the U.S. Office of Management & Budget releases the funding of approximately \$65,000,000. The State's supplemental share is estimated to be approximately \$13,000,000.

32 ANALYTIC STATEMENT  
(Six-Year Capital Program)

CATEGORY DEVELOPMENT  
AGENCY COMMUNITY & REGIONAL AFFAIRS  
PROGRAM ECONOMIC DEVELOPMENT

Page 2 of 2  
Fiscal Date  
2/8/82

FY 83

AGENCY SUBMISSION				PROPOSED FUNDING YEAR <u>FY83</u>		GOVERNOR'S REQUEST Please Do Not Write In This Area			
AGENCY PRIORITY	OBJ. NO(S)	PROJECT TYPE	PROJECT TITLE AND LOCATION	AGENCY REQUEST	FUNDING SOURCE	GOVERNOR'S FUNDING YEAR	GOVERNOR'S FUNDING YEAR	GOVERNOR'S FUNDING YEAR	GOV'S PRIORITY
83-1	1	0	Nonconforming Housing Loans	40,500.0	FED RCPTS.				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
ULTIMATE ANNUAL OPERATING COST = _____				40,500.0					
EXPECTED YEAR = FY _____									
83-2	2	C	Supplemental Housing Development Grant	20,000.0	FED RCPTS.				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
ULTIMATE ANNUAL OPERATING COST = _____				20,000.0					
EXPECTED YEAR = _____									
					FED. RECPTS.				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
ULTIMATE ANNUAL OPERATING COST = _____									
EXPECTED YEAR = FY _____									
					FED. RECPTS.				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
ULTIMATE ANNUAL OPERATING COST = _____									
EXPECTED YEAR = FY _____									
					FED. RECPTS.				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
ULTIMATE ANNUAL OPERATING COST = _____									
EXPECTED YEAR = FY _____									

PROJECT TYPE CODES	
C - Bldg. Construction	L - Land
I - Other Improvement	P - Professional Svcs.
E - Equipment	O - Other

CATEGORY Development

AGENCY Community & Regional Affairs

PROGRAM Economic Development

Page 1 of 5
Revised Date 2/8/82

FY 83

34

PROPOSED SIX-YEAR  
CAPITAL PROGRAM

AGENCY SUBMISSION

PROPOSED FUNDING YEAR FY84

GOVERNOR'S REQUEST  
Please Do Not Write In This Area

AGENCY PRIORITY	OBJ. NOISE	PROJECT TYPE	PROJECT TITLE AND LOCATION	AGENCY REQUEST	FUNDING SOURCE	GOVERNOR'S FUNDING YEAR	GOVERNOR'S FUNDING YEAR	GOVERNOR'S FUNDING YEAR	GOV'S PRIORITY
84-1	1	0	Nonconforming Housing Loans ULTIMATE ANNUAL OPERATING COST = _____ EXPECTED YEAR = FY _____	40,000.0	FED RECPTS				
					GEN FUND				
					G.O. BONDS				
				40,000.0	TOTAL				
84-2	2	C	Supplemental Housing Development Grant ULTIMATE ANNUAL OPERATING COST = _____ EXPECTED YEAR = _____	13,000.0	FED RECPTS				
					GEN FUND				
					G.O. BONDS				
				13,000.0	TOTAL				
			ULTIMATE ANNUAL OPERATING COST = _____ EXPECTED YEAR = FY _____		FED RECPTS				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
			ULTIMATE ANNUAL OPERATING COST = _____ EXPECTED YEAR = FY _____		FED RECPTS				
					GEN FUND				
					G.O. BONDS				
					TOTAL				
			ULTIMATE ANNUAL OPERATING COST = _____ EXPECTED YEAR = FY _____		FED RECPTS				
					GEN FUND				
					G.O. BONDS				
					TOTAL				

PROJECT TYPE CODES

- C. Bldg. Construction
- E. Other Improvement
- F. Equipment
- L. Land
- P. Professional Svcs.
- R. Other

CATEGORY Development

AGENCY Community & Regional Affairs

PROGRAM Economic Development

Page 2 of 5  
Revised Date 2/8/82

FY 83

[Empty Box]

34 PROPOSED SIX-YEAR CAPITAL PROGRAM

Project Title Supplemental Housing Development Grant			Location(s) Statewide		Election Districts Served Various		Start Date 7/1/82		Completion Date 6/30/83		
AGENCY REQUEST			Operational Cost & No. Personnel		First Operating	Ultimate Annual	GOVERNOR'S REQUEST				
			Increase         Decrease		Year	Year	Approved		Deferred		Disapproved
1002	Federal Receipts		Funding	Federal Receipts			1002	Federal Receipts			
1003	G/F Match			General Fund			1003	G/F Match			
1004	General Fund	20,000.0	Source				1004	General Fund			
1005	I/A Receipts						1005	I/A Receipts			
	G.O. Bonds							G.O. Bonds			
			Total Annual Operational Cost		-0-	-0-					
			Position (FTE)								
			Previous Year Priority		Agency Priority		Governor's Priority				
					83-2						
Total			20,000.0				Total				

PROJECT DESCRIPTION

Provide up to 20% of the development costs for 73% of 1,275 housing units located in rural Alaska to local Regional Housing Authorities. These funds will cover the difference between available federal funding and actual project costs of construction. The funds will only be used for electrical distribution systems, sewer and water, and road extensions.

CATEGORY DEVELOPMENT  
 AGENCY COMMUNITY & REGIONAL AFFAIRS  
 PROGRAM ECONOMIC DEVELOPMENT

Page 2 of 2  
 Revised Date 2/8/82

FY 83

35a PROJECT DESCRIPTION  
 PROPOSED CAPITAL  
 PROJECT

Capital Project Expenditures (Cash Flow)	Total	Budget Year	Budget Year Plus 1	Budget Year Plus 2	Budget Year Plus 3	Budget Year Plus 4	Remaining Cost
Planning and Engineering							
Land							
Construction	33,000.0	20,000.0	13,000.0				
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)	33,000.0	20,000.0	13,000.0				

**Project Justification**

**2a Project Need:**

Housing surveys in the village areas has documented the need for the planned housing units based on occupancy and characteristics of substandard units. This is a rural housing program administered by the Regional Housing Authorities and provides for home ownership of the units.

This request assumes that it is in the best interest of the people in the State to avail themselves of the maximum Federal funds available for upgrading the State's housing stock.

Some of these housing units have received Federal funding commitments but cannot be constructed without additional supplemental funding from the State.

**2b Documentation of Estimated Capital Costs:**

Costs of the projects are estimated by the project architects and engineers and concurred with by the Federal Funding Agency. The final costs are determined by competitive bid.

**2c Analysis of Estimated Impact on Operating Expenses:**

Ongoing operating expenses are picked up by the Federal government.

**2d Identification of Alternatives Considered:**

No alternatives are available. If the State does not provide supplemental funding, the units will not be built.

**Project Type**

- Building Construction (C)
- Other Improvements (I)
- Equipment (E)
- Land (L)
- Professional Services (P)
- Other (O)

**Project Characteristics**

- Totally New Facility
- Addition to Existing Facility
- Renovation of Existing Facility
- Major Maintenance or Repair
- Supplement Previously Authorized
- Funds to Enable Completion
- One of Several Phases
- Major External Funding Source
- Other

**Site Features**

NO YES

- Site Currently Owned?
- All Utilities Available?
- Access Already Available?

SUPPLEMENTAL HOUSING  
PROJECT TITLE DEVELOPMENT GRANT

CATEGORY DEVELOPMENT

PROJECT JUSTIFICATION  
**35b PROPOSED CAPITAL  
PROJECT**

AGENCY COMMUNITY & REGIONAL AFFAIRS

PROGRAM ECONOMIC DEVELOPMENT

Page 3 of 3

Revised Date  
2/8/82

**FY 83**

Introduced: 1/29/82  
Referred: Community & Regional  
Affairs and Finance

Funding Information  
General fund \$16,000,000  
Other Funds -0-  
\$16,000,000

BY DUNCAN, BROWN, BUCHHOLDT,  
CHUCKWUK, CLOCKSIN, FREEMAN,  
FULLER, GARDINER, GRUSSENDORF,  
HURLBERT, MALONE, MILLER, MOSS,  
ROGERS, SMITH, SUTCLIFFE, VASKA  
AND ZHAROFF

1 IN THE HOUSE

2 HOUSE BILL NO. 702

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Department  
7 of Community and Regional Affairs for the supplemental  
8 housing development grant fund; and providing for an  
9 effective date."

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

11 \* Section 1. The sum of \$16,000,000 is appropriated from the general fund  
12 to the Department of Community and Regional Affairs for the supplemental  
13 housing development grant fund under AS 18.55.998.

14 \* Sec. 2. This Act takes effect July 1, 1982.

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SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION  
 AS OF 02/23/82

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHOP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONS? START	HOUSING %COMP, & COMP TARGET DATE	ALCR APP DCRA GRANT AWARD APP DCRA
Aleutian AKUTAN AK16-07	18	263,760	30,000	-0-	293,760	1,468,800	10/16/81	02/15/82	03/15/83	01/26/82 02/03/82
Aleutian ATKA AK02-B016-009	18	145,000	180,266	6,646	331,912	1,659,600	12/03/79	10/13/80	68% 02/01/82	01/26/82 02/03/82
Aleutian NIKOLSKI AK16-06 AK16-08	17	87,622	-0-	-0-	87,622	1,571,668	12/03/79	10/13/80	68% 02/01/82	01/26/82 00/00/00
AVCP KOTLICK AK02-B009-023 & 041	29	29,000	87,000	-0-	116,000	2,673,800	03/24/81	05/27/81	12% + 12%	01/26/82 00/00/00
AVCP MOUNTAIN VILLAGE AK-B009-014 & 039	74	1,306,000	60,000	-0-	1,366,000	6,822,800	03/24/81	05/27/81	20% + 25% 06/01/82	01/26/82 00/00/00
PAGE TOTALS:	156	1,831,382	357,266	6,646	2,195,294	14,196,668				

PAGE 2 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHIP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AF CH APP DCRA GRANT AWARD APP DCRA
AVCP PILOT STATION AK02-B009-022 AK02-B009-039	29	736,440	204,000	-0-	940,440	5,071,000	03/24/81	05/27/81	25% 06/21/82	01/26/82 00/00/00
Bristol Bay ALEKNAGIK AK10-09	15	164,000	47,000	-0-	211,000	1,383,000	01/30/82	05/01/82	12/30/82	01/26/82 00/00/00
Bristol Bay DILLINGHAM AK02-P010-011	20				368,800	1,844,000				
Bristol Bay EGEGIK AK10-10	7	84,000	-0-	-0-	84,000	645,400	02/01/82	04/01/82	10/01/82	01/26/82 00/00/00
Bristol Bay IGIUGIG AK	5				92,200	461,000				
PAGE TOTALS:	76	984,440	251,000		1,696,440	9,404,400				

PAGE 3 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AF CH APP HCRA GRANT AWARD APP HCRA
Bristol Bay ILIAMNA AK02-B010-013	55	588,000	-0-	-0-	588,900	4,610,000	01/15/82			01/26/82 00/00/00
Bristol Bay ILIAMNA AK	7				129,080	645,400				
Bristol Bay KOKHANUK AK02-B010-015	12				221,280	1,106,400				
Bristol Bay LEVELOCK AK10-07	18	215,000	90,687	-0-	305,687	1,139,977	11/05/81	04/01/82	12/01/82	01/26/82 02/01/82
Bristol Bay NEWHALEN AK02-B010-016	10				184,400	922,000				
PAGE TOTALS:	102	803,000	90,687		1,478,447	8,423,777				

PAGE 4 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	ACTN APP DCRA GRANT AWARD APP DCRA
Bristol Bay NONDALTON AK02-B010-017	14				258,160	1,290,800				
Bristol Bay PORT HEIDEN AK02-B010-012	14				258,160	1,290,800	01/15/82	04/01/82	11/01/82	01/26/82 00/00/00
Copper River Basin COPPER CENTER AK02-B011-005	50	-0-	-0-	-0-	922,000	4,610,000	PROJECTED 04/30/82			01/26/82 00/00/00
Copper River Basin MENTASTA AK11-02	10	184,000	-0-	-0-	184,000	922,000	02/02/81	PROJECTED 05/01/82	0% 04/01/83	01/26/82 02/10/82
Interior Regional FAIRBANKS AK02-B007-019	50	250,000	-0-	-0-	922,000	4,610,000	PROJECTED 03/15/82			01/26/82 00/00/00
PAGE TOTALS:	138	434,000			2,544,320	12,723,600				

PAGE 5 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMI TARGET DATE	ALCH APP DCRA GRANT AWARD APP DCRA
Interior Regional GRAYLING AK02-B007-015	14	258,160	-0-	-0-	258,160	1,290,800	2/15/81			01/26/82 00/00/00
Interior Regional KALTAG AK02-B0007-011	16	275,040	-0-	20,000	295,040	1,475,200	05/15/81	PROJECTED 09/01/82	0% 06/01/83	01/26/82 00/00/00
Interior Regional MINTO AK02-B007-018	30	522,136	-0-	11,064	533,200	2,766,000	PROJECTED 02/15/82			01/26/82 00/00/00
Interior Regional MINTO/BARTLETT AK02-B007-020	19	343,353	-0-	7,007	350,360	1,753,300	PROJECTED 04/30/82			01/29/82 00/00/00
Interior Regional NORTHWAY AK07-09	20	308,300	25,000	35,500	368,800	1,844,000	05/15/81		38% 03/31/82	01/26/82 00/00/00
PAGE TOTALS:	99	1,706,989	25,000	73,571	1,805,560	9,129,300				

PAGE 6 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AFCR APP DCRA GRANT AWARD APP DCRA
Interior Regional NULATO AK07-08 AK02-B007-010	40	80,000	240,000	80,000	400,000	3,688,000	06/27/80	10/28/80	10/28/82	01/26/82 00/00/00
Interior Regional TANANA AK07-07	25	100,000	275,000	75,000	450,000	2,305,000	06/27/80	10/28/80	10/28/82	01/26/82 00/00/00
Kodiak PORT LIONS AK13-08	25	471,000	-0-	-0-	471,000	2,305,000	06/09/80	05/18/81	6% 05/30/82	01/26/82 02/03/82
Kodiak PORT LIONS AK13-09	10	194,400	-0-	-0-	194,400	922,000	06/09/80	05/18/81	6% 05/30/82	01/26/82 02/03/82
Kodiak QUZINKIL AK02-B013-010	10	164,400	-0-	-0-	164,400	922,000	01/27/81	05/18/81	05/30/82	01/26/82 02/03/82
PAGE TOTALS:	110	1,009,800	515,000	155,000	1,679,800	10,142,000				

PAGE 7 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AF CH APP DCRA GRANT WARD APP HCRA
Metlakatla METLAKATLA AK02-8002-005	24	192,560	250,000	-0-	442,560	2,212,800	07/20/81	PROJECTED 01/31/82	0% UNKNOWN	01/26/82 00/00/00
NANA BUCKLAND AK02-8006-015	10	-0-	182,000	-0-	182,000	922,000				
NANA BUCKLAND AK02-8006-020	12	-0-	223,000	-0-	223,000	1,106,400				
NANA KIANA AK02-8006-028	10	-0-	-0-		50,000	922,000				01/26/82 00/00/00
NANA SIJUNGNAK AK02-8006-011	18	214,360	-0-	-0-	214,360	1,659,600				
PAGE TOTALS:	74	406,920	655,000		1,111,920	6,827,800				

PAGE 8 OF 8  
 SUPPLEMENTAL HOUSING DEVELOPMENT FUND  
 FY '82 APPROPRIATION

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AFCH APP DCRA GRANT AWARD APP DCRA
North Pacific Rim ENGLISH BAY AK15-03	20	200,000	150,000	-0-	350,000	1,844,000	03/25/81	09/15/81	03/31/82	01/26/82 00/00/00
North Pacific Rim PORT GRAHAM AK15-04	31	310,000	175,000	-0-	485,000	2,858,200	03/25/81	09/25/81	75% 03/31/82	01/26/82 00/00/00
North Pacific Rim TATITLEK AK02-B015-005	18	193,920	138,000	-0-	331,920	1,659,600	03/25/81	09/15/81	2% 03/01/82	01/26/82 00/00/00
PAGE TOTALS:	69	703,920	463,000		1,166,920	6,361,800				
GRAND TOTALS:	824				13,628,701					

SUPPLEMENTAL HOUSING GRANT PROGRAM  
PROJECTS WITH EXISTING HUD FUNDING  
FY83

SPONSORING AUTHORITY LOCATION PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING % COMP, & COMP TARGET DATE	AFCH APP DCRA GRANT AWARD APP
Public Slope WVUK PASS -B005-013	22					2,028,400				
Public Slope HOW -B005-012	9					829,800				
Public Slope T HOPE -B005-014	25					2,305,000				
CHAK -B009-042	15				276,600	1,383,000				
TOTALS:	71				276,600	6,546,200				

CTS WITH EXISTING HUD FUNDING  
2 OF 6

NG AUTHORITY ION JECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AFCH APP DCRA GRANT AWARD APP
B009-025	20				368,800	1,844,000				
RNAK B009-026	15				276,600	1,383,000				
RNAK B009-054	15				276,600	1,383,000				
K B009-047	25				461,000	2,305,000				
K B009-030	24				442,560	2,212,800				
TOTALS:	99				1,825,560	9,127,800				

PROJECTS WITH EXISTING HUD FUNDING  
PAGE 3 OF 6

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AECN APP DCRA GRANT AWARD APP
AVCP EMMONAK AK06-B009-046	17				313,480	1,567,400				
AVCP HOOPER BAY AK06-B009-044	23				424,120	2,120,600				
AVCP KWIGILLINGOK AK02-B009-21	11				66,000	1,014,200				
AVCP LOWER KALSKAG AK02-B009-011	26				479,440	2,397,200				
AVCP NEWTOK AK02-B009-028	9				165,960	829,800				
PAGE TOTALS:	86				1,449,000	7,929,200				

PROJECTS WITH EXISTING HUD FUNDING  
PAGE 4 OF 6

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL - SHIP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING XCOMP, & COMP TARGET DATE	AVCH APP DURA GRANT AWARD APP
AVCP QUINHAGAK AK06-B009-056	6				110,640	553,200				
AVCP SCAMMON BAY AK06-B009-045	15				276,600	1,383,000				
AVCP SCAMMON BAY AK02-B009-031	24				442,560	2,212,800				
AVCP TOKSOOK BAY AK02-B009-017	25				461,000	2,305,000				
AVCP TUNTUTUL IAK AK02-B009-029	25				461,000	2,305,000				
PAGE TOTALS:	95				1,751,800	8,759,000				

PROJECTS WITH EXISTING HUD FUNDING  
PAGE 5 OF 6

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL - SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AFCH APP DCRA GRANT AWARD APP
AVCP UPPER KALSAG AK02-B009-043	13				239,720	1,198,600				
Bering Straights GOLOVIN AK02-B008-021	15					1,383,000				
Bering Straights SHISMAREF AK02-B008-022	16					1,475,200				
Bering Straights WHITE MOUNTAIN AK02-B008-018	16					1,475,200				
Interior Regional CHALKYITSIK AK02-B007-014	15	256,600	-0-	20,000	276,600	1,383,000	PROJECTED 04/30/82			00/00/00 00/00/00
PAGE TOTALS	75	256,600		20,000	516,320	6,915,000				

PROJECTS WITH EXISTING HUD FUNDING  
PAGE 6 OF 6

HOUSING AUTHORITY LOCATION & PROJECT	NO. UNITS	WATER & SEWER	ROADS	ELECT	TOTAL- SHDP	TOTAL -HUD	DEV. PROG APP. HUD	HOUSING CONST START	HOUSING %COMP, & COMP TARGET DATE	AECN APP DCRA GRANT AWARD APP
Interior Regional HOLY CROSS AK02B007-017	20	338,000	-0-	30,000	368,000	1,844,000	PROJECTED 03/31/82			00/00/00 00/00/00
Kodiak Island KODIAK, AK02-P013-11	48					4,425,600				
NANA KOTZEBUE AK02-P006-017	44	135,325	134,566	-0-	269,891	4,056,800				
North Pacific Rim EYAK AK02-B015-006	29				534,760	2,673,800				
PAGE TOTALS:	141	473,325	134,366	30,000	1,172,651	13,000,200				
GRAND TOTALS:	567				6,991,931	52,277,400				

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Sen. Mulcahy  
Sen. Stimson  
Sen. Sturgulewski

ALASKA STATE LEGISLATURE  
SENATE BANKING COMMITTEE  
POUGH V, JUNEAU 99811

Summary of Joint Meeting with House Banking Committee: AHFC 2/4/82

The following is an edited version of testimony received by members of the Senate Special Committee on Banking and the House Special Committee on Banking meeting jointly in the House Finance Committee room at 3:30 p.m. on Thursday, February 4, 1982. The tapes containing the complete testimony are available through Senator Rodey's office.

Present from the Senate committee were Rodey, Stimson, Mulcahy and Sturgulewski. From the House committee, Meekins, Buchholdt, Halford, Miller and Bettisworth were present.

IN ATTENDANCE

Meekins and Rodey opened the meeting and described the purpose to be an overview of Alaska Housing Finance Corporation (AHFC) to see "where we've been, where we're going, and what we have to do this session".

The first witness was Harry Goldbar, executive director of AHFC. He was accompanied by Mark Cameron, finance director for the corporation. They offered the following statistics for FY 81: AHFC committed \$750 million in mortgage purchase funds through the utilization of \$610 million in bond proceeds, and \$183 million in cash appropriations. Some funds carried over into this fiscal year.

FY 81

So far in FY 82, AHFC has purchased \$555 million in mortgages, and sold \$500 million in bonds, including \$300 million in taxable bonds and \$200 million in tax-exempt bonds. AHFC anticipates total mortgage purchases in this fiscal year of slightly in excess of \$900 million. In addition, AHFC has structured, but not yet sold, both a taxable and a tax-exempt bond issue - both the first of their kind for a housing finance agency - to support a market for second mortgages for purchase and home improvements as directed by the legislature last session.

FY 82

Demand for FY 83 is projected at \$1,062,000,000. This demand will be supported by subsidy funds in the amount of \$283 million, including \$223 million in FY 83 cash appropriations. The rest of the subsidy funds will be derived from the proceeds of some of the \$236 million in mortgage loans that were appropriated to AHFC in 1980, and on which the reversion was removed by the last legislature. Of the \$223 million, approximately \$90 million

FY 83

will be used to fund programs which are not supported by bond proceeds. That includes rural housing mortgage purchase program (\$35 million); mobile home loan purchase program (\$45 million); and the rural non-owner-occupied multifamily purchase program (\$10 million). All of these programs will be investments for the Home Ownership Fund.

Meekins asked why the \$236 million in mortgage loans had not been used up yet. Goldbar responded that the purpose of the appropriation of those mortgage loans, which was made in 1980, was to insure against the potential taxability of the \$460 million in taxable bonds issued under the shadow of the Ullman bill last year. Those issues covenanted against the use of those funds until Jan. 1, 1983.

1980  
APPROPRIATION

Meekins asked how much money was appropriated to AHFC last session. Cameron answered: \$265 million. It was noted that AHFC was anticipating doing about \$100 million more of lending for \$42 million less appropriation.

Rodey asked for a status report on the second mortgage program. Goldbar responded that AHFC had intended to sell bonds on January 20 for that purpose, both taxable and tax-exempt. The taxable issue is to be used for purchase and home improvement; the tax-exempt issue is for home improvement loans up to a maximum of \$15,000 per loan. AHFC had intended to begin the program Feb. 1, but bond counsel felt they needed additional regulations prior to implementation of the program. Therefore, AHFC is out to public hearing now, it is expected that the board will approve the new regulations at their next meeting on Feb. 17, and the second mortgage program will be implemented almost immediately thereafter.

SECOND MORTGAGE PROGRAM

Rodey asked about the possibility of providing financing for 3/4-plexes. Cameron responded that the corporation has previously provided a preliminary analysis (for a copy, contact Jim Kelly at 3717). At this time Rodey requested that further analysis be done by AHFC and provided to the committees, including a statement as to whether the proposed multi-plex financing should be limited to 3/4-plexes or up to 6-plexes.

MULTI-PLEX FINANCING

Meekins asked if the corporation was proposing any specific legislative changes. Goldbar responded that he has been working on some language for a form of subsidy recapture which ultimately could result in a revolving fund. AHFC is working with Ron Lehr of the governor's office in this regard.

SUBSIDY RECAPTURE

Meekins asked if any changes were being contemplated regarding the interest rate ratchet. Goldbar responded that the operation of the ratchet to date has resulted in a maximum subsidy of 705 basis points (7.05%) no matter what the cost of funds is. He admitted that the ratchet hasn't worked in as orderly a manner as we would have liked, but that that has been due to the chaotic activity in the bond market. He also said he expects that maximum spread to be reduced by year's end to about 5.5%. Further, if the ratchet is to be changed legislatively, he thinks we would

INTEREST RATE RATCHET

have to proceed towards a 3% spread by using a .5% spread per month, or some other predictable formula.

Halford asked if it is possible for AHFC to adopt some regulatory procedure to provide for an interest rate commitment at the time of commitment vs. the time of closing. Alternatively, he asked if some method could be developed to allow the ratchet effect to be implemented bi-annually or on some other time schedule, just so there could be some certainty in the market. Goldbar said he has had drafted a procedure which would provide for interest rate commitments, and that it would be presented to the AHFC board at their meeting of Feb. 17 for their approval and implementation.

INTEREST  
RATE  
COMMITMENT

Rodey asked about a legislative proposal that all loan criterion be put into regulation form (SB 609), and noted that he had some difficulty with it. Goldbar responded that if it means that the AHFC seller servicer guide would have to be in regulation form, then he believes it would make it "cumbersome to maintain a viable and expeditious turn-around in our prior approvals of mortgage purchases, and also our smooth relationship with the seller-servicers". He says the guide requires some interpretation, and that at present "it tends to be more liberal on the side of the borrower than it used to be". His concern is that adoption of SB 609 would "take away some of the flexibility and the ability to change our guidelines when we find that we've made a mistake or that conditions have changed."

SB 609

Mulcahy asked about the demand for the second mortgage purchase program, and to what use the loan proceeds could be put. Goldbar said the proceeds from the taxable bond sale will be used for second mortgages for purchase, and home improvement; from the tax-exempt bond sale for home improvements only, up to \$15,000. He also said the corporation has plenty of money for the program, even before going to the bond market. Cameron said funds appropriated for the SAM program totalled \$158 million at Dec. 31, 1981, still available.

SECOND  
MORTGAGE  
PROGRAM

Meekins asked for a breakdown on how the FY 83 mortgage demand of \$1,062,000,000 would be met. Cameron answered that AHFC anticipates four taxable issues for the first mortgage program - \$150 million, \$120 million, \$120 million, \$150 million - for a total of \$540 million. The second mortgage taxable program would entail three bond sales - two at \$50 million, and a third at \$25 million - for a total of \$125 million. The tax-exempt program for seconds will require two issues at \$20 million each. The tax-exempt first mortgage program anticipates two sales of \$70 million and \$75 million for a total of \$145 million. The grand total of all bond sales in FY 83 is \$850 million. The balance of the demand will be met by prepayments under other programs, and from the cash appropriation of FY 83.

FY 1983  
FINANCING  
SCHEDULE

Rodey asked about the Home Ownership Fund, the status and suggestions for changes. Goldbar responded that AHFC is in the process of restructuring the program right now. He said that the corporation has felt no pressure on the amount of funds available, and that the way it was originally structured by AHFC "it simply is not reaching out to as many potential purchasers as it could".

HOME OWNERSHIP FUND

Buchholdt asked about the status of loans for condominiums. Cameron responded that in FY 81, 960 condos were financed through the various AHFC programs, representing 12.53% of all types of dwelling units financed. For the first six months of FY 82, the comparable numbers are 1,099 condos, or 16.14%

CONDOMINIUMS

Meekins asked for an opinion on the often-suggested proposal that AHFC expand its regular program to include 3/4-plexes and that all rental financings beyond that be handled through Alaska Industrial Development Authority (AIDA) - both the suggestions being partial solutions to the rental crisis which has afflicted several Alaska cities. Goldbar responded that he believes that AHFC could accomodate the 3/4-plex program; as for the rest, he would defer to Commissioner Tom Williams. As to projected cost for a program for 3/4-plexes, assuming only new construction, 20% down payment, no refinancing, owner-occupancy and an estimated construction cost of \$50,000 per unit, total demand is estimated at \$30-50 million, with a subsidy of \$12-20 million.

MULTI-PLEX FINANCING

Sturgulewski asked about the merit of taking advantage of the provision in the Ullman bill which allows for the issuance of tax-exempt debt for the purpose of veterans' housing. Goldbar said it would reduce the amount of subsidy required, that AHFC estimates 30 percent of the demand is from veterans, that some other enabling legislation will be required, including a different definition of eligible veteran. Sturgulewski asked that AHFC provide the committee with further specifics regarding this matter.

VETS G.O. BONDS

Buchholdt mentioned the bill introduced in the House yesterday, HR 17, which relates to the question of discrimination, and asked Goldbar if he was aware of any discrimination in transactions affecting AHFC. Goldbar responded that AHFC is a secondary market, and doesn't come into direct contact with the borrowers. Nonetheless, he could not recall any instances of discrimination with any of the seller-servicers since he's been employed with the corporation.

HR 17

Bettisworth asked if AHFC has enough money to fund all requests at this time. Goldbar noted that AHFC does have enough money, but has requested a supplemental bond authorization for \$210 million in FY 82, not a supplemental appropriation. The request also includes bond authorization of \$850 million for FY 83.

SUPPLEMENTAL

The next witness was Commissioner Tom Williams who sits on the board of directors for AHFC, AIDA and the Permanent Fund, in addition to serving on the State Bond Committee. He was asked by Rodey for his opinions on the merit of backing tax-exempt housing bonds with the State's general obligation (SJR 39). Williams said he favored issuing the bonds in the name of a State instrumentality, like AHFC, with the State's G.O. behind it. He said he preferred to use AHFC as the issuing agency rather than the State for several reasons: (1) better market acceptance; (2) less direct impact on the State's other G.O. issues; (3) possibly better ratings and interest rates.

SJR 39

Upon questioning from Sturgulewski, Williams said that the bonds would probably sell in the range of 11 to 11.5 percent, and that AHFC's bonding capabilities would not be impaired by implementation of such a program. Regarding demand, he guessed that it would be a function of relative advantage of this program vs. the regular AHFC program.

VETS G.O. BONDS

Miller and Meekins asked about multi-plex financing. Williams said he supported local government efforts first, e.g. the effort underway in Anchorage at present. He also noted that condominium conversions exacerbate the rental crisis, and that there are movements to have AHFC approve upwards of 200 conversions, primarily in Anchorage. He supports efforts to cooperate with local governments to restrict conversions at times of a critical rental shortage, and that they use local powers to restrict rent gouging. He also estimated that a rental financing program through AIDA would cost upwards of \$100 million in the first year, that use of the tax-exempt financing has some difficulties in terms of generating sufficient revenues to cover debt service, and that, in his opinion, subsidies in this area would be inappropriate.

MULTI-PLEX FINANCING

Sturgulewski asked about the availability of additional security to facilitate the issuance of those tax-exempt bonds, for example illiquid assets held by Treasury. Williams replied there are some, and they do generate an income stream of roughly \$24 million per year.

Meekins asked if the Permanent Fund is going to be of any help in the housing market next year. Williams responded that the trustees have authorized the purchase of up to \$25 million in Alaska mortgages, and that as of Dec. 31, 1981, the Permanent Fund held \$8,269,241.95 worth of loans and mortgages. He noted that the fund is initiating a program of adjustable rate mortgages (ARM's) as a means of satisfying some of the local demand while maintaining the safety of the mortgage portfolio over time.

PERMANENT FUND

Meekins asked the commissioner of revenue his opinion on the suggestion that the State increase the subsidize portion of mortgage loans up from the present \$90,000. Williams responded that "over the long term, we need to wean ourselves away from AHFC, and perhaps leave it to deal with special areas of housing finance, the way it was designed originally. This \$90,000 subsidy cap is one market way of weaning people away from subsidized housing mortgages."

SUBSIDIES

The next witness was Win Germain, president of the Juneau Board of Realtors. He supported written testimony on behalf of the Alaska Association of Realtors (for a copy, contact Jim Kelly at 3717).

REALTORS' POSITION

Buchholdt commented at this time that she supports rent controls, at least when the rental units have been financed with low interest state loans.

RENT CONTROL

The next witness was Jim McConague, president of the Homebuilders Association of Juneau. He made some comments and advised that written testimony would be forthcoming.

HOMEBUILDERS

The next witness was Dick Dolman, testifying from Anchorage via teleconference and representing the Alaska Mortgage Bankers' Association. He offered 11 areas of concern: (1) make use of the Permanent Fund as a source of housing finance; (2) use more of the Permanent Fund in-state; (3) expand the board of directors of AHFC by adding additional public members and remove from the Executive Budget Act and the Administrative Procedures Act; (4) expand the subsidy base from \$90,000 to \$100,000; (5) adjust the interest rate ratchet so that it does not increase by more than .25% per calendar quarter; (6) put AHFC on a 18-24 month financing schedule; (7) support the bill establishing equity participations by private investors; (8) expand AHFC into 3/4-plexes; (9) do not pass HB 401 which would prohibit enforcement of due-on-sale; (10) increase the allowable delinquency rate to 2%; (11) do not pass SB 609, and do support Vets G.O. bonding.

MORTGAGE BANKERS

The last witness was Chuck Homan, also testifying from Anchorage, and also a mortgage banker. His main point was that the Permanent Fund should be used more in-state.

It was announced that there would be another meeting of the two banking committees on Feb. 25, the primary purpose of which meeting will be to discuss possible options for developing programs in AHFC and AIDA to deal with the rental shortage problem.

NEXT MEETING

CHILD CARE

AS 44.33

ALASKA STATE LEGISLATURE - SENATE



SENATOR RICHARD I. ELIASON  
P.O. BOX 143  
SITKA, ALASKA 99835  
POUCH V  
JUNEAU, ALASKA 99811

COMMITTEES  
FINANCE  
RESOURCES  
STATE AFFAIRS

April 8, 1982

M E M O R A N D U M

To: Senator Pat Rodey  
From: Senator Dick Eliason *Dick E*  
Re: Free Conference Committee on SB 666

In your deliberations on S.B. 666 relating to certain state loan programs, I would appreciate your consideration of the addition of the following language for loans for child care facilities:

Section ?? AS 44.33.255(c) is ammended to read:

(c) The duration for repayment of a loan may not exceed 20 (10) years.

Section ?? This Act takes effect immediately in accordance with AS 01.10.070(c).

Currently the child care facilities loans must be repaid in 10 years. Last year the Legislature raised the maximum dollar amount of these loans to \$50,000 but did not change the loan duration. In effect this makes it nearly impossible for most applicants to afford the larger loans as the monthly payments are too high.

The Division of Loans has stated that this proposed change would have a zero fiscal note. (See attached memo.)

cc: Senator Arliss Sturgulewski  
Senator Bob Mulcahy

BUCHHOLDT  
Alaska State Legislature  
House of Representatives  
Juneau, Alaska 99811

MEMORANDUM

TO: Russ Meekins  
Chair, House Loan Committee

FROM: Thelma Buchholdt *TJB*  
Member, House Loan Committee

SUBJ: Child Care Facility Revolving Loan Fund

DATE: 3/19/82

Since my last memo on this subject, it has been brought to my attention that there is support in the Senate to go ahead with one amendment to the Child Care Facility Revolving Loan Fund statute this year, instead of waiting for tabulation of responses to the outreach effort to be conducted by the Department of Commerce and Economic Development after this year's level of appropriation for the program is known. (See my last memo of 2/24/82) for more information on this outreach effort.) I suggest that the House Loan Committee go ahead and include this amendment in our authorization bill.

The amendment would allow loan recipients to pay back their loans over a period of 20 years instead of 10 years. This would not require any additional funding for the program. This change is supported by the Department. It would allow providers more flexibility in paying back their loans as many are hard pressed to make ends meet on small budgets each year. Allowing for this longer loan repayment term would allow more providers to benefit from the program and still maintain fiscally sound operations.

Language for such an amendment would be:

"Section 1. AS 44.33.255(c) is amended to read:

(c) The duration for repayment of a loan may not exceed 20 (10) years.

\* Sec. 2. The amendment made to AS 44.33.255(c) by sec. 1 of this Act applies only to loans made on or after the effective date of the Act.

\* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c)."

cc: Senator Dick Eliason



Alaska State Legislature  
House of Representatives  
Juneau, Alaska 99811

MEMORANDUM

TO: Russ Meekins  
Chair, House Banking Committee

FROM: Thelma Buchholdt *TJB*  
Member, House Banking Committee

SUBJ: Child Care Facility Revolving Loan Fund

DATE: 2/24/82

During the House Banking Committee meeting last Thursday, February 11, you requested that I check into the Child Care Facility Revolving Loan Fund and make a recommendation to you for the appropriate level of funding for FY 83. Based on the information that I have collected, I would recommend that \$400,000 be appropriated for the fund for FY 83.

My staff discussed the program with the Deputy Director of the Division of Business Loans and Veterans Affairs in DCED, David Massey. Mr. Massey indicated that child care providers have not evidenced much interest in the program during the last few years. However, the Department has not contacted providers to let them know of the program's existence, or the fact that the legislature raised the loan limit to \$50,000 last year. The last contact with providers was in 1978 when DHSS sent a mailing out to providers along with applications for licensure explaining the program to them and that the legislature raised the loan limit to \$30,000 that year.

My staff conducted an informal telephone survey of providers statewide earlier this week. Of the 29 providers reached, 20 had never heard of the program. Of these 20, half indicated a desire to apply for a loan during the next two years. Although this survey was obviously not "scientific", 29 phone calls generated more interest in the program in one day than has apparently been generated in the last few years. The response from the providers polled demonstrates to me that there is a definite need for the program even though the Department's statistics would indicate that the need does not exist.

I have requested that Mr. Massey work with Yvonne Walker, the Deputy Director of the Division of Family and Youth Services in DHSS (which licenses child care centers and homes) to develop an updated mailing list of providers so that program information can be mailed to each

provider on an annual basis. The first mailing will be conducted at the end of session after the appropriation level is known. Providers will be told of the existence of the program, the terms available for a loan, how to apply, etc. Mr. Massey will tabulate responses, so that the legislature next year will have a clearer picture of unmet needs, and whether there are any additional problems that should be addressed. (For example, the loan limit may still be low, collateral requirements may be too stringent for some centers, etc.) Both Mr. Massey and Ms. Walker have responded that they will pursue this form of outreach.

The mailing, in addition to the recent informal survey, will generate sufficient applications to warrant the \$400,000 recommendation for funding this year. This figure represents a doubling of the Governor's request for the Program: \$200,000.

DIV. of HOUSING ASS'T.

AS. 44. 47

NON-CONFORMING HOUSING LOAN PROGRAM  
EXISTING PROGRAM

The program specifics have already been outlined for the Special Committee on Loans during the hearing on February 18. The Committee asked for further information on 2 points relating to direct lending and proposed amendments to allow lending on homesite and open to entry land.

The Committee wished to know the Department's procedures for insuring that the direct lending program does not conflict with the activities of private lending institutions. The legislative intent accompanying Chapter 115, SLA 81, which authorized direct lending for this program, indicated "that the Department of Community and Regional Affairs may originate loans in areas of the State where in the opinion of the Department financial institutions are not adequately providing extension of credit for housing or not making a good faith effort to do so" (Senate Journal, June 23, 1981).

The Department is preparing to implement direct lending in the next several weeks. Next week the Acting Director of the Housing Assistance Division intends to meet with representatives of private lending institutions to ascertain which communities are presently unserved by private institutions and hence, eligible for direct lending. In those areas where there may be some question, the Division intends to seek written proof that a private lender will not lend funds in the area in question.

The Committee also requested information on the issue of lending for homes on homesite and open to entry land. AS 38.08.060 (a)(2) requires a person to construct a "habitable, permanent single family dwelling on the homesite, which meets all applicable state and local regulations within 5 years of the date of issuance of the homesite entry permit". However, AS 44.47.420 (b) prohibits the Director of Housing Assistance from lending on land that lacks a "marketable title to real property". The Department feels that this language frustrates the general State policy of encouraging disposal of State land for individual and private use.

S.B. 579 proposes to set up a guarantee account in the Department of Revenue to guarantee loans for homes constructed in accordance with AS 38.08.060 (a)(2). It also authorizes the Director of Housing Assistance to purchase or participate in loans guaranteed under this program.

The Department supports the intent of the legislation, but points out that the goal of the legislation could also be

accomplished by amending restrictions contained in AS 44.47.420 to allow use of funds appropriated to the Non-Conforming housing loan fund for this purpose. Specifically AS 44.47.420 (b) could be amended by adding a new subsection (3) stating:

(3) by providing a letter of intent signed by an authorized representative of the Department of Natural Resources which shows that title to a homesite will be transferred from the State to the borrower if the borrower fulfills the requirements of AS 38.08.060.

Losses which occur pursuant to this amendment could be covered by the Restricted Title Loss Reserve Account created in AS 44.47.430. That section should be amended to include AS 44.47.420 (b)(2) or (b) (3) as eligible title for purposes of the fund.

The Department points out that the current program emphasizes owner-occupied housing and would continue to emphasize that type of housing if these amendments were enacted.

JAY S. HAMMOND, Governor

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

Position Paper on Senate Bill 579

SB 579 will expand the lending activities of the Housing Assistance Division to include housing loans for homes located on homesite and open to entry lands where clear title has not yet been acquired by the borrower.

In general the Department supports the intent of this legislation. The need for lending on these lands was clearly established during public hearings held by the Housing Assistance Division during the first quarter of 1981.

The Department would point out that the goal of this legislation could be accomplished by amending restrictions contained in AS 44.47.420 to allow use of funds appropriated to the nonconforming housing loan fund for home loans on homesite or open to entry lands. Specifically, AS 44.47.420(b) could be amended by adding a new subsection (3) stating:

(3) by providing a letter of intent signed by an authorized representative of the Department of Natural Resources which shows that title to the homesite will be transferred from the State to the borrower if the borrower fulfills the requirements of AS 38.08.060.

Losses which occur pursuant to this amendment could be covered by the Restricted Title Loss Reserve Account created in AS 44.47.430. A further minor amendment would be required for this purpose. Both of these changes would be enacted under Section 3 of SB 579.

The Department raises the question of access roads, electrical distribution lines and water/sewer systems related to homes constructed on homesite and open to entry lands. Many times these homes will be located on land which is unconnected to existing road or utility systems. The Department suggests that the Legislature may want to consider a supplemental loan for these purposes.

In order for the program to be successful, the Department of Natural Resources must assure that surveys of homesite or open to entry lands be conducted in a timely manner.

The Department would like to point out that any additional general fund appropriations required by enactment of SB 579 must be considered in the context of the Governor's program to control government spending and enact a Constitutional spending limit.

Introduced: 5/27/81  
Referred: Labor & Commerce and  
Finance

1 IN THE SENATE

BY RODEY, STIMSON, BENNETT,  
FAHRENKAMP, KERTTULA AND BRADLEY

2 SENATE BILL NO. 579

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to homesite habitable dwelling loan  
7 guarantees; and providing for an effective date."

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

9 \* Section 1. AS 38.08 is amended by adding a new section to read:

10 ARTICLE 2. HOMESITE HABITABLE DWELLING LOAN GUARANTEE ACCOUNT.

11 Sec. 38.08.210. HOMESITE HABITABLE DWELLING LOAN GUARANTEE  
12 ACCOUNT. (a) The homesite habitable dwelling loan guarantee account  
13 is established as a separate account in the general fund. The account  
14 consists of money appropriated or assets transferred by the legislature  
15 to the account. The commissioner of revenue shall administer the  
16 account, and may enter into agreements with financial institutions in  
17 the state to use the assets of the account to guarantee loans made by  
18 financial institutions to borrowers entering homesites under this  
19 chapter.

20 (b) Before a guarantee is made under this section

21 (1) the financial institution making the loan shall deter-  
22 mine, to the satisfaction of the commissioner of revenue, that the  
23 borrower is able to repay the loan;

24 (2) the borrower shall provide a letter of intent signed by  
25 an authorized representative of the Department of Natural Resources  
26 which shows that title to the homesite will be transferred from the  
27 state to the borrower if the borrower fulfills the requirements of  
28 AS 38.08.060.

29 (c) A loan guaranteed under this section

1 (1) must be for the construction and purchase of a habitable,  
2 permanent, single-family dwelling which meets the requirements of  
3 AS 38.08.060(a)(2) and regulations adopted by the Department of Natural  
4 Resources relating to AS 38.08.060(a)(2);

5 (2) may not exceed the greater of

6 (A) 90 percent of the appraised value of the dwelling  
7 being financed with guaranteed loan proceeds; or

8 (B) an amount equal to the greater of the maximum  
9 principal amount of mortgage loans for single-family dwellings  
10 which may be purchased by the Alaska Housing Finance Corporation  
11 or the division of housing assistance in the Department of Com-  
12 munity and Regional Affairs;

13 (3) shall be in a form and contain terms and provisions  
14 satisfactory to the commissioner of revenue;

15 (4) shall be secured by collateral, including the borrower's  
16 homesite entry permit, evidenced by a mortgage or other security  
17 instrument, sufficient, as determined by the commissioner of revenue,  
18 to secure repayment of the loan;

19 (5) may not be for a term longer than 30 years, but the  
20 construction phase of the loan may not be longer than two years.

21 (d) During the construction phase of a loan guaranteed under this  
22 section, the guarantee extends only to the principal balance of the  
23 loan. After the construction phase of the loan, the guarantee extends  
24 both to the principal balance and accrued interest on the loan.

25 (e) The commissioner of revenue may not guarantee a loan under  
26 this section if the balance of the homesite habitable dwelling loan  
27 guarantee account is less than 10 percent of the total unpaid balance  
28 of outstanding loans guaranteed under this section.

29 (f) A guarantee made under this section extends to a successor of

1 a financial institution which makes the loan, including another finan-  
2 cial institution, the Alaska Housing Finance Corporation, or the divi-  
3 sion of housing assistance, Department of Community and Regional  
4 Affairs.

5 (g) A loan guarantee made under this section terminates when the  
6 loan is repaid or when the borrower receives his patent to the homesite  
7 property under AS 38.08.060, whichever occurs first.

8 (h) The commissioner of revenue may adopt regulations in accor-  
9 dance with the Administrative Procedure Act (AS 44.62) to implement  
10 this section.

11 (i) In this section

12 (1) "account" means the homesite habitable dwelling loan  
13 guarantee account;

14 (2) "construction phase" means the period of time during  
15 which a homesite habitable dwelling is under construction;

16 (3) "financial institution" means a bank, savings and loan  
17 association, or credit union authorized to do business in the state.

18 \* Sec. 2. AS 18.56.090 is amended by adding a new paragraph to read:

19 (28) purchase loans guaranteed under AS 38.08.210.

20 \* Sec. 3. AS 44.47 is amended by adding a new section to read:

21 Sec. 44.47.515. HOMESITE HABITABLE DWELLING LOANS. Notwithstand-  
22 ing the provisions of AS 44.47.380 - 44.47.510 the director may use  
23 money in the nonconforming housing loan fund to purchase or participate  
24 in the purchasing of loans guaranteed under AS 38.08.210.

25 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-

26 070(...

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 579 of May 27, 1981  
 Title An Act Relating to Homesite Habitable Dwelling Loan Guarantees  
 Requested by Senate Labor and Commerce Committee Date 12/14/81

II. FISCAL DETAIL

Agency Affected Community and Regional Affairs  
 Program Category Affected Economic Development  
 BRU, Program, or Subprogram(s) Affected Housing Assistance Programs

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES			63.8			
200 TRAVEL			18.0			
300 CONTRACTUAL			20.4			
400 COMMODITIES			2.4			
500 EQUIPMENT			3.6			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND			108.2			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME			2			
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This analysis is based on a guaranteed mortgage fund administered by the Department of Revenue with the actual mortgage purchase funds available from monies allocated directly to the Housing Assistance Division for either direct loans originated by the division or loans purchased from private lenders.

It is estimated that 90% of the loan requests will be for original loans for initial new construction and 10% will be for completion of housing units where construction had started but was stopped due to lack of money to complete the houses. Based on the response received while holding public

IV. DATE 12/14/81 PREPARED BY Jack Snee  
 AGENCY Community and Regional Affairs  
 PHONE (907) 572-4535  
 Original Legislative Finance  
 cc. Budget and Management  
 Prime Sponsor (First Legislator Named)

hearings on the Housing Assistance regulations, January through March 1981, it is anticipated that requests for approximately 150 to 180 new construction loans and 30 to 50 rehabilitation or completion loans could be anticipated. These loans would range between \$30,000 and \$149,000.

This demand will increase the funding level need by the Division by approximately \$12 million.

The request for two full time positions is based on establishing a field office in Southeast consisting of one Loan Officer II and one Clerk Typist III. The need for this office is based on numerous requests from this area and the anticipated high number of loan requests for homesite and open to entry lands.

This program will have both a social and economic impact by providing additional housing units and private additional construction work throughout the State.

The anticipated costs for a Southeast office are as follows:

Personnel Services

Clerk Typist III	Range 8	\$16,716	
Loan Examiner III	Range 17	\$29,460	
Related fringe benefits and salary increases		<u>\$17,635</u>	\$63,811

Travel

To 18 Southeast communities 3 times annually	\$15,300	
5 trips to Anchorage headquarters	<u>\$ 2,700</u>	\$18,000

Contractual Services

Communication	\$ 3,700	
Printing & Advertising	3,000	
Equipment Maintenance	900	
Equipment Rental		
WANG	2,400	
Other	2,000	
Rent	5,400	
Other fees and services	<u>3,000</u>	\$20,400

Commodities

\$ 2,400

Equipment

2 desks	\$ 800
2 chairs	250
2 bookcases	215
2 file cabinets	400
3 conference chairs	350
2 calculators	500
Other misc. equipment	<u>1,000</u>

\$ 3,565

Total \$108,176

A I I A

AS 44.88



## ALASKA STATE LEGISLATURE

SENATE BANKING COMMITTEE

POUGH V, JUNE 11 1981

Summary of Joint Meeting with House Special Committee on LoansMulti-family Rental Housing and Interstate BankingMarch 13, 1982

The following is an edited version of testimony received by members of the Senate Special Committee on Banking and the House Special Committee on Loans meeting jointly in the conference room of the Anchorage Legislative Information Office at 10:00 a.m. on Saturday, March 13, 1982. The tapes containing the complete testimony are available through Senator Rodey's office.

Present from the Senate committee were Rodey, Stimson and Sturgulewski. From the House committee, Buchholdt and Halford were present. Rep. Randy Phillips was also present, as were about 25 members of the public.

Rodey opened the meeting and described its purpose to be to hear testimony from Anchorage constituents regarding possible legislative changes to present banking statutes and loan programs.

The first witness to testify was Doug Elliott, executive director of the Coalition for Economic Justice, and a member of the organizing committee of the Neighborhood Housing Service in Spenard. He praised the report prepared by the House Research Agency which was made available at the hearing (Research Request 81-205 - Rental Housing Problems: Options for Consideration). He suggested that increased availability of rental units would "go a long way toward restoring some equilibrium to the marketplace, and putting the landlord and the tenant on more equal footing". He also suggested that if the state or the municipality were to provide low-interest loans to assist in the construction of those rental units then certain restrictions would be in order. For example: (1) prohibit condo conversions for a certain period of time; (2) ensure that the savings realized by the builder on the low-interest loans be passed on to the renter. He also suggested that the concept of the NHS - a partnership of the private and public sectors, the financial industry and the community residents - is an admirable approach, and one he hopes helps improve the housing stock in Anchorage. Finally, he said he supports cooperative housing.

Next to testify was Breen Gaughan on behalf of the building industry. First, he thanked the committees for addressing the problems of availability or lack of availability of multi-family housing. His remarks were extensive, but included the following specific recommendations: (1) restrict the "rogers ratchet" so that it be more stabilized over a six month period; (2) implement a "buydown

program" to enable the borrower to qualify for a larger mortgage by shifting some of the front-end costs to later years; (3) make more rental units available and you will alleviate many of the problems of affordability. He provided the members with copies of national position papers provided by the National Association of Homebuilders regarding possible changes in federal law which would assist the building industry.

Laurie Terrell, a member of the Anchorage Tenants' Union, the Coalition for Economic Justice, and the Mayor's Task Force on Rental Housing, was the next to testify. Her major points were as follow: (1) there is ineffective enforcement of the Landlord-Tenant Act; (2) rents in Anchorage are rising at a rapid rate; for example, the monthly rent at Richardson Vista recently went up \$100; (3) programs for curtailment of domestic violence should not be cut; (4) many of the renters she deals with pay upwards of 50 percent of their income on rent; (5) the provision of additional rental units is the best solution to the present rental crisis, though other solutions are needed too; for example, a rent review board such as Anchorage had in 1975; (6) if the state provides a multi-family program, it should be regulated to restrict outrageous profits for builders and landlords; (7) monitor all state loan programs for abuses; (8) regulate against condo conversions; (9) pass a law so that families with children are not discriminated against by landlords; (10) contact HUD and advise them to adjust their local determinations of what constitutes "fair market rents"; and (11) review the recent court decision in California which prohibits discrimination against families with children.

Rhodi Kavella, a realtor and a member of the Mayor's Task Force on Rental Housing, testified next. She suggested that owner-occupancy not be considered mandatory for duplexes, tri-plexes and four-plexes; that AHFC be encouraged to be innovative in its financing options; that the state establish a revolving program for AHFC; and that in her opinion, condo conversions are good because they allow the investor to get out, and conversions are cheaper than new construction.

Mary Afcan, a contractor, was the next to testify. She commented that (1) the state should increase construction dollars if the goal is jobs for low-income persons; (2) persons who receive state loans should be required to make that public information; (3) the state should exercise more control over lenders by selectively making available state deposits and/or by withdrawing seller-servicer status to those lenders who discriminate against borrowers; (4) carefully review any proposed mergers or buyouts of financial institutions; (5) reinstitute direct lending; (6) cause the discrimination by Alaska banks against women and minorities to cease; and (7) ask who really benefits from the state loan programs - is it the wealthiest? the lenders? the major contractors?

Jim Hackett, executive vice-president with the United Bank of Alaska and chairman of the legislative committee of the Alaska Bankers Association, stated the position of the association to be supportive of the proposed legislation to allow interstate banking. The reasons for the support he stated were: (1) improved technology would result; (2) increased services.

Willie Ratcliff with the Alaska Minority Business Task Force testified next. He pointed out that Baltimore has instituted a cooperative housing program which has been very successful. He urged the committee members to review that program, and consider implementing such a program in Alaska. He also stated that if the state is going to provide a subsidy for multi-family, he would support the subsidy going to the renter.

Gordon Glaser, a member of the Anchorage Tenants' Union was the next to testify. His main point was that when free enterprise doesn't function properly - as when the vacancy rate drops below 5 percent - then a rent review board would be beneficial.

Angie Dugick, development manager for Quadrant Development, was next. She thanked the committee for appearing in Anchorage and complimented the staff for the materials. She gave an overview of circumstances over the past five years which have brought us to where we are today. After this, she explained that Quadrant is aware of about 2,000 condo units that are under planning for construction this summer; about 55 percent of them are targeted at the \$80,000 and under price range, and most of the rest are under \$110,000. She said she is also seeing about 1,100 or more single family and zero lot line sites being planned - these are Anchorage numbers. She also testified that the multi-family bond sale planned by Anchorage would create about 800 rental units "which is certainly less than what will probably be needed this summer". Regarding the HOF program in AHFC, she said that it competes against landlords because homeowners under the HOF sometimes pay less than renters. She estimated that present rents average about 75 cents/sq.ft., and that will have to increase to about \$1/sq. ft. in order to give some kind of a reasonable return to new developers. She spoke against rent control. She spoke in favor of expanding AHFC to include owner-occupied three and four plexes because of the beneficial impacts it would have both on small builders and on owners under the new tax laws. She cautioned that cost of a new four-plex would be at least \$200,000, and would require rents in excess of \$800 to meet debt service at present interest rates. One deterrent to use of this new program will be the inability of the owner to find a source of refinancing in the future. Finally, she spoke in favor of the Anchorage Comprehensive Plan, primarily because it will provide more land for multi-family units.

The last person to testify was Robert Kubik, chairman of the board of the Quadrant Company. He stated that he has been responsible for building over 1,400 buildings in Anchorage, including development of about 1,000 lots, 9 PUD's, 3 shopping centers. He currently has under development lands equivalent to 2-3,000 units, and substantially more in inventory. He said Quadrant is trying to build 500 rental units this season, and he has researched the proposed Anchorage program and concluded that the rates that appear likely to keep it from working unless the builder has at least \$6,000 equity per unit invested in the project and already owns the land. He predicted it could work at the range of 9.5-10.5 percent interest. He estimated that in order for a developer to even break even on rental construction, the rents would have to be at least \$1.00/sq.ft. - which translates into a rent of \$600-650 for a small one-bedroom, two bedroom units; \$700-800; and three bedrooms for greater than \$900. He testified about the financing

he has arranged for a 200 unit apartment project and stated that one plan has a call at 30 months, and another at 60 months, so if there were a hint of no condo conversions allowable, he would have to drop the project. He said that if the 13 percent bond rate that the Municipality is planning could be dropped to 10.5 percent, that equates to \$100 per month lower rent. He also estimated that 1,000 new apartments in Anchorage will represent 7 percent of the total apartment units increase. He stated his support for the HOF program as the best way to get people to move out of the rental units and into home ownership, thus freeing up more rental units. The same holds true for condo conversions. In addition, he suggested dropping the interest rate on the HOF program to 4 percent, requiring no home ownership for the previous three years (for targeting), and increasing the maximum price from \$80,000 to \$100,000. This last would help particularly in the area of three bedroom units for families. He urged the legislature to slow down on appropriations for road construction, as according to him, the costs have gone up fast as a result of a scarcity of materials and men. He supported equity participation legislation. Lastly, he supported interstate banking.

ALASKA STATE LEGISLATURE  
SENATE BANKING COMMITTEE  
POUCH V, JUNEAU 99811Summary of Joint Meeting with House Committee on Loans:Multi-Family Rental HousingFebruary 25, 1982

The following is an edited version of testimony received by members of the Senate Special Committee on Banking and the House Special Committee on Loans meeting jointly in the Governor's Conference Room at 3:30 p.m. on Thursday, February 25, 1982. The tapes containing the complete testimony are available through Senator Rodey's office.

Present from the Senate committee were Rodey, Stimson, Mulcahy and Sturgulewski. From the House committee, Buchholdt and Halford were present.

Rodey opened the meeting and described its purpose as informational, i.e. the committees were interested in hearing status reports from all the parties involved in developing plans for multi-family rental housing financing. He then distributed a handout from Alaska Housing Finance Corporation (AHFC) relating to (1) their new policy on interest rate commitments; (2) the AHFC schedule of financings for the next 18 months; and (3) proposed language to implement 3/4-plex financing and G.O. bonds for veterans housing.

Jim Kelly, aide to the Senate committee then gave an update on the Anchorage multi-family bond project, including the fact that the underwriters for the proposed issue would be Lehman Brothers, and that the issue is planned for no later than April 30. Further information on this can be had from Dave Rose 274-7366.

At this time, Tom Williams began his testimony on behalf of the Alaska Industrial Development Authority (AIDA). He is the chairman of their board, and commissioner of Revenue. He was accompanied by Buz Hoffman, executive director of AIDA. He made available to the members of the committees a document prepared by Lehman Brothers entitled "A Strategy for Tax-Exempt Financing of Multi-Family Rental Housing Development Projects in Alaska" dated Feb. 16, 1982. He contrasted this to the Anchorage project by pointing out that this would be a statewide effort. According to Williams, the basic problem in accessing the tax-exempt market for multi-family rental financing is the Ullman bill, passed two years ago by Congress. That act requires that 20 percent of the units in a given project be reserved for persons of low- or moderate-income. In addition, there are further

restrictions as to what portion of the income of those families can be used for rents. So, in effect, the legislation limits the amount of income that can be gained from the 20 percent of the units that are reserved for low- and moderate-income people. In order for the interest to be covered on the tax-exempt bonds, it is necessary to raise the rents on the other units. The difficulty is that bond holders are concerned about the ability of the owners to cover debt service, especially in the event of high vacancy rates. The more risk there is, the more will be demanded in interest rate premiums. The strategy then, addresses the question of providing security to the bond holders so that they will be assured of timely and complete payments. The first source is the revenues to be garnered from the rental of the units. Backstopping that income stream will be some form of credit guarantee by a reputable financial institution.

Williams then described each of the three proposed strategies outlined in the appendix of the Lehman Brothers' report. The first, Chart 1, uses a national bank which itself has a AA credit rating or better on its own. Basically, this program would use this credit rating as the basis for the credit rating on the bonds. Naturally, there would be a payment to the national bank in exchange for the use of its credit pledge. The way it would work is that AIDA would sell bonds in the tax-exempt market. The bond proceeds would be placed with the bond trustee, as is always the case. Then, that trustee would make a loan to the national bank, the one with the AA rating, and that institution promises to repay the loan on time in the amounts required to meet the debt service. The trustee, of course, repays the bond holders. Now, in order to get the money from the national institution into the marketplace in Alaska for actual loans for multi-family housing, what happens is this: The national institution acts as the "master lender", and provides 90 percent of the money that gets loaned for the rental housing. That money comes from the bond proceeds. The other 10 percent comes from our local financial institutions. The local lender provides the 10 percent at his cost of funds. The two rates get combined, and the blended rate is what is loaned out to the developer. He then builds it (the above loan is the permanent loan, and assumes a construction loan entirely financed by the local lenders), leases it, rents it and the rents that come in go to the developer, are paid into the local lending institution which acts as the seller/servicer for the loan and acts as the credit underwriter for the loan. The local lender then remits 90 percent back to the master lender. If all works right, the master lender does not use any of its money to cover the debt service. But, if there is a problem, then the master lender is obligated to make good the shortfall. The master lender will then work with the local lender to discover ways to make up that shortfall. This is one way to finance apartments.

Sturqulewski then asked a question about the possibility and the advisability of using some of the illiquid assets held by Treasury in its portfolio to "sweeten the pot". In addition, she asked about other resources within AIDA which could also be pledged to secure bonds. Williams responded by describing Charts 2 and 3.

According to Williams, Charts 2 and 3 represent variations on the plan just described, and incorporate additional security features. In either scenario, AIDA would use the cash flow from the illiquid loan portfolio now held by Treasury (about \$300 million at present) to insure repayment of the bonds. The cash flow would only be drawn upon if the revenues from the individual projects fell short - for example, due to high vacancies in the future. In Chart 2 the portfolio replaces the national institution as the basis for the credit rating. Otherwise, the plan is identical. In Chart 3, the portfolio supplements the national institution, and the national institution pledges its letter of credit as an additional source of security. Otherwise, the plan is identical. Which of the three plans should be chosen is really a function of cost-efficiency and market acceptance.

Rodey asked what, if any, legislative cost would be required to implement any of the three plans. Williams responded that in the short run, the cost is effectively zero, because the cash flow from the illiquid assets (loan portfolio) does not represent money that can be spent now anyway. For the long run, it would depend whether the the illiquid assets were permanently appropriated to AIDA, or would revert at the maturity of the bonds to the General Fund. That is a legislative decision.

Rodey asked about a statement on page 2-2: "Such innovations could include low-rate loans, delayed amortization loans, or equity participations," and asked for detail. Hoffman responded that AIDA is not recommending subsidizing multi-family rental units; that delayed amortization loans are similar to deep-discount bonds where you borrow x number of dollars today and not pay back for a certain number of years, but then pay back all principal and interest accrued; and that equity participations are presently against Alaska law, but that if they were not, then they could be used to lower the amount of funds that would have to be borrowed and paid back (the debt service). He mentioned also that if it were the legislature's desire, AIDA or ASHA could purchase the 20 percent of the projects reserved for low- and moderate-income persons as an equity participation, thereby making projects feasible at interest rates which would otherwise be prohibitive.

In response to a question from Rodey, Williams stated that today's interest rates for these kinds of loans would be very close to 13.5 percent (actually the rate to the developer).

Mulcahy asked whether any of these plans are close to being implemented. Williams responded that Anchorage's plan is essentially plan 1 of Lehman Brothers, and is going forward.

Buchholdt asked about the 20 percent portion, and about any plan for rental assistance for low- and moderate-income persons. Williams responded that he doesn't have a plan for direct rental assistance. Kelly mentioned that Rep. Miller and Sen. Rodey have had House Research look into this, and that a research report should be forthcoming in a couple of weeks.

Next to testify was John Annand, Housing Director for the City and Borough of Juneau. He proceeded to detail the Juneau rental housing shortage, and local efforts to alleviate that shortage. His testimony is attached as Attachment #1.

Sterling Gallagher, representing Nuveen & Co., then presented testimony about a proposed method of financing multi-family rental housing units that he has developed under contract with the Alaska State Housing Authority (ASHA). The plan is attached as Attachment # 2. John Curtis, executive director of ASHA followed with a description of the Section 8 program, and explained how it might be used in conjunction with the proposed financing plan. He estimated that HUD, through ASHA, could make available Section 8 rent subsidies to about 200 tenants of the low- or moderate-income units constructed under any of the proposed financing plans. He also mentioned that ASHA is not using all the subsidy money it has available now because of the shortage of rental units that qualify. On questioning from Mulcahy, Curtis stated that ASHA has commitments on those rent subsidies for a period of only 4.5 years.

The meeting was adjourned at 5 p.m.

Addendum: One week later, on March 4th, a staff work session was conducted on multi-family rental financing, and another document, Attachment #3, was presented for consideration by the legislature. It was prepared at the committee's request by Buz Hoffman.

- Minutes prepared by Jim Kelly, Admin. Ass't.

ALTERNATIVE TECH

AS 45. 88

NorthHeat Wood Stoves & Energy Products, Inc.  
1306 Chugach Way  
Anchorage, Alaska 99504

April 11, 1982

Pat-

I am writing to you about conference-committee deliberations on SB 666--specifically the House amendment (to AS 45.88.500) that would remove most wood, coal or multi-fuel heating appliances from eligibility for the State's energy loan programs. I urge you to delete or modify this amendment.

I am part-owner of a wood-stove retail store in Anchorage. Obviously, this program helps our business. However, we had a growing operation before the loan program was in place, and will continue to if it is removed. Unlike some energy audit/supply businesses, that exist solely because of the State's loan programs, ours is certainly not dependent on it. The point is, because this loan program applies to wood-heating appliances, many average Alaskans can easily free themselves from high heating bills and reduce fossil-fuel consumption--at a low cost to the State (these being loans, not grants).

I think there are four main arguments for eliminating loans for wood-burning appliances. I will list these, and give my responses after each.

Argument #1: This program doesn't encourage energy efficiency. (PARTLY CORRECT)

a.) Fireplaces should be removed from eligibility. They are terribly inefficient, actually causing an increase in conventional fuel consumption while operating. (They suck huge volumes of heated air out of the house.) Glass doors, fans, etc., only increase efficiency slightly, and frequently increase installation costs considerably. Fireplaces are nice to look at, period.

b.) Fireplace inserts should be removed from eligibility. While slightly more efficient than fireplaces, most are simply dangerous--the cause of many fires each year. (This can be corroborated by the State Fire Marshall.) Many units have had their Underwriters' Laboratory approvals revoked for this reason. (Inserts transmit too much heat into the walls, and not enough into the house, to be safe and effective.)

c.) Wood-burning stoves, when properly constructed, can be very efficient, and should be retained in the State loan program. They make efficient use of a renewable resource (wood), and therefore can transfer a significant fraction of Alaska's end-use energy away from inflationary and increasingly scarce fossil fuels. (Residential space heating is a major use of energy, and a significant cash drain, for many Alaskans.) Gun-fired oil burners, and gas appliances, operate at about 15% efficiency at best. Although independent testing data is scarce, good wood stoves can operate at 76-80% efficiency. (As much as I'd like to see it happen, making only high quality/efficiency stoves eligible for loan would probably be very difficult.)

Argument #2: This program costs the State too much. (WRONG)

a.) The real (opportunity) cost is quite low, perhaps 15%, as the principle is returned to the State by the loans. If the 5% interest charge covers handling costs, the only loss is that that would be available from other investment. (The Legislature has frequently decided that benefitting Alaskans was more important than getting the greatest return on the State's dollar.)

b.) This is an excellent, simple program for the average Alaskan. We receive many delighted comments in our store: people are pleased that "ordinary folks" can receive the front money for an investment that many recognize is needed, but that some cannot afford--and the required paperwork is remarkably light. By providing a simple way to amortize an initial high investment cheaply, this program allows many residents to unhook themselves from escalating heating costs.

c.) If too much money really is going into the program, reduce the loan ceiling. \$2,000 is ample to purchase and install a good wood stove for any home. (Wood-fired or multi-fuel boilers/furnaces can cost considerably more.)

d.) If the Legislature really is concerned about wasteful use of State money, I have to suggest that you look at some of the big drains first--especially when some of them benefit largely the well-to-do. Cheap mortgages for four-plexes, and subsidies for non-cost-effective energy projects make much better targets for cost-cutting than do programs like this, which helps many ordinary Alaskans, at minimal cost.

Argument #3: These appliances cause air pollution (MOSTLY CORRECT)

a.) This can be a problem locally, and does need to be controlled. (Of course, car exhaust is a far worse problem, needing more attention.) I think that DEC is the proper agency to handle air pollution in the few areas where wood stoves are serious contributors.

b.) A good wood-stove loan program will subsidize a trade-off: reduced fossil-fuel consumption for slightly increased air pollution. It is wise to encourage the use of clean-burning wood stoves, and better ones are becoming available. However, speaking as one who sells them, has studied them, and has used a very good catalytic combustor, I don't feel that they are the way to go:

- i.) they're brand-new technology, and quite expensive;
- ii.) their life-span is unknown, as yet (manufacturer provides no warranty);
- iii.) while catalysts can operate very well, they have definite limitations. If air-flow is wrong, or if operating temperatures fall below minimums (as happens during all-night burns), they don't work;
- iv.) catalysts may turn out to be a major advance in efficiency; they aren't that yet, in spite of publicity.

Argument #4: The program is being abused. (PARTLY CORRECT)

a.) "Don't throw out the baby with the bath water;"

b.) Main problem areas seem to be: (1) people keep money obtained to buy a wood stove, and invest it, etc.; (2) loan requests may be "padded," or be used more for remodeling than saving energy;

Some suggested remedies (perhaps best accomplished in loan regulations, rather than by legislation):

i.) return to the earlier system of dual payees (applicant and vendor) on loan checks;

ii.) require confirmation-of-purchase form from vendor when sale is completed, wherein vendor certifies that the listed materials purchased with loan funds are the minimum necessary for proper installation of the appliance. (Random-sample review would indicate if certain vendors were abusing the program; these could be excluded from further loan sales. Retailers and installers should have a great interest in keeping things honest.)

To summarize: I feel that a very strong case can be made for retaining wood-burning stoves, and at least wood-fired central heating systems, in the State's energy loan programs. Multi-fuel systems may need to be treated differently (loan for 50% of price?), but still represent a potential great fuel and dollar savings for Alaskans. Modifications may need to be made in the mechanics of the program, as outlined above. It is perfectly reasonable to exclude fireplaces and fireplace inserts from the loan program: their efficiency and safety are, in general, so poor that the public interest would be well-served by discouraging their use.

I appreciate your taking the time to consider these comments. I would be happy to provide further information if you wish any. (My local telephone contact is 586-2345.)

Sincerely yours,



Paul Lowe

Enclosures

SUPPLEMENT: Air Pollution and Wood-Burning Appliances

I have enclosed three papers regarding wood-stove technology and performance, as applied to air pollution and efficiency. Quite frankly, some of this material needs to be taken with a grain of salt--it is trade-magazine promotion. However, there are some significant conclusions, supported by independently-obtained data.

I feel that the important point is that, while there are major improvements being made in controlling emissions from wood-burning appliances, some of them are more show than substance. The most promising direction for new technologies is in increased efficiencies, which reduce emissions by simply using qualitatively better combustion methods.

Two examples of this--and I offer them only as examples, not as a sales pitch--are (1) the Jøtul 201, described here, which utilizes much-improved secondary-air and -combustion; and (2) the water-jacketed boiler ("Jetstream," etc.), which uses rapid, high-temperature combustion and long-term heat storage in water. The Jetstream is perhaps the most efficient wood-burning appliance manufactured today. (Materials cost alone for one unit, including heat storage, is several thousand dollars.)

Finally, as the attached information indicates, there is considerable variation among "efficient" wood stoves in terms of emissions. In particular, stoves controlled by bimetallic-type thermostats frequently are worse offenders than those with manual draft controls. (Combustion is more oxygen-starved with thermostats, which leads to less-complete combustion, and greater air pollution.)

# TELEGRAM

ALASCOM, INC.  
PHONE: 286-6442  
SHEL U, AK 99802

02200 NL ANCHORAGE AK 302 04-08 1045A AST

PMS SEN PATRICK RODEY 1013

JUNEAU AK

WE COLLECTIVELY, HAVE ONLY RECENTLY BECOME AWARE OF LEGISLATIVE INTENTIONS TO ELIMINATE QUOTE WOOD, COAL, OR MULTI-FUEL STOVES: OR A FIREPLACE OR FIREPLACE INSERT UNQUOTE, FROM THE STATE LOAN PROGRAM. WE REFER TO HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL NO 666 (FINANCE) AM H. THE BILL AMENDS AS 45.88.500 BY SPECIFICALLY EXEMPTING THESE WOODBURNING APPLIANCES FROM THE LOAN PROGRAM. ALASKANS HAVE REALIZED ENORMOUS BENEFITS FROM THE LOAN PROGRAM, ENABLING THEM TO CONVERT FROM FOSSIL FUELS TO USING WOOD AND/OR COAL WHICH ARE AVAILABLE IN LARGE QUANTITIES AND REASONABLY PRICED, OFTEN FREE. THE ELIMINATION OF THESE WOODBURNING APPLIANCES FROM THE LOAN PROGRAM WILL VIRTUALLY ELIMINATE AN OPPORTUNITY TO ACHIEVE ENERGY SAVINGS FOR MANY WHO NEED THE CONVERSION THE MOST. WE RESPECTFULLY URGE YOU TO USE WHATEVER INFLUENCE YOU HAVE AT YOUR DISPOSAL, TO RETAIN THESE WOODBURNING APPLIANCES IN THE ENERGY LOAN PROGRAM.

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CY TO: SEN RODEY

SEN STURGULEWSKI

SEN MULCAHY

HOUSE MEMBERS

Original sponsor: Rules/Governor

Offered: 4/1/82

Referred: Rules

Funding Information

General Fund	\$205,400,000
Other Funds	9,986,100
	<u>\$215,386,100</u>

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 322 (Finance) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations for various state loan  
7 and grant programs; and providing for an effective  
8 date."

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

10 \* Section 1. The sum of \$45,000,000 is appropriated from the general fund  
11 to the Alaska Housing Finance Corporation (AS 18.56) for mobil home loans.

12 \* Sec. 2. The sum of \$36,000,000 is appropriated from the general fund to  
13 the Department of Community and Regional Affairs for housing loans.

14 \* Sec. 3. The sum of \$10,000,000 is appropriated from the general fund to  
15 the Department of Community and Regional Affairs for senior citizens housing.

16 \* Sec. 4. The sum of \$10,000,000 is appropriated from the general fund to  
17 the agricultural revolving loan fund (AS 03.10.040) in the Department of  
18 Natural Resources.

19 \* Sec. 5. The sum of \$10,000,000 is appropriat. ' from the general fund to  
20 the Department of Commerce and Economic Development for loans under the  
21 Commercial Fishing Loan Act (AS 16.10.300 - 16.10.370).

22 \* Sec. 6. The sum of \$17,000,000 is appropriated from the general fund to  
23 the Department of Commerce and Economic Development for the fisheries enhance-  
24 ment loan program (AS 16.10.500).

25 \* Sec. 7. The sum of \$400,000 is appropriated from the general fund to  
26 the child care facility revolving loan fund (AS 44.33.240) in the Department  
27 of Commerce and Economic Development.

28 \* Sec. 8. The sum of \$8,500,000 is appropriated from the general fund to  
29 the Department of Commerce and Economic Development for loans for alternative

1 technology and energy (AS 45.88) and loans and grants for residential energy  
2 conservation (AS 45.89).

3 \* Sec. 9. The sum of \$1,000,000 is appropriated from the general fund to  
4 the bulk fuel revolving loan fund (AS 45.87.010) in the Department of Com-  
5 merce and Economic Development.

6 \* Sec. 10. The sum of \$15,000,000 is appropriated from the general fund  
7 to the mining loan fund (AS 27.09.010) in the Department of Commerce and  
8 Economic Development.

9 \* Sec. 11. The sum of \$500,000 is appropriated from the general fund to  
10 the historical district revolving loan fund (AS 45.98.010) in the Department  
11 of Commerce and Economic Development.

12 \* Sec. 12. The sum of \$52,000,000 is appropriated from the general fund  
13 to the scholarship revolving loan fund (AS 14.40.751).

14 \* Sec. 13. The sum of \$6,500,000 is appropriated from the rural electri-  
15 fication revolving loan fund (AS 44.83.361) to the Department of Community  
16 and Regional Affairs for housing loans other than senior citizens housing  
17 loans.

18 \* Sec. 14. The sum of \$2,500,000 is appropriated from the alternative  
19 technology and energy revolving loan fund and the residential energy conser-  
20 vation fund to the Department of Community and Regional Affairs for housing  
21 loans other than senior citizens housing loans. The appropriation made by  
22 this section is made equally from the named funds unless there is less than  
23 \$1,250,000 in one of the funds in which case the balance of the appropriation  
24 is made from the other.

25 \* Sec. 15. The sum of \$986,100 in federal program receipts for student  
26 loans and scholarships is appropriated to the scholarship revolving loan fund  
27 (AS 14.40.751).

28 \* Sec. 16. The appropriations made by this Act are for the capitalization  
29 of loan funds and do not lapse in accordance with AS 37.25.010.

1 \* Sec. 17. (a) All right, title, and interest in the assets described in  
2 (b) of this section, in an amount not to exceed the unpaid principal of those  
3 assets as of July 1, 1982, and all right, title, and interest in all mort-  
4 gages, notes, and other instruments of security made in connection with those  
5 assets, held in the general fund on July 1, 1982, are transferred to the  
6 Alaska Housing Finance Corporation for the special mortgage loan purchase  
7 program (AS 18.56.098).

8 (b) This section transfers the following assets of the state referred  
9 to in the monthly investment reports of general and segregated state program  
10 funds, treasury division, Department of Revenue that are held in the general  
11 fund:

- 12 (1) State of Alaska loan program loans, other than veteran loans;
- 13 (2) bank loan incentive program loans;
- 14 (3) mortgage option program loans other than mobile home loans;
- 15 (4) obligations pledged to the Alaska Housing Finance Corporation;
- 16 (5) loans to municipalities;
- 17 (6) debt certificates;
- 18 (7) certificates of deposit.

19 \* Sec. 18. All right, title, and interest in State of Alaska veterans  
20 loans held in the general fund, in an amount not to exceed the unpaid princi-  
21 pal of those loans as of July 1, 1982, and all right, title, and interest in  
22 all mortgages, notes, and other instruments of security made in connection  
23 with those loans, held in the general fund on July 1, 1982, are transferred  
24 to the Alaska Industrial Development Authority for multi-family housing loans  
25 (AS 44.88.153).

26 \* Sec. 19. This Act takes effect immediately in accordance with AS 01.10.-  
27 070(c).

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1 shall be appointed without regard to political affiliation. Salaries  
2 shall be individually established by the council on the basis of prior  
3 experience and the responsibilities of the position to which the intern  
4 is assigned.

5 Sec. 29.95.025. APPOINTMENT TO CITY BOARDS AND COMMISSIONS. (a)  
6 Notwithstanding AS 39.05.100 or a provision of law relating to age,  
7 the council may appoint any 17 through 21 year old city resident to a city  
8 board or commission if recommended by the city youth involvement  
9 commission.

10 (b) A young person recommended by the commission may be appointed  
11 to city boards or commissions with special qualifications for member-  
12 ship if the proposed nominee, except for his age, meets the required  
13 qualifications set by law.

14 (c) An individual appointed to a borough board or commission  
15 under this section is entitled to the rights, privileges and responsi-  
16 bilities of other members, and his appointment is subject to confirma-  
17 tion by the council when required by law. No additional seat on a  
18 city board or commission is created by virtue of secs. 20 - 25 of this  
19 chapter.

20 \* Sec. 4. AS 14.14 is amended by adding new sections to read:

21 ARTICLE 3. INVOLVEMENT OF YOUNG PEOPLE  
22 IN SCHOOL GOVERNANCE.

23 Sec. 14.14.300. ESTABLISHMENT OF COMMITTEE. A school board may  
24 create a committee or other advisory body on the involvement of young  
25 people in school governance.

26 Sec. 14.14.301. COMPOSITION AND CHAIRMAN. The committee may  
27 consist of not more than nine members, drawn from the fields of public  
28 affairs, education, the sciences, the professions, other fields of  
29 private endeavor, from the state or local service, and three additional

1 members from the 17 through 22 age group, and shall include women and  
 2 representatives of minority groups. The members shall be appointed  
 3 by the board in the manner prescribed by the board without regard  
 4 to political affiliation and shall serve at the pleasure of that body.  
 5 One member shall be designated by the board as chairman of the  
 6 committee.

7 Sec. 14.14.302. COMPENSATION AND PER DIEM. Members of the  
 8 committee or other advisory body serve without compensation but are  
 9 entitled to per diem and travel expenses as may be authorized by the  
 10 board.

11 Sec. 14.14.303. FUNCTIONS OF THE COMMITTEE. (a) The committee  
 12 shall establish procedures to enable it to recommend annually to the  
 13 board a group of promising young men and women from whom the board may  
 14 select interns and youth voting members of district committees or  
 15 other advisory bodies. The committee, in establishing these procedures  
 16 shall enlist the aid of district residents who are actively interested  
 17 in working with young people. Following adoption of the procedures,  
 18 the committee shall accept applications from individuals and nomina-  
 19 tions for consideration, and shall interview all applicants or nominees

20 (b) Recommendations of the committee shall be limited to young  
 21 people who

22 (1) have a capacity, desire, interest, ability and potential  
 23 for leadership and service to the community and to the state;

24 (2) will have attained the age of 17 but not the age of  
 25 22 before the beginning of their service.

26 (c) Annually, the committee shall evaluate the program and shall  
 27 submit a written report to the board.

28 Sec. 14.14.304. INTERNS. An intern may be appointed to serve  
 29 on the staff of the board or the district administrator for a period

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of time prescribed by the board, with a maximum of one year. He may be assigned responsibilities in any office, department or agency of the district. Service will begin at a time prescribed by the board. Interns shall be appointed without regard to political affiliation. Salaries shall be individually established by the board on the basis of prior experience and the responsibilities of the position to which the intern is assigned.

Sec. 14.14.305. APPOINTMENT TO DISTRICT COMMITTEES OR OTHER ADVISORY BODIES. (a) Notwithstanding AS 39.05.100 or a provision of law relating to age, the board may appoint any 17 through 21 year old district resident to a district committee or advisory body if recommended by the youth involvement committee.

(b) A young person recommended by the committee may be appointed to district committee or advisory bodies with special qualifications for membership if the proposed nominee, except for his age, meets the required qualifications set by law.

(c) An individual appointed to a district committee or advisory body under this section is entitled to the rights, privileges and responsibilities of other members, and his appointment is subject to confirmation by the board when required by law. No additional seat on a district committee or advisory body is created by virtue of secs. 300 - 305 of this chapter.

Sec. 14.14.306. In secs. 300 - 306 of this chapter

(1) "board" means the governing body of a borough or city school district, or the Board of Directors for the State-Operated Schools;

(2) "district" means a borough or city school district or the state-operated school system.

\* Sec. 5. This Act takes effect on the day after its passage and

1 approval or on the day it becomes law without approval.

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Introduced: 4/30/71  
Referred: Local Government

1 IN THE HOUSE

BY SPECKING BY REQUEST

2 HOUSE BILL NO. 456

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to exercise of planning, platting  
7 and zoning powers within organized boroughs."

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

9 \* Section 1. AS 07.15.340 is amended by adding new subsections to read:

10 (d) The governing body of a home rule or first class city may  
11 at its option by ordinance assume the exercise of planning, platting  
12 and zoning powers within its boundaries in lieu of borough exercise of  
13 those powers within the city. The provisions of (a) and (b) of this  
14 section do not restrict the authority conferred in this subsection,  
15 and the city may exercise the planning, platting and zoning power as  
16 provided in its charter or by ordinance.

17 (e) If the governing body of a home rule or first class city  
18 within a borough elects to exercise planning, platting and zoning  
19 powers as provided in (d) of this section, the borough continues to  
20 exercise the powers in all areas of the borough outside that city. In  
21 addition the city governing body may by ordinance choose to reinvest  
22 the assembly with authority to exercise the powers within the city.

23 \* Sec. 2. AS 07.15.310 is amended to read:

24 Sec. 07.15.310. SCOPE OF AREAWIDE POWERS. Except as provided in  
25 sec. 340(d) and (e) of this chapter, first [FIRST] and second class  
26 boroughs shall exercise the powers specified in secs. 310 - 350 of  
27 this chapter on an areawide basis, both within and outside cities of  
28 any class within its boundaries. Except as provided in sec. 340(d) and  
29 (e) of this chapter, no [NO] city of any class, whether home rule or

not, within an organized borough, may exercise any areawide power provided in this section or specified in the petition approved by the voters for incorporation once that power is being exercised by an organized borough.

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Introduced: 5/10/71  
Referred: Local Government  
and Finance

1 IN THE HOUSE

BY HUBER, BRADNER, FINK, HOLM  
AND WARWICK

2 HOUSE BILL NO. 470

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the sources of revenue for the  
7 payment of bonded indebtedness; and providing for an  
8 effective date."

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

10 \* Section 1. AS 07.15.030(3) is amended to read:

11 (3) on a service area basis for functions performed in a  
12 service area only; payment of debt principal and interest as well as  
13 other costs shall be limited to the service area, except that, subject  
14 to the election requirements of AS 07.30.010(b), the full faith and  
15 credit of the entire borough, subject to AS 29.30.025, may be pledged  
16 to guarantee payment of principal and interest.

17 \* Sec. 2. AS 29.30 is amended by adding a new section to read:

18 Sec. 29.30.025. PERMISSIBLE SOURCES OF REVENUE FOR DEBT PAYMENTS.  
19 If, after the effective date of this Act, a city or borough, whether  
20 home rule or general law, is unable to pay the principal and interest  
21 of bonded or other indebtedness from municipal revenue sources other  
22 than ad valorem taxes, the state shall levy and collect, in a manner  
23 prescribed by regulation of the Department of Revenue, a consumers  
24 sales tax on the sales price of all retail sales, rents, and services  
25 made within the city or borough, only for the purpose of, and at a  
26 rate not exceeding two per cent for a maximum of 20 years, satisfying  
27 the payments, notwithstanding other provisions of law limiting the  
28 permissible rate of sales tax levy within a municipality or requiring  
29 voter approval for a sales tax levy. In no event may ad valorem

1 taxes be levied to amortize bonded or other indebtedness incurred  
2 after the effective date of this Act.

3 \* Sec. 3. AS 29.50.040 is amended to read:

4       Sec. 29.50.040. LEVY OF TAXES AND PLEDGE OF REVENUES. The  
5 governing body shall provide for the levy and collection of taxes  
6 other than ad valorem taxes, in the case of bonds authorized and  
7 issued after the effective date of this Act, in amounts sufficient to  
8 pay the principal and interest on the bonds as they become due, and  
9 may [, IN ADDITION TO PAYMENT FROM THE LEVY AND COLLECTION OF AD  
10 VALOREM TAXES,] provide for payment of principal and interest from  
11 such special funds or other revenues as the governing body may  
12 specifically pledge for payment. The pledge of a special fund or other  
13 revenues is a binding obligation, according to its terms, to continue  
14 the collection of the special fund or revenues so long as the bonds  
15 or any of them, are outstanding, notwithstanding any other provision  
16 of law.

17 \* Sec. 4. This Act takes effect on July 1, 1971.  
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IN THE HOUSE

BY KERTTULA

HOUSE BILL NO. 474

IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the taxation of real property."  
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

\* Section 1. AS 29.10 is amended by adding a new section to read:

Sec. 29.10.337. LIMIT ON TAX LEVY. The real property tax levied under sec. 335 of this chapter on a private dwelling, which is the principal place of residence of the taxpayer, may not exceed five per cent of the taxpayer's annual net income indicated by the state income tax return for the previous calendar year. As used in this section, "principal place of residence of a taxpayer" is that place in which his habitation is fixed, and to which, whenever he is absent, he has the intention to return.

Introduced: 2/7/72  
Referred: Local Government  
and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for boroughs in the unorganized  
7 borough; and providing for an effective date."

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

9 \* Section 1. AS 07 is amended by adding a new chapter to read:

10 CHAPTER 04. BOUNDARIES AND ORGANIZATION OF BOROUGHES

11 IN THE UNORGANIZED BOROUGH.

12 ARTICLE 1. BOUNDARIES, ADMINISTRATION AND INCORPORATION.

13 Sec. 07.04.010. BOUNDARIES. By the tenth day following the  
14 convening of the first session of the Eighth Legislature, the Local  
15 Boundary Commission shall propose to the legislature a division of the  
16 unorganized area of the state into unorganized boroughs. The Local  
17 Boundary Commission may propose adjustments to the boundaries of exist-  
18 ing boroughs to the extent necessary to secure conformity with the  
19 standards for borough boundaries set forth in the statutes and in the  
20 Constitution of the State of Alaska. A proposed adjustment of existing  
21 boundaries shall provide for those transitional matters the commission  
22 considers necessary or appropriate. The boundaries proposed by the  
23 Local Boundary Commission become effective 45 days after presentation  
24 or at the end of the session whichever is earlier, unless disapproved  
25 by resolution concurred in by a majority of the members of each house.  
26 The proposed division is not subject to modification by the legislature  
27 as an alternative to disapproval, and if disapproved by the legislature  
28 the proposed division made in accordance with this section is of no  
29 effect.

1           Sec. 07.04.020. ADMINISTRATION. Unorganized boroughs shall be  
2 administered by the Department of Community and Regional Development  
3 as prescribed by the legislature.

4           Sec. 07.04.030. ADVISORY COUNCIL. In each unorganized borough  
5 the lieutenant governor, within 60 days of the establishment of unorg-  
6 anized boroughs in the manner provided in sec. 10 of this chapter shall  
7 provide for election of an advisory council of 11 members. The council  
8 may participate in an advisory capacity in the development and imple-  
9 mentation of state programs and projects relating to the borough.  
10 Elections of council members shall be held every four years.

11           Sec. 07.04.035. COUNCIL MEMBERSHIP. At the time of election and  
12 during their tenure advisory council members shall be qualified voters  
13 of the state and residents of the borough. A vacancy on the advisory  
14 council shall be filled by a person qualified for election to the  
15 advisory council and selected by majority vote of the remaining members  
16 of the council. If a majority of seats on the advisory council are  
17 vacant concurrently, the lieutenant governor shall fill the vacancies  
18 by appointment of persons qualified for election to the advisory  
19 council.

20           Sec. 07.04.040. INCORPORATION. A percentage, determined in  
21 accordance with AS 07.10.020(8), of the qualified voters of an unorgan-  
22 ized borough may petition for organization of the borough as a borough  
23 of the first, second or third class in the manner provided in AS 07.10  
24 and 07.17, except that the petition need not include matter relating to  
25 boundaries.

26                           ARTICLE 2. HOME RULE CHARTERS.

27           Sec. 07.04.050. ADOPTION OF CHARTER. An unorganized borough  
28 established under this chapter may adopt a home rule charter in the  
29 manner prescribed by AS 29.40.010 - 29.40.030 and AS 29.85.110(a) - (d),

1       except that the advisory council elected in accordance with sec. 30 of  
 2       this chapter shall perform the duties assigned to city councils, and  
 3       except that the charter commission shall consist of 11 members. Vacan-  
 4       cies on the charter commission shall be filled in the same manner as  
 5       vacancies on the advisory council.

6               Sec. 07.04.060. ORGANIZATION. The charter commission shall  
 7       initiate organization of the borough in accordance with the terms of  
 8       the charter by submission of the charter to the Department of Community  
 9       and Regional Development. The charter shall be submitted within one  
 10      year of the first meeting of the commission. The department shall  
 11      review the charter in light of the circumstances of the particular  
 12      borough and, within '20 days from receipt shall transmit the charter,  
 13      together with its findings and recommendations, to the Local Boundary  
 14      Commission.

15             Sec. 07.04.070. HEARING. The Local Boundary Commission shall  
 16      hold at least one hearing in the area proposed to be organized for the  
 17      purpose of hearing public comment on the charter.

18             Sec. 07.04.080. LOCAL BOUNDARY COMMISSION DETERMINATION. The  
 19      Local Boundary Commission, within 90 days from receipt of the charter  
 20      and the recommendations and findings of the Department of Community and  
 21      Regional Development, shall determine whether the charter meets stand-  
 22      ards for organization established by the laws and the Constitution of  
 23      the State of Alaska and by regulations adopted by the commission.

24             Sec. 07.04.090. REJECTION OF CHARTER. If the Local Boundary  
 25      Commission determines that the charter fails to meet the standards for  
 26      organization it shall reject the charter stating in writing its reasons  
 27      for the rejection.

28             Sec. 07.04.100. AMENDED CHARTER. A charter commission, within 60  
 29      days of rejection, may prepare and submit to the Department of

1 Community and Regional Development an amended charter fairly meeting  
2 the stated objections to the original charter. The amended charter  
3 shall be evaluated in the same manner as the original charter. No more  
4 than one original and one amended charter may be submitted within one  
5 12 month period.

6 Sec. 07.04.110. RATIFICATION OF CHARTER. If the Local Boundary  
7 Commission determines that the charter meets the standards for organ-  
8 ization it shall notify the lieutenant governor. As soon thereafter as  
9 practicable the lieutenant governor shall provide for an election in  
10 the borough on the question of whether or not the charter is ratified  
11 and for election of the officers provided for in the charter. The  
12 election shall be preceded by publication and posting of the proposed  
13 charter by the lieutenant governor substantially in the manner provided  
14 for other charter elections in AS 29.85.150.

15 Sec. 07.04.120. CERTIFICATION OF RESULTS. If a majority of the  
16 votes cast by the qualified voters of the borough are against ratific-  
17 ation the lieutenant governor shall so certify and shall certify that  
18 the charter is defeated. If a majority of the votes cast by the quali-  
19 fied voters on the question are in favor of ratification the lieutenant  
20 governor shall so certify and declare that the borough in which the  
21 election was held is an organized borough and a municipal corporation  
22 in accordance with the terms of the charter. The lieutenant governor  
23 shall also certify the names of those candidates who received the great-  
24 est number of votes for the offices established by the charter.

25 Sec. 07.04.125. VOTERS, ELECTIONS AND COSTS. (a) A person  
26 is qualified to vote in a borough election authorized in this chapter  
27 if he is qualified to vote in state elections and if he is a resident  
28 of the borough.

29 (b) The lieutenant governor shall supervise elections under this

1 chapter as provided for supervision of other borough elections under  
2 AS 07.10.120(d).

3 (c) The state through the office of the lieutenant governor  
4 shall assume the costs of elections and charter preparation under this  
5 chapter.

6 \* Sec. 2. Nothing in this Act may be construed to affect any organiz-  
7 ation petition pending on the effective date of this Act. All such petitions  
8 shall be acted upon in the manner provided by law in effect prior to the  
9 effective date of this Act.

10 \* Sec. 3. AS 07.05.010 and AS 07.05.040 are repealed.

11 \* Sec. 4. This Act takes effect July 1, 1972.  
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Introduced: 2/14/72  
Referred: Local Government  
and State Affairs

1 IN THE HOUSE

BY FISCHER AND HUBER

2

HOUSE BILL NO. 660

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the governance of the unorganized  
7 borough; and providing for an effective date."

8

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

9

\* Section 1. AS 07.05 is amended by adding new sections to read:

10

Sec. 07.05.050. ASSEMBLY. The legislature, in joint session  
11 sitting as a unicameral body, acts by ordinance or resolution as the  
12 assembly for the unorganized borough.

13

Sec. 07.05.060. ASSEMBLY OFFICERS. The president of the senate  
14 serves as temporary borough chairman until the permanent chairman is  
15 elected by a majority vote of the membership of the assembly. The  
16 assembly may provide for the election of additional officers.

17

Sec. 07.05.070. RULES AND QUORUM. The assembly may adopt rules  
18 for the conduct of its business by a majority vote of the membership  
19 of the assembly. A majority of the membership of the assembly consti-  
20 tutes a quorum to do business. Passage of an ordinance or adoption  
21 of a resolution requires an affirmative vote of a majority of the mem-  
22 bership of the assembly.

23

Sec. 07.05.080. POWERS. The assembly has the powers of a first  
24 class borough. It may pass ordinances relating to schools, planning  
25 and zoning, assessment and taxation, and any other subject or activity  
26 with which a first class organized borough is empowered to deal.

27

\* Sec. 2. This Act takes effect on the date a constitutional amendment  
28 amending sec. 6, art. X, Constitution of the State of Alaska, establishing  
29 the legislature as the assembly for the unorganized borough becomes effective

Introduced: 2/29/72  
Referred: Health, Welfare  
and Education

BY THE HEALTH, WELFARE AND  
EDUCATION COMMITTEE

1 IN THE HOUSE

HOUSE BILL NO. 709

IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTH LEGISLATURE - SECOND SESSION

A BILL

6 For an Act entitled: "An Act relating to the terms of office of members of  
7 school boards."

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

9 \* Section 1. AS 14.12.050(b) is repealed and re-enacted to read:

10 (b) When a transition is made from a five-man school board to a  
11 seven-man school board, the length of the terms of office for the two  
12 new members to be elected shall be determined by lot so that when the  
13 terms of office for the two new members are assigned, the terms of  
14 office for the entire seven-man board shall be as follows: three  
15 members have a three-year term, two members have a two-year term, and  
16 two members have a one-year term. A seven-man school board, the terms  
17 of office of whose members at the time of transition from a five-man  
18 board did not result in terms expiring in the manner provided in this  
19 section, may, by resolution adopted by a majority of the members of  
20 the board, adjust the terms of office to conform to the schedule for  
21 expiration of terms of office provided in this section.

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Introduced: 3/3/72  
Referred: Local Government,  
State Affairs and Judiciary

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

2 HOUSE BILL NO. 720  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the incorporation of boroughs;  
7 and providing for an effective date."

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

9 \* Section 1. AS 07.10 is amended by adding a new section to read:

10 Sec. 07.10.115. APPROVAL BY LEGISLATURE. If the Local Boundary  
11 Commission accepts the petition, and before an election under sec. 120  
12 of this chapter, the commission shall present the proposed borough  
13 incorporation to the legislature during the first 10 days of a regular  
14 session. The incorporation shall be approved by the legislature 45  
15 days after presentation or at the end of the session, whichever is  
16 earlier, unless disapproved by a resolution concurred in by a majority  
17 of the members of each house.

18 \* Sec. 2. AS 07.10.120(a) is amended to read:

19 (a) Date of election. Upon the approval of the proposed incor-  
20 poration by the legislature, the Local Boundary Commission [IF THE  
21 LOCAL BOUNDARY COMMISSION ACCEPTS THE PETITION, IT] shall immediately  
22 notify the lieutenant governor of its action and shall furnish him  
23 with such information on the proposed incorporation as he requires.  
24 Within 30 days after the receipt of his notification, the lieutenant  
25 governor shall issue an order that an election be held within the  
26 proposed organized borough to determine the question of whether the  
27 qualified voters of the proposed organized borough desire to be  
28 incorporated; and if so, to elect members of the first assembly of the  
29 borough, the borough chairman, and the members of the first school

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board, and to determine whether the borough shall have an appointed borough manager or an elected borough chairman. The date of the election specified by the lieutenant governor in the order shall be not less than 30 nor more than 90 days after the date of the order of election. The lieutenant governor shall also specify in the election order the dates during which petitions for nominations may be filed with him.

\* Sec. 3. AS 44.19.260(a) is amended by adding a new paragraph to read:

(5) present to the legislature during the first 10 days of a regular session proposed borough incorporations.

\* Sec. 4. Notwithstanding the provisions of AS 07.10.115, with respect to any borough proposed for incorporation after February 15, 1972, and before an election under AS 07.10.020, the Local Boundary Commission shall submit the proposed borough incorporation to the legislature.

\* Sec. 5. This Act takes effect February 15, 1972.

Introduced: 3/9/72  
Referred: Resources and  
State Affairs

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 HOUSE BILL NO. 729

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to parks and open space areas within  
7 cities, organized boroughs and the unorganized borough;  
8 and providing for an effective date."

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

10 \* Section 1. AS 29.10 is amended by adding a new section to read:

11 Sec. 29.10.128. DEDICATION OF PARKS AND OPEN SPACE AREAS. (a) As  
12 a condition to approval by the platting board of a proposed subdivision  
13 for new housing construction, a subdivider shall dedicate a designated  
14 net acreage per cent of the gross area on the plat for park and open  
15 space purposes, according to the following formula:  $H = \left[ \left( \frac{B}{A} \right) XC \right] XG$

16 H = percentage of net acreage required for neighborhood park purposes

17 A = average lot size in proposed subdivision (sq. ft.)

18 B = the number of square feet in an acre available for residential  
19 development

20 C = maximum dwelling units per lot allowed by the applicable zoning  
21 ordinance

22 E = average persons per dwelling unit in the zoning district

23 G = acreage standard for neighborhood parks divided by the number of  
24 people that acreage should serve.

25 (b) For purposes of the formula specified in (a) of this section,  
26 the platting board shall determine the number of square feet in an  
27 acre available for residential development "B", and the acreage standard  
28 for neighborhood parks and the number of people that acreage should  
29 serve "G".

1 (c) A city acquiring a parcel of improved or unimproved land  
 2 through foreclosure, purchase, condemnation, exchange or otherwise may  
 3 dedicate all or part of the parcel for park and open space purposes if  
 4 the governing body, after consideration of the advice of the planning  
 5 commission, the results of the application of the formula specified in  
 6 (a) of this section, and an absence or lack of proximate park and open  
 7 space sites to accommodate the population of the area, determines that  
 8 the best use of the property is for park and open space purposes.

9 (d) To facilitate development of ample parks and open space  
 10 areas within the city, the governing body may provide for sale, ex-  
 11 change or other disposition of parcels acquired under this section  
 12 for the sole purpose of consolidating or rearranging parks and open  
 13 space areas to provide improved facilities.

14 (e) Up to five per cent of the amount of land required to be  
 15 dedicated under (a) of this section, shall be dedicated without compen-  
 16 sation. Any percentage required to be dedicated above five per cent  
 17 shall be compensated at fair market value by the local governing body  
 18 for the area in which the land is located.

19 (f) The amount of local contribution required under (e) of this  
 20 section shall be reduced by a reimbursement to the local governing  
 21 body of up to 50 per cent by the state; however, if available, federal  
 22 funds shall reduce the state contribution and if federal funds exceed  
 23 the amount of the state contribution, the excess over the state contri-  
 24 bution inures to the benefit of the local government.

25 (g) This section does not apply to a subdivision if, under a  
 26 plan or program other than the formula specified in this section, a  
 27 park or open space area at least as large as the area required to be  
 28 dedicated under (a) of this section is provided within the gross area of  
 29 the subdivision on a permanent basis.

1 (h) In this section "subdivision" means "subdivision" as defined  
2 in AS 40.15.190(2).

3 \* Sec. 2. AS 29.08 is amended by adding a new section to read:

4 Sec. 29.08.220. DEDICATION OF PARKS AND OPEN SPACE AREAS.  
5 AS 29.10.128, relating to dedication of parks and open space areas,  
6 applies to home rule cities.

7 \* Sec. 3. AS 07.12 is amended by adding a new section to read:

8 Sec. 07.12.100. DEDICATION OF PARKS AND OPEN SPACE AREAS.  
9 AS 29.10.128, relating to dedication of parks and open space areas,  
10 applies to home rule boroughs.

11 \* Sec. 4. AS 29.15.290 is amended to read:

12 Sec. 29.15.290. APPLICATION OF LAWS GOVERNING FIRST CLASS CITIES.  
13 All laws and parts of laws empowering and regulating first class  
14 cities on special assessments, public utilities, airports, public  
15 service rates, franchises, acquisition and disposition of property,  
16 motor vehicles and motor vehicle operators, [AND] schools, and dedi-  
17 cation of parks and open space areas, apply to second class cities.

18 \* Sec. 5. AS 29.20 is amended by adding a new section to read:

19 Sec. 29.20.065. PARKS AND RECREATION AREAS. The board of  
20 trustees of a city of the third class may provide for the location,  
21 construction, operation and maintenance of parks, trails and playgrounds,  
22 subject to the same provisions governing dedications of park and open  
23 space areas as are set out for first class cities in AS 29.10.128.

24 \* Sec. 6. AS 29.25.297 is amended to read:

25 Sec. 29.25.297. PARKS AND RECREATION. The council may provide  
26 for the location, construction, operation and maintenance of parks,  
27 trails, playgrounds and community centers and the preservation of the  
28 scenic and historic resources of the community, subject to the same  
29 provisions governing dedications of park and open space areas as are

set out for first class cities in AS 29.10.128.

\* Sec. 7. AS 07.15 is amended by adding a new section to read:

Sec. 07.15.727. PARKS AND RECREATION. The second class borough may provide for the location, construction, operation and maintenance of parks, trails and playgrounds in the area outside cities, subject to the same provisions governing dedications of park and open space areas as are set out for first class cities in AS 29.10.128. The exercise of powers under this section in the area outside cities is at the option of the borough and is not subject to the restrictions on acquiring additional powers specified in secs. 720 and 730 - 800 of this chapter.

\* Sec. 8. AS 07.17 is amended by adding a new section to read:

Sec. 07.17.022. PARKS AND RECREATION. A third class borough may provide for the location, construction, operation and maintenance of parks, trails and playgrounds in the area outside cities, subject to the same provisions governing dedications of park and open space areas as are set out for first class cities in AS 29.10.128. The exercise of powers in the area outside cities under this section is at the option of the borough and is not subject to the restrictions on acquiring additional powers specified in secs. 720 and 730 - 800 of this chapter.

\* Sec. 9. AS 38.05.295 is amended to read:

Sec. 38.05.295. PARKS AND RECREATION AREAS. (a) The commissioner shall establish a policy and prescribe rules and regulations by which parks and recreation areas, including public scenic overlooks and cultural sites, shall be developed and managed in a manner that will best serve the interests of the people of the state. The commissioner may classify public lands as parks, scenic overlooks, cultural sites and recreation areas as long as the general intent of this

chapter is maintained.

(b) The director of the division of parks shall by regulation establish for observance by local governments criteria and guidelines relating to development, preservation, maintenance and operation of parks located or enlarged after July 1, 1971 within home rule and general law cities and organized boroughs of any class. For this purpose and in order to qualify for state aid for parks and open space areas under AS 43.18.010(j) the local governments shall submit at a time and in a form designated by the director an overall plan for park and open space development within the municipality as well as specific plans for individual park and open space projects.

\* Sec. 10. AS 43,18,010 is amended by adding a new subsection to read:

(j) During each fiscal year the state shall pay to a city or an organized borough an amount equal to 50 per cent of the nonfederal share of estimated reasonable costs for that year of the development, care, and maintenance of parks and open space areas in accordance with a plan submitted and approved by the division of parks under AS 38.05.-295(b). Funds shall be allocated only for use to further the purposes aided under this section and after the local government applies for, and makes reasonable efforts to secure available federal assistance for such purposes.

\* Sec. 11. AS 07.05.040(a) is amended to read:

(a) In areas of the unorganized borough where there is no political subdivision of the state with a zoning power, the division of lands, Department of Natural Resources, shall exercise the zoning power by adopting zoning regulations. The provisions of AS 29.10.128(a) and (d) apply to subdivisions proposed within the area of the unorganized borough outside incorporated cities, except that the division of lands shall exercise the responsibilities conferred upon platting boards

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1     under AS 29.10.128(a).

2     \* Sec. 12. This Act takes effect July 1, 1972.

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FCC Notebook

Volume 3

Bills Considered

LOCAL GOV. ASST.

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(3 of 3)

VOLUME 3

BILLS CONSIDERED

ALASKA LOCAL GOVERNMENT

ACE 505004

1 IN THE SENATE

BY HAMMOND

2 SENATE BILL NO. 37

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to power of organized boroughs to  
7 prohibit water pollution."

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

9 \* Section 1. AS 07.15 is amended by adding a new section to read:

10 Sec. 07.15.370. WATER POLLUTION CONTROL. (a) The assembly of  
11 the first and second class borough may by ordinance prohibit pollution  
12 of waters wholly or partially within, or bordering, the borough or  
13 otherwise under its jurisdiction and may impose and collect fines for  
14 violations of an ordinance adopted. Each day on which a violation  
15 occurs may be declared a separate violation for which a fine may be  
16 imposed and collected.

17 (b) An ordinance adopted under this section may not conflict with  
18 the provisions of state or federal statutes or regulations controlling  
19 water pollution or establish standards for determining water pollution  
20 which are more stringent than those of state or federal statutes or  
21 regulations.

22 (c) Upon adoption of an ordinance under this section, no general  
23 law or home rule city within the borough may exercise within the city  
24 the powers conferred in the ordinance, unless the ordinance provides  
25 otherwise or the borough by subsequent ordinance ceases to exercise the  
26 power. The exercise of the areawide power is at the option of the  
27 borough and is not subject to the restrictions on acquiring additional  
28 areawide powers specified in sec. 350 of this chapter.

29 (d) In (a) of this section "pollution" has the meaning set out

2  
1 in AS 46.05.230(5) (the Water Pollution Control Act) and "waters"  
2 includes those classifications of water bodies set out in AS 46.05.-  
3 230(10).

4 \* Sec. 2. AS 07.17.020 is amended by adding a new subsection to read:

5 (d) The assembly of the third class borough may by ordinance  
6 prohibit water pollution as provided for first and second class  
7 boroughs in AS 07.15.370. The exercise of the power is at the option  
8 of the borough and is not subject to the restrictions on acquiring  
9 additional powers provided for other boroughs.  
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1 IN THE SENATE

BY YOUNG

2 SENATE BILL NO. 44

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing state grants to organized boroughs  
7 and cities for protection of land endangered by flood-  
8 ing or erosion, and otherwise relating to protection  
9 of this land."

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

11 \* Section 1. AS 43.18 is amended by adding a new section to read:

12 Sec. 43.18.300. STATE AID FOR PROTECTION OF ENDANGERED LAND.

13 (a) An organized borough or a city located outside an organized  
14 borough is entitled to state grants to supplement local funds which are  
15 expended after July 1, 1971 for costs of protecting endangered land, in  
16 the ratio of 75 per cent state funds to 25 per cent local matching  
17 funds, as provided in this section.

18 (b) To qualify for a grant under this section, the governing body  
19 shall furnish to the commissioner proof in the form required by him  
20 that it has deposited in a local municipal capital project fund sepa-  
21 rate from other municipal funds and accounts an amount to be utilized  
22 solely for costs of protecting endangered land. The amount deposited  
23 as a local share may be derived from any source other than the state.  
24 In accepting proof of deposit of the local share, the commissioner shall  
25 allow as part of the share the reasonable value of in-kind contributions  
26 pledged and directly related to payment of the costs of protecting  
27 endangered land. Determination of value by the commissioner is final.  
28 Upon receipt of satisfactory proof of deposit of the local share in the  
29 municipal capital project fund, the commissioner shall provide for

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1 allocation from state appropriations available for the purpose payment  
2 in the ratio authorized in (a) of this section.

3 (c) State money and equal amounts of local money deposited in a  
4 municipal capital project fund under this section shall be utilized  
5 solely to pay costs of measures intended to prevent or control flooding  
6 or soil erosion with respect to endangered land.

7 (d) The commissioner shall require accounting of money in the  
8 municipal capital project fund in the uniform manner set out in the  
9 Manual of Governmental Accounting, Auditing and Financial Reporting,  
10 1968, as supplemented, issued by the National Committee on Governmental  
11 Accounting.

12 (e) The endangered land grant account is established. Funds  
13 to carry out the provisions of this section may be appropriated annually  
14 by the legislature to the account. If amounts in the account are insuf-  
15 ficient for the purpose of each local government's share authorized in  
16 this section, such funds as are available shall be distributed pro rata  
17 among eligible local governments.

18 (f) Money in the grant account which, at the end of the fiscal  
19 year for which the money is appropriated, exceeds the amount required  
20 for the allocations authorized in this section reverts to the general  
21 fund.

22 (g) The department shall provide an annual report to the legis-  
23 lature respecting grants made under this section.

24 (h) The department may promulgate regulations to implement this  
25 section.

26 (i) In this section

27 (1) "commissioner" means the commissioner of natural re-  
28 sources;

29 (2) "endangered land" means publicly or privately-owned land,

1 whether developed or not, which in the determination of the governing  
2 body and commissioner is subject to a substantial threat or condition  
3 of flooding or erosion because of its particular situation in the  
4 municipality;

5 (3) "department" means the department of natural resources;

6 (4) "governing body" means the governing body of an organized  
7 borough or a city of any class located outside an organized borough.

8 \* Sec. 2. AS 07.15.350 is amended by adding a new section to read:

9 Sec. 07.15.370. LAND PROTECTION. The assembly of the first or  
10 second class borough may by ordinance or otherwise take action it con-  
11 siders necessary to prevent or control damage as a result of flooding  
12 or erosion of land within the borough. The exercise of the areawide  
13 power conferred in this section is at the option of the borough and is  
14 not subject to the restrictions on acquiring additional areawide powers  
15 specified in sec. 350 of this chapter.

16 \* Sec. 3. AS 07.17.020 is amended by adding a new subsection to read:

17 (c) The assembly of the third class borough may by ordinance or  
18 otherwise take action it considers necessary to prevent or control  
19 damage as a result of flooding or erosion of land within the borough.  
20 The exercise of the areawide power conferred in this subsection is at  
21 the option of the borough and is not subject to the restrictions on  
22 acquiring additional areawide powers specified for other boroughs.

23 \* Sec. 4. AS 29.10 is amended by adding a new section to read:

24 Sec. 29.10.134. LAND PROTECTION. The council of a first class  
25 city located outside an organized borough may by ordinance or otherwise  
26 take action it considers necessary to prevent or control damage as a  
27 result of flooding or erosion of land within the city.

28 \* Sec. 5. AS 29.15 is amended by adding a new section to read:

29 Sec. 29.15.155. LAND PROTECTION. The board of trustees of a

1 second class city located outside an organized borough may by ordinance  
2 or otherwise take action it considers necessary to prevent or control  
3 damage as a result of flooding or erosion of land within the city.

4 \* Sec. 6. AS 29.20 is amended by adding a new section to read:

5 Sec. 29.20.065. LAND PROTECTION. The board of trustees of a third  
6 class city located outside an organized borough may by ordinance or  
7 otherwise take action it considers necessary to prevent or control  
8 damage as a result of flooding or erosion of land within the city.

9 \* Sec. 7. AS 29.25 is amended by adding a new section to read:

10 Sec. 29.25.245. LAND PROTECTION. The council of a fourth class  
11 city located outside an organized borough may by ordinance or otherwise  
12 take action it considers necessary to prevent or control damage as a  
13 result of flooding or erosion of land within the city.

Offered: 1/27/71  
Referred: Local Government

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 74

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to power of third class boroughs to  
7 incur indebtedness."

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

9 \* Section 1. AS 07.17.020 is amended by adding a new subsection to read:

10 (c) A third class borough may borrow money and issue negotiable  
11 general obligation, revenue or refunding bonds and other evidences  
12 of indebtedness as provided for first and second class boroughs in  
13 AS 07.15.010(12) and 07.15.030.

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BY THE RULES COMMITTEE  
BY REQUEST OF THE  
LEGISLATIVE COUNCIL

1 IN THE SENATE

2 SENATE BILL NO. 79

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act exempting business inventories from property  
7 taxes levied by local governments; and providing for  
8 an effective date."

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

10 \* Section 1. AS 29.10.336(a) is amended to read:

11 (a) Property owned by the city or the state; the household  
12 furniture of the head of a family or a householder not exceeding  
13 \$500 in value; business inventories; all property used exclusively  
14 for nonprofit religious, charitable, cemetery, hospital, or educational  
15 purposes; the property of an organization, not organized for business  
16 purposes, whose membership is composed entirely of individuals with  
17 90 days or more of active service in the armed forces of the United  
18 States whose conditions of service and separation were other than  
19 dishonorable, or the property of the auxiliary of any such organiza-  
20 tion; and all money on deposit are exempt from taxation.

21 \* Sec. 2. This Act takes effect July 1, 1971.

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Offered: 1/28/71  
Referred: Local Government

1 IN THE SENATE

BY JOSEPHSON, CROFT, GROH,  
RADER, THOMAS

2 SENATE BILL NO. 82

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the granting of public transit  
7 powers to first class cities."

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

9 \* Section 1. AS 29.10 is amended by adding a new section to read:

10 Sec. 29.10.118. PUBLIC TRANSPORTATION CONSTRUCTION AND MAINTENANCE.  
11 The council may provide for the location, construction, purchase  
12 establishment, operation and maintenance of public transportation  
13 systems including the acquisition and construction of appropriate  
14 rights-of-way, and may expend city funds for this purpose.

Original sponsor: Hensley

Offered: 3/26/71  
Referred: Rules

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IN THE SENATE

BY THE JUDICIARY COMMITTEE

HOUSE CS FOR SENATE BILL NO. 117

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to eminent domain powers of fourth class cities."

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

\* Section 1. AS 29.25 is amended by adding a new section to read:

Sec. 29.25.335. EMINENT DOMAIN. The council may exercise the powers of eminent domain and declaration of taking in the performance of an authorized city power or function, in accordance with AS 09.55.-250 - 09.55.460. Before exercising the power, the council shall request or petition the Local Affairs Agency for permission to exercise the power. The council may not exercise the power of eminent domain or declaration of taking without the formal approval of the Local Affairs Agency. The exercise of the power of eminent domain or declaration of taking shall be by ordinance which shall be submitted to the qualified voters at the next regularly scheduled general election or special election called for that purpose. A majority of the qualified voters voting on the question is required for approval of the ordinance.

Original sponsors: Hensley and Croft

Offered: 3/26/71  
Referred: Rules

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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HOUSE CS FOR SENATE BILL NO. 119

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to historic preservation."

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

8 \* Section 1. AS 41 is amended by adding a new chapter to read:

9

CHAPTER 35. ALASKA HISTORIC PRESERVATION ACT.

10

Sec. 41.35.010. DECLARATION OF POLICY. It is the policy of the

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state to preserve and protect the historic, prehistoric and archeological

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resources of Alaska from loss, desecration and destruction so that the

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scientific, historic and cultural heritage embodied in these resources

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may pass undiminished to future generations. To this end, the legisla-

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ture finds and declares that the historic, prehistoric and archeological

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resources of the state are properly the subject of concerted and co-

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ordinated efforts exercised on behalf of the general welfare of the

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public in order that these resources may be located, preserved, studied,

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exhibited and evaluated.

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Sec. 41.35.020. TITLE TO HISTORIC, PREHISTORIC AND ARCHEOLOGICAL

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RESOURCES; LOCAL DISPLAY. (a) The State of Alaska reserves to itself

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title to all historic, prehistoric and archeological resources situated

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on land owned or controlled by the state, including tidelands and sub-

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merged lands, and reserves to itself the exclusive right of field

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archeology on state-owned or controlled lands. However, nothing in

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this chapter diminishes the cultural rights and responsibilities of

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persons of aboriginal descent or infringes upon their right of posses-

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sion and use of those resources which may be considered of historic,

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prehistoric or archeological value.

1 (b) Although title to historic, prehistoric and archeological  
 2 resources is in the State of Alaska, local cultural groups may obtain  
 3 from the state, or retain, for study or display, artifacts and other  
 4 items of these resources from their respective cultures or areas if  
 5 the advisory committee created in sec. 110 of this chapter finds that  
 6 (1) the group has a durable building with weatherproof and fireproof  
 7 construction and humidity control and other factors necessary to serve  
 8 as a museum which will assure safe preservation of the items, (2) the  
 9 item sought to be obtained is not one for which there is an undue risk  
 10 of damage during transportation, and (3) the item sought to be obtained  
 11 or retained is not one requiring special treatment or care beyond the  
 12 ability or means of the group requesting it. A group retaining such  
 13 an item or obtaining one from the state shall house it in the museum  
 14 building and shall make every reasonable effort to assure its safe  
 15 preservation. If the advisory committee finds that a local cultural  
 16 group is not properly taking care of an item the group shall return it  
 17 to the department.

18 Sec. 41.35.030. DESIGNATION OF MONUMENTS AND HISTORIC SITES. Upon  
 19 the recommendation of the Historic Sites Advisory Committee, the gover-  
 20 nor may declare by public order any particular historic, prehistoric  
 21 or archeological structure, deposit, site or other object of scientific  
 22 or historic interest that is situated on land owned or controlled by  
 23 the state to be a state monument or historic site and he may designate  
 24 as a part of the monument or site as much land as is considered  
 25 necessary for the proper access, care and management of the object or  
 26 site to be protected. When an object or site is situated on land held  
 27 in private ownership, it may be declared a state monument or historic  
 28 site in the same manner, with the written consent of the owner.

29 Sec. 41.35.040. ADMINISTRATION AND FINANCIAL SUPPORT OF MONUMENTS

1 AND HISTORIC SITES. State-owned monuments, sites and other historic,  
 2 prehistoric or archeological properties owned or purchased by the state  
 3 are under the control of the Department of Natural Resources and their  
 4 maintenance shall be covered in the appropriations made to that depart-  
 5 ment. Privately-owned state monuments or historic sites are eligible  
 6 to receive state support for their maintenance, restoration and rehabili-  
 7 tation if they are kept accessible to the general public and application  
 8 for support is made in conformity with regulations adopted by the com-  
 9 missioner of natural resources.

10 Sec. 41.35.050. REGULATIONS. The commissioner of natural re-  
 11 sources shall adopt regulations to carry out the purposes of this chapter.

12 Sec. 41.35.060. POWER TO ACQUIRE HISTORIC, PREHISTORIC OR  
 13 ARCHEOLOGICAL PROPERTIES. (a) The department, with the recommendation  
 14 of the Historic Sites Advisory Committee, may acquire real and personal  
 15 properties that have statewide historic, prehistoric or archeological  
 16 significance by gift, purchase, devise or bequest. The department  
 17 shall preserve and administer property so acquired. The department  
 18 may acquire property adjacent to the property having historic, pre-  
 19 historic or archeological significance when it is determined to be  
 20 necessary for the proper use and administration of the significant  
 21 property.

22 (b) If an historic, prehistoric or archeological property which  
 23 has been found by the department, upon the recommendation of the  
 24 Historic Sites Advisory Committee, to be important for state ownership  
 25 is in danger of being sold or used so that its historic, prehistoric  
 26 or archeological value will be destroyed or seriously impaired, or is  
 27 otherwise in danger of destruction or serious impairment, the department  
 28 may establish the use of the property in a manner necessary to preserve  
 29 its historic, prehistoric or archeological character or value. If the

1 owner of the property does not wish to follow the restrictions of the  
2 department, the department may acquire the property by eminent domain  
3 under AS 09.55.240 - 09.55.460.

4 Sec. 41.35.070. PRESERVATION OF HISTORIC, PREHISTORIC AND  
5 ARCHEOLOGICAL RESOURCES THREATENED BY PUBLIC CONSTRUCTION. (a) The  
6 state archeologist shall locate, identify and preserve in suitable  
7 records information regarding historic, prehistoric and archeological  
8 sites, locations and remains. The information shall be submitted to  
9 the heads of the executive departments of the state.

10 (b) Before any public construction or public improvement of any  
11 nature is undertaken by the state, or a governmental agency of the  
12 state or by a private person under contract with or licensed by the  
13 state or governmental agency of the state, the state archeologist may  
14 survey the affected area to determine if the area contains historic,  
15 prehistoric or archeological values.

16 (c) If the state archeologist determines that historic, prehistoric  
17 or archeological sites, locations or remains will be adversely affected  
18 by the public construction or improvement, the proposed public construc-  
19 tion or improvement may not be commenced until the department in co-  
20 operation with the state archeologist has performed the necessary  
21 investigation, recording and salvage of the site, location or remains.  
22 All investigation, recording and salvage work shall be performed as  
23 expeditiously as possible so that no state construction project will  
24 be unduly impaired, impeded or delayed.

25 (d) If in the course of performing public construction or improve-  
26 ments, historic, prehistoric or archeological sites, locations, remains  
27 or objects are discovered, the state archeologist shall be notified  
28 and his concurrence shall be requested in continuing the construction  
29 or improvement. Upon receipt of this notice, the state archeologist

1 shall survey the area to determine whether the area contains historic,  
 2 prehistoric or archeological data which should be preserved in the public  
 3 interest. The survey shall be conducted as expeditiously as possible.  
 4 If, as a result of the survey, it is determined that (1) such data  
 5 exists in the area, (2) the data has exceptional historic, prehistoric  
 6 or archeological significance, and should be collected and preserved  
 7 in the public interest, and (3) it is feasible to collect and preserve  
 8 the data, the department in cooperation with the state archeologist  
 9 shall perform the necessary work to collect and preserve the data.  
 10 This work shall be performed as expeditiously as possible.

11 (e) If the concurrence of the state archeologist, required under  
 12 (b) and (c) of this section, is not obtained after 90 days from the  
 13 filing of a request for his concurrence to proceed with the project,  
 14 the agency or person performing the construction or improvement may  
 15 apply to the governor for permission to proceed without such concu-  
 16 rence and the governor may take the action he considers best in over-  
 17 ruling or sustaining the state archeologist.

18 (f) The costs of investigation, recording and salvage of the  
 19 site shall be reimbursed by the agency sponsoring the construction  
 20 project.

21 (g) Notwithstanding (a) and (f) of this section, all actions of  
 22 the archeologist to stop any project must first be approved in writing  
 23 by the commissioner of natural resources.

24 Sec. 41.35.080. PERMITS. The commissioner, with the advice and  
 25 concurrence of the state archeologist, may issue a permit for the  
 26 investigation, excavation, gathering or removal from the natural state,  
 27 of any historic, prehistoric or archeological resources of the state.  
 28 A permit may be issued only to persons or organizations qualified to  
 29 make the investigations, excavations, gatherings or removals and only

1 if the results of these authorized activities will be made available to  
 2 the general public through institutions and museums interested in  
 3 disseminating knowledge on the subjects involved. If the historic,  
 4 prehistoric or archeological resource involved is one which is, or is  
 5 located on a site which is, sacred, holy or of religious significance  
 6 to a cultural group, the consent of that cultural group must be obtained  
 7 before a permit may be issued under this section.

8 Sec. 41.35.090. NOTICE REQUIRED OF PRIVATE PERSONS. Before any  
 9 construction, alteration or improvement of any nature is undertaken on  
 10 a privately-owned, officially designated state monument or historic  
 11 site by any person, he shall give the department and the state archeolo-  
 12 gist three months notice of intention to construct on, alter or improve  
 13 it. Before the expiration of the three-month notification period, the  
 14 department shall either begin eminent domain proceedings under sec.  
 15 50(b) of this chapter or undertake or permit the recording and salvaging  
 16 of any historic, prehistoric or archeological information considered  
 17 necessary.

18 Sec. 41.35.100. EXCAVATION AND REMOVAL OF HISTORIC, PREHISTORIC  
 19 OR ARCHEOLOGICAL REMAINS ON PRIVATE LANDS. Before any historic, pre-  
 20 historic or archeological remains are excavated or removed from private  
 21 lands by the department or the state archeologist, the written approval  
 22 of the owner shall first be secured. When the value of the private land  
 23 is diminished by the excavation or removal, the owner of the land shall  
 24 be compensated for the loss at a monetary sum mutually agreed on by  
 25 the department and the owner or at a monetary sum set by the court.

26 Sec. 41.35.110. HISTORIC SITES ADVISORY COMMITTEE. There is  
 27 created in the Department of Natural Resources the Historic Sites  
 28 Advisory Committee.

29 Sec. 41.35.120. COMPOSITION OF COMMITTEE. The committee consists

1 of the following persons:

- 2 (1) the state archeologist;
- 3 (2) the state liaison officer appointed under the National
- 4 Historic Preservation Act of 1966, Public Law 89 - 665;
- 5 (3) three persons with professionally relevant backgrounds
- 6 appointed from the following fields: history, anthropology, paleontology,
- 7 architecture, geology, archeology; and natural history; and
- 8 (4) two persons appointed to represent indigenous ethnic
- 9 groups.

10 Sec. 41.35.130. APPOINTMENT OF MEMBERS. Members of the committee  
11 are appointed by the governor and confirmed by the legislature meeting  
12 in joint session. The members of the committee shall serve at the  
13 pleasure of the governor.

14 Sec. 41.35.140. TERM OF MEMBERSHIP. The term of office for a  
15 member of the committee is three years, except for those who are members  
16 by virtue of their positions with the state. They serve for as long  
17 as they remain in the position by virtue of which they are members of  
18 the committee. A member appointed to fill a vacancy serves for the  
19 unexpired term of the member he succeeds. Of those members listed  
20 under sec. 120(3) and (4) of this chapter, upon initial appointment,  
21 one shall serve for one year, two for two years, and two for three  
22 years.

23 Sec. 41.35.150. COMPENSATION. The members of the committee serve  
24 without compensation but are entitled to per diem and travel expenses  
25 authorized by law for other boards and commissions.

26 Sec. 41.35.160. OFFICERS. At the first meeting of each year,  
27 the committee shall elect a chairman from among its members.

28 Sec. 41.35.170. MEETINGS AND QUORUM. The committee shall meet  
29 at least twice a year. Additional meetings may be called by the chair-

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1 man or by petition of at least five members. Five members of the com-  
2 mittee constitute a quorum.

3 Sec. 41.35.18). DUTIES OF THE COMMITTEE. The Historic Sites  
4 Advisory Committee shall

5 (1) develop criteria for the evaluation of state monuments  
6 and historic sites and all real and personal property which may be con-  
7 sidered to be of historic, prehistoric or archeological significance  
8 as would justify their acquisition and ownership by the state;

9 (2) cooperate with the Department of Natural Resources and  
10 the state archeologist in formulating and administering a statewide  
11 historic sites survey under the National Historic Preservation Act of  
12 1966, Public Law 89 - 665;

13 (3) review those surveys and historic preservation plans  
14 that may be required, and approve properties for nomination to the  
15 National Register as provided for in the National Historic Preservation  
16 Act of 1966, Public Law 89 - 665;

17 (4) provide necessary assistance to the governor and the  
18 legislature for achieving balanced and coordinated state policies and  
19 programs for the preservation of the state's historic, prehistoric and  
20 archeological resources.

21 Sec. 41.35.190. POWERS OF CHAIRMAN. Subject to available appro-  
22 priations the chairman may, with the concurrence of a majority of the  
23 committee, employ necessary personnel and may contract for the services  
24 of experts and other persons who may be needed.

25 Sec. 41.35.200. UNLAWFUL ACTS. (a) It is unlawful for a person  
26 to appropriate, excavate, remove, injure, or destroy, without a permit  
27 from the commissioner, any historic, prehistoric or archeological  
28 resources of the state.

29 (b) It is unlawful for a person to knowingly possess, sell, buy

1 or transport within the state, or offer to sell, buy or transport  
2 within the state, historic, prehistoric or archeological resources  
3 taken or acquired in violation of this section or 16 U.S.C. 433.

4 (c) No person may unlawfully destroy, mutilate, deface, injure,  
5 remove or excavate a gravesite or a tomb, monument, gravestone or  
6 other structure or object at a gravesite, even though the gravesite  
7 appears to be abandoned, lost or neglected.

8 (d) An historic, prehistoric or archeological resource which is  
9 taken in violation of this section shall be seized by any person  
10 designated in sec. 220 of this chapter wherever found and at any time.  
11 Objects seized may be disposed of as the commissioner determines by  
12 deposit in the proper public depository.

13 Sec. 41.35.210. PENALTIES. A person who violates a provision  
14 of this chapter is guilty of a misdemeanor, and upon conviction is  
15 punishable by a fine of \$1,000, or by imprisonment for not more than  
16 six months, or by both.

17 Sec. 41.35.220. ENFORCEMENT AUTHORITY. The following persons are  
18 peace officers of the state and shall enforce this chapter:

- 19 (1) an employee of the department authorized by the commis-
- 20 sioner;
- 21 (2) a peace officer in the state;
- 22 (3) any other person authorized by the commissioner.

23 Sec. 41.35.230. DEFINITIONS. In this chapter, unless the context  
24 otherwise requires

- 25 (1) "commissioner" means the commissioner of natural
- 26 resources;
- 27 (2) "committee" means the Historic Sites Advisory Committee;
- 28 (3) "department" means the Department of Natural Resources;
- 29 (4) "historic, prehistoric and archeological resources"

1 include deposits, structures, ruins, sites, buildings, graves, arti-  
2 facts, fossils, or other objects of antiquity which provide information  
3 pertaining to the historical or prehistorical culture of people in the  
4 state as well as to the natural history of the state.

5 Sec. 41.35.240. TITLE OF CHAPTER. This chapter may be cited as  
6 the Alaska Historic Preservation Act.

7 \* Sec. 2. AS 38.12 and 38.25 are repealed.

8 \* Sec. 3. AS 44.19 is amended by adding a new section to read:

9 Sec. 44.19.024. STATE ARCHEOLOGIST AND DUTIES. (a) There is  
10 established in the Department of Natural Resources the position of  
11 state archeologist. The state archeologist shall be a qualified  
12 archeologist who shall serve at the pleasure of the governor.

13 (b) The state archeologist shall

14 (1) sponsor, engage in and direct fundamental research into  
15 the archeology of the state and encourage and coordinate archeological  
16 research and investigation undertaken in the state;

17 (2) cooperate with the Department of Natural Resources and  
18 the Historic Sites Advisory Committee in performing their functions  
19 under AS 41.35;

20 (3) cooperate with the Department of Natural Resources in  
21 preparing an inventory of historic, prehistoric and archeological  
22 sites in the state;

23 (4) cooperate with the commissioner of natural resources  
24 in reviewing and issuing investigation, excavation, gathering and re-  
25 moval permits;

26 (5) ensure that historic, prehistoric and archeological  
27 sites are properly reported by persons or agencies engaged in public  
28 construction work and protect sites and objects of significance dis-  
29 covered at state sites or discovered during the course of public

1 construction and encourage the protection of sites and objects dis-  
2 covered during the course of any other construction work;

3 (6) investigate reported historic, prehistoric or archeo-  
4 logical sites and appraise them for any future excavation; and

5 (7) serve as a central clearinghouse for information on all  
6 historic, prehistoric and archeological site excavation in the state.

7 \* Sec. 4. AS 29.10 is amended by adding new sections to read:

8 Sec. 29.10.223. EXCEPTIONS FOR HISTORIC SITES, BUILDINGS AND  
9 MONUMENTS. Exceptions to the regulations provided for in secs. 213  
10 and 219 of this chapter may be made in order to provide for the preserva-  
11 tion, mainenance and protection of historic sites, buildings and  
12 monuments.

13 Sec. 29.10.344. EXEMPTION OF HISTORIC SITES, BUILDINGS AND  
14 MONUMENTS. In levying, assessing and collecting taxes for school and  
15 city purposes, the council or assembly may by ordinance classify and  
16 exempt from taxation historic sites, buildings and monuments.

17 \* Sec. 5. AS 29.15 is amended by adding a new section in art. 3 to read:

18 Sec. 29.15.205. HISTORIC SITES, BUILDINGS AND MONUMENTS. The  
19 board of trustees may provide for the preservation, maintenance and  
20 protection of historic sites, buildings and monuments.

21 \* Sec. 6. AS 29.20 is amended by adding a new section to read:

22 Sec. 29.20.065. HISTORIC SITES, BUILDINGS AND MONUMENTS. The  
23 board of trustees of a city of the third class may provide for the  
24 preservation, maintenance and protection of historic sites, buildings  
25 and monuments.

26 \* Sec. 7. AS 29.25 is amended by adding a new section to read:

27 Sec. 29.25.305. ZONING EXCEPTIONS FOR HISTORIC SITES, BUILDINGS  
28 AND MONUMENTS. Exceptions to the zoning ordinances provided for under  
29 sec. 300 of this chapter and other ordinances regulating building

1 requirements and specifications may be made in order to provide for the  
2 preservation, maintenance and protection of historic sites, buildings  
3 and monuments.

4 \* Sec. 8. AS 09.55.250 is amended to read:

5 Sec. 09.55.250. CLASSIFICATION OF ESTATES AND LANDS SUBJECT TO BE  
6 TAKEN. The following is a classification of the estates and rights in  
7 lands subject to be taken for public use:

8 (1) a fee simple, when taken for public buildings or grounds,  
9 or for permanent buildings, for reservoirs anddams and permanent  
10 flooding occasioned by them, or for an outlet for a flow, or a place  
11 for the deposit of debris or tailings of a mine, or when, in the  
12 judgment of the Department of Natural Resources, Department of Public  
13 Works, or the Department of Highways, a fee simple is necessary for any  
14 of the purposes for which the department, on behalf of the state, is  
15 authorized by law to acquire real property by condemnation;

16 (2) an easement when taken for any other use;

17 (3) the right of entry upon an occupation of lands, and the  
18 right to take from the land earth, gravel, stones, trees, and timber as  
19 may be necessary for a public use.  
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Introduced: 3/11/71  
Referred: Local Government;  
Judiciary

BY CROFT, JOSEPHSON  
AND GROH

1 IN THE SENATE

2 SENATE BILL NO. 159

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to judicial review of municipal  
7 tax assessments."

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

9 \* Section 1. AS 29.10.426 is amended to read:

10 Sec. 29.10.426. JUDICIAL REVIEW. A person aggrieved by an  
11 order of the board of equalization may appeal to the superior court  
12 for review de novo after he has exhausted his administrative remedy  
13 under secs. 369 - 540 of this chapter. If the aggrieved party is  
14 contesting the amount of the assessed valuation of property, the  
15 superior court shall, by trial de novo, determine the fair market  
16 value of the property as of the assessment date. "Fair market value"  
17 means the amount a willing buyer would pay and a willing seller  
18 accept as the purchase price for the property. Either party may  
19 demand a jury trial.

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Introduced: 3/24/71  
Referred: Local Government

1 IN THE SENATE

BY HAMMOND BY REQUEST

2 SENATE BILL NO. 189

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to land platting authority."

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

8 \* Section 1. AS 40.15 is amended by adding a new section to read:

9 Sec. 40.15.075. AUTHORITY IN THE UNORGANIZED BOROUGH. The  
10 division of lands shall be the platting authority in the area outside  
11 organized boroughs and outside cities in the unorganized borough and  
12 in the third class borough for only the purposes of hearing and  
13 acting on petitions for the change or vacation of plats and shall  
14 execute this function substantially in conformity with the provisions  
15 of secs. 150 - 180 of this chapter. Costs of publication and mailing  
16 as well as other costs authorized in sec. 150 of this chapter shall be  
17 paid to the division by the petitioner. The Department of Natural  
18 Resources shall adopt reasonable regulations governing the exercise  
19 of the authority conferred by this section upon the division of lands.

20 \* Sec. 2. AS 40.15.070 is amended to read:

21 Sec. 40.15.070. PLATTING AUTHORITY. If land proposed to be sub-  
22 divided or dedicated is situated within a first or second class borough  
23 the proposed subdivision or dedication shall be submitted to the  
24 borough planning commission for approval. If the land is situated  
25 within a city in the unorganized borough or the third class borough  
26 the proposed subdivision or dedication shall be submitted to the  
27 city planning commission for approval. The borough planning commission  
28 is the platting authority for the first or second class borough, the  
29 city planning commission is the platting authority for the city, and

1 the division of lands is the platting authority in the remaining areas  
 2 of the state and third class borough for the change or vacation of  
 3 existing plats or a portion of such plats, as provided in sec. 75  
 4 of this chapter. If the borough or the city does not have a plan-  
 5 ning commission, the borough assembly or the city governing body,  
 6 respectively, is the platting authority and the proposed subdivision or  
 7 dedicatca shall be submitted to it. No subdivision may be filed for  
 8 record until it is approved by the platting authority.

9 \* Sec. 3. AS 40.15.140. is amended to read:

10       Sec. 40.15.140. PETITION. No plat may [SHALL] be altered, amended  
 11 or otherwise changed or vacated [,] except upon petition of the owners  
 12 of a majority of the land affected by the alteration, amendment, [OR]  
 13 change or vacation [,] showing the changes contemplated. Except as  
 14 otherwise provided by law, no street, alley or public thoroughfare or  
 15 any part of one may be vacated, except upon petition of the owners of  
 16 the majority of the front feet of the land fronting upon the part of  
 17 the street, alley or public thoroughfare sought to be vacated. The  
 18 petition shall be filed with the clerk of the platting authority having  
 19 jurisdiction [BOROUGH], requesting that the plat, addition or sub-  
 20 division be amended, replatted or vacated, or that the street, alley  
 21 or public thoroughfare be vacated. The petition shall be accompanied  
 22 by a plat, draft or a copy of the existing plat, showing the proposed  
 23 amendment, replat or vacation.  
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Introduced: 3/25/71  
Referred: Local Government

1 IN THE SENATE

BY GROH

2 SENATE BILL NO. 190

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to boards of equalization within  
7 organized boroughs; and providing for an effective  
8 date."

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

10 \* Section 1. AS 07.15.320 is amended by adding a new subsection to read:

11 (e) The borough assembly sits as a board of equalization for  
12 the purpose of hearing in the manner provided for first class cities  
13 any appeal from determinations of the borough assessor, or it may  
14 delegate this authority to a board appointed by it for that purpose.  
15 The board of equalization shall consist of that number of members of  
16 the assembly over and above the number required for a quorum to transact  
17 business and is governed in its proceedings by such procedures con-  
18 sistent with general rules of administrative law and the laws governing  
19 equalization proceedings in first class cities as may be adopted by  
20 ordinance, including but not limited to quorum, and voting requirements.

21 \* Sec. 2. This Act takes effect on the day after its passage and  
22 approval or on the day it becomes law without approval.  
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1 IN THE SENATE.

BY THOMAS

2 SENATE BILL NO. 260

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to exemptions from taxation of real  
7 and personal property."

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

9 \* Section 1. AS 29.10.336 is amended by adding new subsections to read:  
10 (e) The term "property used exclusively for nonprofit charitable  
11 or educational purposes" includes the following types of property owned  
12 by a nonprofit charitable or educational organization:

13 (1) all real or personal property of a sheltered workshop  
14 or a retail outlet of that workshop, including its inventory; as used  
15 in this subsection, "sheltered workshop" means a nonprofit facility  
16 established and operated by a private organization, agency or institu-  
17 tion which provides disabled or severely handicapped individuals  
18 (whether of a physical, mental or emotional nature) with vocational  
19 training, occupational rehabilitation activities of an educational  
20 or therapeutic nature, employment opportunity or employment, even if  
21 remuneration is received by the individual;

22 (2) notwithstanding the provisions of (c) of this section,  
23 real or personal property of a retail store dealing exclusively in  
24 donated inventory, or inventory supplied by a sheltered workshop,  
25 where the inventory is distributed without cost as part of a welfare  
26 program or where the proceeds of the sale of inventory sold to the  
27 general public is used to support a welfare program, or to support  
28 vocational training or employment for disabled or severely handicapped  
29 individuals described in (1) of this subsection.

Introduced: 2/3/72  
Referred: Local Government

1 IN THE SENATE

BY MERDES

2 SENATE BILL NO. 316

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the issuance of revenue anticipa-  
7 tion notes by political subdivisions of the state."

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

9 \* Section 1. AS 37.30 is amended by adding new sections to read:

10 ARTICLE 2. REVENUE ANTICIPATION NOTES.

11 Sec. 37.30.100. BORROWING IN ANTICIPATION OF REVENUE. A political  
12 subdivision of the state which is authorized to incur indebtedness may  
13 borrow money in a fiscal year to meet appropriations for that fiscal  
14 year in anticipation of the collection of taxes and estimated revenues  
15 for the fiscal year and may issue its revenue anticipation notes as  
16 evidence of the borrowing.

17 Sec. 37.30.110. ISSUANCE OF NOTES. The governing body of a  
18 political subdivision may, by ordinance or resolution, authorize the  
19 issuance of revenue anticipation notes and prescribe the form and  
20 details of the notes and the manner of their execution. The governing  
21 body of the political subdivision may delegate to its chief fiscal  
22 officer the power to issue the notes from time to time under the terms  
23 and conditions of the ordinance or resolution which provides for the  
24 manner of their sale. Revenue anticipation notes and notes issued to  
25 renew notes previously issued mature not later than the end of the  
26 fiscal year in which they are issued.

27 Sec. 37.30.120. LIMITATION ON ISSUANCE OF NOTES. The aggregate  
28 amount of revenue anticipation notes at any time outstanding may not  
29 exceed 50 per cent of the amount of revenues estimated to be collected

1 in the fiscal year in which the notes are issued, less the amount of  
2 estimated revenues actually collected in the fiscal year before the  
3 issuance of the notes.

4 Sec. 37.30.130. ISSUANCE OF NOTES IN ANTICIPATION OF STATE,  
5 FEDERAL GRANTS. (a) The governing body of a political subdivision,  
6 upon adoption of a long-range capital improvement budget by ordinance  
7 or resolution, may by resolution provide for revenue anticipation  
8 notes in an amount not to exceed the total amount of any state or  
9 federal grants finally committed for these projects. The notes mature  
10 no later than the end of the next fiscal year. These notes may be  
11 for single or multiple projects outlined in the adopted capital im-  
12 provement budget.

13 (b) If the state or federal grants for capital improvement pro-  
14 jects have not been paid to the political subdivision before maturity  
15 of the notes issued in anticipation of the receipt of the revenue,  
16 the governing body of the political subdivision may issue new notes  
17 in order to meet payment of the notes then maturing or may renew the  
18 outstanding revenue anticipation notes. New notes issued or renewals  
19 of outstanding revenue anticipation notes shall mature not later than  
20 the end of the next fiscal year.

21 Sec. 37.30.140. PRIORITY OF REPAYMENT. The payment of the princi-  
22 pal and interest on revenue anticipation notes shall be a first charge  
23 and lien upon the revenues in anticipation of the collection of which  
24 these notes have been issued, and their payment additionally shall be  
25 secured by a pledge of the full faith, credit and unlimited taxing  
26 power of the political subdivision issuing them.

27 Sec. 37.30.150. CONSTRUCTION. AS 29.10.204 and AS 29.15.280  
28 may not be construed to conflict with secs. 100 - 140 of this chapter.  
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Introduced: 2/14/72  
Referred: Local Government

1 IN THE SENATE

BY MERDES

2 SENATE BILL NO. 342

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act concerning issuance of municipal bonds for  
7 local improvements."

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

9 \* Section 1. AS 29 is amended by adding a new chapter to read:

10 CHAPTER 51. LOCAL IMPROVEMENT BONDING ACT.

11 Sec. 29.51.010. LOCAL IMPROVEMENT. (a) The term "local improve-  
12 ment", as used in this chapter, has the meaning given the term in  
13 AS 29.10.246.

14 (b) The provisions of this chapter are not mandatory. A city  
15 having charter provisions for bonding improvement assessments and  
16 selling bonds may follow those provisions or the provisions of this  
17 chapter or of any other statute.

18 Sec. 29.51.020. INSTALLMENT PAYMENT OF ASSESSMENTS. (a) When  
19 a city council causes a local improvement to be made within the city  
20 and has assessed the cost of the improvement to the area benefited by  
21 or liable for the improvement, according to the provisions of the  
22 charter or ordinances of the city, the owner of any property assessed  
23 for the improvement in the sum of \$25 or more, at any time within 10  
24 days after notice of the improvement is first published, may file with  
25 the clerk of the city a written application to pay

26 (1) the whole of the assessment in installments; or

27 (2) if part of the assessment has been paid, the unpaid  
28 balance of the assessment in installments.

29 (b) At the option of the city, written applications may be filed

1 after 10 days after notice of assessment is first published.

2 Sec. 29.51.030. EDUCATIONAL, RELIGIOUS, FRATERNAL OR CHARITABLE  
3 ORGANIZATIONS AND PUBLIC CORPORATIONS. An educational, religious,  
4 fraternal or charitable organization or public corporation owning  
5 property assessed for its proportionate share of the cost of construct-  
6 ing a local improvement as defined in sec. 10 of this chapter has the  
7 same right to bond that assessment and having bonded the assessment  
8 is subject to the same duties and liabilities as a natural person  
9 bonding an assessment. However, the limitations on the amount of an  
10 assessment that may be bonded do not apply to these organizations and  
11 corporations, which are permitted to bond to the full extent of the  
12 assessments.

13 Sec. 29.51.040. CONTENTS OF APPLICATION. The written applica-  
14 tion shall state that the applicant and property owner waives all  
15 irregularities or defects, jurisdictional or otherwise, in the  
16 proceedings causing the improvements to be made for which the assess-  
17 ment is levied and in the apportionment of the cost of the improvement.  
18 The application shall provide that the property owner agrees to pay  
19 the assessment in 20 semiannual installments, with interest at six  
20 per cent a year on all assessments which have not been paid. The appli-  
21 cation shall also contain a statement, by lots or other convenient  
22 description, of the property of the applicant assessed for the improve-  
23 ment.

24 Sec. 29.51.050. APPLICATIONS REFUSED. No application as provided  
25 in sec. 40 of this chapter may be received and filed if the amount  
26 remaining unpaid upon the assessment together with the unpaid balance  
27 of a previous assessment for improvements against the same property  
28 equals or exceeds the valuation of the property.

29 Sec. 29.51.060. RECORD OF APPLICATIONS. The city clerk shall

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(1) keep all applications filed under sec. 20 of this chapter in a convenient manner for examination; the applications received for each improvement shall be kept separate;

(2) enter in a book kept for that purpose, with a separate section for each improvement, the date of filing of each application, the name of the applicant, a description of the property and the amount of the assessment, as shown on the application.

Sec. 29.51.070. BOND LIEN DOCKET. After expiration of the time for filing applications, the clerk shall enter in a docket kept for that purpose, with separate headings for each improvement, by name or number, a description of each lot or parcel of land or other property against which the assessment is made, with the name of the owner and the amount of the unpaid assessment. This docket shall be a lien docket for taxes assessed and levied by the city and for the amount of the unpaid assessments docketed, with interest at the rate of six per cent a year, against each lot or parcel of land or other property, until the assessments and interest are paid. The unpaid assessments and interest are a lien on each lot or parcel of land or other property in favor of the city and these liens shall have priority over all other liens and encumbrances.

Sec. 29.51.080. ISSUANCE OF BONDS. When a bond lien docket is made up as provided in sec. 70 of this chapter, the city may, in accordance with the provisions of AS 29.50.020 authorize the issuance of bonds in convenient denominations not exceeding \$5,000 each, equal to the total amount of unpaid assessments for improvements, for which applications to pay under this chapter have been filed, as shown by the bond lien docket.

Sec. 29.50.090. FORM OF BONDS. The bonds shall, by their terms, be the general obligations of the city issuing them, be in serial form

1 with definite maturity dates determined by the city council, and shall  
 2 mature in annual or semiannual installments. If the city council  
 3 elects, the portion of the particular issue of bonds that matures  
 4 after one year from issue date may be made subject to redemption in  
 5 numerical order on the interest dates on or after the first year from  
 6 issue date, as the city council shall designate. The first installment  
 7 of principal of each issue of these bonds shall become due and payable  
 8 not later than two years, and the last installment not later than 12  
 9 years, from the date of issue of the bond.

10 Sec. 29.51.100. AMOUNT OF INSTALLMENTS. The installments of  
 11 principal of the bonds shall be equal in amount, or the combined annual  
 12 installments of principal and interest on the bonds shall be in sums  
 13 that will permit a substantially uniform annual tax levy for the  
 14 retirement of the principal and payment of the interest on the bonds  
 15 as they become due. Fractional bonds in denominations of less than  
 16 \$500 comprising part of an issue shall be numbered with the number "1"  
 17 and shall be included in the amount of the first installment of  
 18 maturing bonds. The interest on the bonds and the amounts of the  
 19 installments of maturing bonds shall be included in the annual budget  
 20 of the city, and there shall be deducted in the budget an amount that  
 21 the city council conservatively estimates will be received from payments  
 22 of the principal and interest on installments of assessments pertaining  
 23 to a particular bond issue, and from receipts from sales and rentals  
 24 of property acquired by the city pursuant to the assessments, during  
 25 the year for which the levy is made.

26 Sec. 29.51.110. INTEREST RATE. The bonds shall be payable in  
 27 lawful money of the United States, and bear interest payable semiannually  
 28 at a rate not to exceed six per cent per year, the interest obligations  
 29 to be evidenced by coupons attached to the bonds. Notice stating that

1 certain bonds are to be taken up and canceled upon optional payment  
 2 dates, and that the interest shall cease upon the interest payment  
 3 date upon which the bonds are called, shall be published in a newspaper  
 4 printed and published, and of general circulation, in the borough  
 5 where the bonds are issued, at least 15 days prior to cancellation  
 6 date. After that date interest upon the bonds designated in the notice  
 7 shall cease.

8 Sec. 29.51.120. EXECUTION AND REGISTRATION OF BONDS. The bonds,  
 9 before issuance, shall be executed with either the autograph or  
 10 facsimile signature of the mayor or other executive head of the city  
 11 countersigned by the finance officer or clerk, and authenticated by  
 12 the seal of the city attached, either manually or printed, and shall  
 13 be registered consecutively, by number and denomination of each, in  
 14 a book to be kept by the clerk, to be known and designated as the  
 15 "Improvement Bond Register". Each of the bonds shall have distinctly  
 16 and plainly inscribed or printed on its face the registered number of  
 17 the bond and the words "Improvement Bond", with the name of the city  
 18 issuing it.

19 Sec. 29.51.130. SALE OF BONDS. The bonds shall be advertised  
 20 for sale and sold for the highest price obtainable, but for not less  
 21 than par and accrued interest. The proceeds shall be paid by the  
 22 purchase to the city treasurer and the par value credited to the  
 23 respective improvement fund for which the bonds are issued. The  
 24 accrued interest and premium accruing from the sale of the bonds  
 25 shall be credited to the general fund of the city the fund from which  
 26 interest is paid on improvement warrants, or to the improvement bond  
 27 sinking fund, as the city council shall direct.

28 Sec. 29.51.140. PAYMENT OF INSTALLMENTS. There shall be due and  
 29 payable semiannually for 10 successive years, to the city treasurer by

1 the owner of each lot or parcel of land assessed for any improvement,  
2 whose application to pay the cost of the improvement by installments  
3 has been filed as provided in secs. 20 - 40 of this chapter, five  
4 per cent of such cost assessed against the property of the owner, as  
5 appears by the bond lien docket described in sec. 70 of this chapter  
6 with the amount of one-half of one year's interest and not to exceed  
7 six per cent per annum on unpaid assessments or installments. The  
8 first payment shall be due and payable at the expiration of six  
9 months from the date of assessment in the bond lien docket, and sub-  
10 sequent payments at the expiration of each semiannual period there-  
11 after.

12 Sec. 29.51.150. PROCEDURE FOR COLLECTION ON DEFAULT. Should  
13 the owner neglect or refuse to pay installments under sec. 140 of this  
14 chapter as they become due and payable for a period of one year, then  
15 the council may, by reason of the neglect or refusal to pay the  
16 installments, and while the neglect and refusal to pay continues,  
17 pass a resolution giving the name of the owner then in default in  
18 the payment of the sums due, either principal or interest, together  
19 with a description of the property upon which the sums are owing  
20 and declaring the whole sum, both principal and interest, due and payable  
21 at once. It may then proceed at once to collect all unpaid install-  
22 ments and to enforce collection with all penalties, in the same manner  
23 in which delinquent street and sewer assessments are collected,  
24 pursuant to the terms of the city charter.

25 Sec. 29.51.160. RECEIPTS AND ENTRIES ON LIEN DOCKET. When  
26 installments and interest on any assessment in the bond lien docket  
27 are due, the city clerk shall make the proper extensions of install-  
28 ments and interest on the bond lien docket and turn them over to the  
29 city treasurer. The treasurer then shall notify the property owner

1 that the installments are due and payable, but a failure of any  
 2 owner to receive the notice shall not prevent collection of the  
 3 installment as provided in sec. 150 of this chapter. The city  
 4 treasurer shall issue a receipt to the person paying the installments  
 5 and interest, and shall file duplicates of the receipts with the  
 6 clerk. When the treasurer returns the bond lien docket, the recording  
 7 officer shall make the proper entries on the bond lien docket showing  
 8 the amount of each payment and the date made.

9 Sec. 29.51.170. RIGHT OF OWNER TO PREPAY BALANCE AND DISCHARGE  
 10 LIEN. At any time after issuance of the bonds, any owner of any  
 11 property against which the assessment is made and lien docketed  
 12 may pay into the city treasury the whole amount of assessment for which  
 13 the lien is docketed, together with the full amount of interest and  
 14 costs accrued to date of payment. Upon producing to the clerk the  
 15 receipt of the city treasurer, the clerk shall enter in the lien  
 16 docket opposite the entry of the lien the date of the payment and that  
 17 the lien is discharged.

18 Sec. 29.51.180. SEPARATE FUNDS AND ACCOUNTING. A city treasurer  
 19 receiving funds accruing by virtue of this chapter shall keep the funds  
 20 and their account separate and apart from other city funds. The amount  
 21 of the funds paid on account of installments, and interest on unpaid  
 22 installments, shall be placed to the credit of funds to be known and  
 23 designated as "improvement bond sinking fund" and "improvement bond  
 24 interest fund". The amount placed to the credit of the improvement  
 25 bond sinking fund shall be deposited in the bank that will pay the  
 26 highest rate of interest, or be invested in or used for the purchase  
 27 of improvement bonds of the city at par. In the purchase of improve-  
 28 ment bonds, the accrued interest shall be paid out of the improvement  
 29 bond interest fund, and all interest received by the treasurer on

1 account of coupons due shall be placed to the credit of the improve-  
 2 ment bond interest fund. Interest due on improvement bonds shall  
 3 be paid out of the improvement bond interest fund. All bonds purchased  
 4 by a city shall be held by the city treasurer as a sinking fund, and  
 5 shall be disposed of by direction of the city council when required  
 6 for the redemption of bonds previously issued, as they become due and  
 7 payable.

8 Sec. 29.51.190. PAYMENTS ENTERED ON LIEN DOCKET. Entries of  
 9 payments of installments, interest and costs, made under this chapter,  
 10 shall be made in the lien docket as they are received, with the date  
 11 made, and the payments made and entered shall discharge the lien to  
 12 the amount of the payment and from the date made.

13 Sec. 29.51.200. REDEMPTION PROCEDURE. At any time after bonds  
 14 issued by virtue of this chapter become payable, the city may redeem  
 15 bonds. It shall redeem them consecutively by number of the bonds,  
 16 commencing with number one of the bonds. It shall give notice of  
 17 the readiness of the city to redeem by publication in some newspaper  
 18 published and having a general circulation among its subscribers in  
 19 the city once each week for three successive weeks, giving the number  
 20 of bonds which will be redeemed, and the time at which redemption  
 21 will be made. After the time so fixed for redemption, no interest  
 22 shall accrue or become payable on the bonds notified for redemption.

23 Sec. 29.51.210. SHORT TITLE. This chapter may be cited as the  
 24 Local Improvement Bonding Act.  
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Introduced: 3/3/72  
Referred: Local  
Government

1 IN THE SENATE

BY THE RULES COMMITTEE  
BY REQUEST

2

SENATE BILL NO. 363

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for boroughs in the unorganized  
7 borough; and providing for an effective date."

8

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

9

\* Section 1. AS 07 is amended by adding a new chapter to read:

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CHAPTER 4. BOUNDARIES AND ORGANIZATION OF BOROUGHS

11

IN THE UNORGANIZED BOROUGH.

12

ARTICLE 1. BOUNDARIES, ADMINISTRATION AND INCORPORATION.

13

Sec. 07.04.010. BOUNDARIES. By the 10th day following the con-

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vening of the first session of the Eighth Legislature, the Local  
15 Boundary Commission shall propose to the legislature a division of the  
16 unorganized area of the state into unorganized boroughs. The Local  
17 Boundary Commission may propose adjustments to the boundaries of exist-  
18 ing boroughs to the extent necessary to secure conformity with the  
19 standards for borough boundaries set forth in the statutes and in the  
20 Constitution of the State of Alaska. A proposed adjustment of existing  
21 boundaries shall provide for those transitional matters the commission  
22 considers necessary or appropriate. The boundaries proposed by the  
23 Local Boundary Commission become effective 45 days after presentation  
24 or at the end of the session whichever is earlier, unless disapproved  
25 by resolution concurred in by a majority of the members of each house.  
26 The proposed division is not subject to modification by the legislature  
27 as an alternative to disapproval, and if disapproved by the legislature  
28 the proposed division made in accordance with this section is of no  
29 effect.

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Sec. 07.04.020. ADMINISTRATION. Unorganized boroughs shall be administered by the Department of Community and Regional Development as prescribed by the legislature.

Sec. 07.04.030. ADVISORY COUNCIL. In each unorganized borough the lieutenant governor, within 60 days of the establishment of unorganized boroughs in the manner provided in sec. 10 of this chapter shall provide for election of an advisory council of 11 members. The council may participate in an advisory capacity in the development and implementation of state programs and projects relating to the borough. Elections of council members shall be held every four years.

Sec. 07.04.035. COUNCIL MEMBERSHIP. At the time of election and during their tenure advisory council members shall be qualified voters of the state and residents of the borough. A vacancy on the advisory council shall be filled by a person qualified for election to the advisory council and selected by majority vote of the remaining members of the council. If a majority of seats on the advisory council are vacant concurrently, the lieutenant governor shall fill the vacancies by appointment of persons qualified for election to the advisory council.

Sec. 07.04.040. INCORPORATION. A percentage, determined in accordance with AS 07.10.020(8), of the qualified voters of an unorganized borough may petition for organization of the borough as a borough of the first, second or third class in the manner provided in AS 07.10 and 07.17, except that the petition need not include matter relating to boundaries.

ARTICLE 2. HOME RULE CHARTERS.

Sec. 07.04.050. ADOPTION OF CHARTER. An unorganized borough established under this chapter may adopt a home rule charter in the manner prescribed by AS 29.40.010 - 29.40.030 and AS 29.85.110(a) - (d),

1       except that the advisory council elected in accordance with sec. 30 of  
2       this chapter shall perform the duties assigned to city councils, and  
3       except that the charter commission shall consist of 11 members. Vacan-  
4       cies on the charter commission shall be filled in the same manner as  
5       vacancies on the advisory council.

6           Sec. 07.04.060. ORGANIZATION. The charter commission shall  
7       initiate organization of the borough in accordance with the terms of  
8       the charter by submission of the charter to the Department of Community  
9       and Regional Development. The charter shall be submitted within one  
10      year of the first meeting of the commission. The department shall  
11      review the charter in light of the circumstances of the particular  
12      borough and, within 120 days from receipt shall transmit the charter,  
13      together with its findings and recommendations, to the Local Boundary  
14      Commission.

15          Sec. 07.04.070. HEARING. The Local Boundary Commission shall  
16      hold at least one hearing in the area proposed to be organized for the  
17      purpose of hearing public comment on the charter.

18          Sec. 07.04.080. LOCAL BOUNDARY COMMISSION DETERMINATION. The  
19      Local Boundary Commission, within 90 days from receipt of the charter  
20      and the recommendations and findings of the Department of Community and  
21      Regional Development, shall determine whether the charter meets stand-  
22      ards for organization established by the laws and the Constitution of  
23      the State of Alaska and by regulations adopted by the commission.

24          Sec. 07.04.090. REJECTION OF CHARTER. If the Local Boundary  
25      Commission determines that the charter fails to meet the standards for  
26      organization it shall reject the charter stating in writing its reasons  
27      for the rejection.

28          Sec. 07.04.100. AMENDED CHARTER. A charter commission, within 60  
29      days of rejection, may prepare and submit to the Department of

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1 Community and Regional Development an amended charter fairly meeting  
2 the stated objections to the original charter. The amended charter  
3 shall be evaluated in the same manner as the original charter. No more  
4 than one original and one amended charter may be submitted within one  
5 12 month period.

6 Sec. 07.04.110. RATIFICATION OF CHARTER. If the Local Boundary  
7 Commission determines that the charter meets the standards for organ-  
8 ization it shall notify the lieutenant governor. As soon thereafter as  
9 practicable the lieutenant governor shall provide for an election in  
10 the borough on the question of whether or not the charter is ratified  
11 and for election of the officers provided for in the charter. The  
12 election shall be preceded by publication and posting of the proposed  
13 charter by the lieutenant governor substantially in the manner provided  
14 for other charter elections in AS 29.85.150.

15 Sec. 07.04.120. CERTIFICATION OF RESULTS. If a majority of the  
16 votes cast by the qualified voters of the borough are against ratific-  
17 ation the lieutenant governor shall so certify and shall certify that  
18 the charter is defeated. If a majority of the votes cast by the quali-  
19 fied voters on the question are in favor of ratification the lieutenant  
20 governor shall so certify and declare that the borough in which the  
21 election was held is an organized borough and a municipal corporation  
22 in accordance with the terms of the charter. The lieutenant governor  
23 shall also certify the names of those candidates who received the great-  
24 est number of votes for the offices established by the charter.

25 Sec. 07.04.125. VOTERS, ELECTIONS AND COSTS. (a) A person  
26 is qualified to vote in a borough election authorized in this chapter  
27 if he is qualified to vote in state elections and if he is a resident  
28 of the borough.

29 (b) The lieutenant governor shall supervise elections under this

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chapter as provided for supervision of other borough elections under AS 07.10.120(d).

(c) The state through the office of the lieutenant governor shall assume the costs of elections and charter preparation under this chapter.

\* Sec. 2. Nothing in this Act may be construed to affect any organization petition pending on the effective date of this Act. All such petitions shall be acted upon in the manner provided by law in effect prior to the effective date of this Act.

\* Sec. 3. AS 07.05.010 and AS 07.05.040 are repealed.

\* Sec. 4. This Act takes effect July 1, 1972.

Introduced: 3/6/72  
Referred: Local Government,  
State Affairs

1 IN THE SENATE BY THE JUDICIARY COMMITTEE

2 SENATE BILL NO. 371

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the incorporation of boroughs;  
7 and providing for an effective date."

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

9 \* Section 1. AS 07.10 is amended by adding a new section to read:

10 Sec. 07.10.115. APPROVAL BY LEGISLATURE. If the Local Boundary  
11 Commission accepts the petition, and before an election under sec. 120  
12 of this chapter, the commission shall present the proposed borough  
13 incorporation to the legislature during the first 10 days of a regular  
14 session. The incorporation shall be approved by the legislature 45  
15 days after presentation or at the end of the session, whichever is  
16 earlier, unless disapproved by a resolution concurred in by a majority  
17 of the members of each house.

18 \* Sec. 2. AS 07.10.120(a) is amended to read:

19 (a) Date of election. Upon the approval of the proposed incor-  
20 poration by the legislature, the Local Boundary Commission [IF THE  
21 LOCAL BOUNDARY COMMISSION ACCEPTS THE PETITION, IT] shall immediately  
22 notify the lieutenant governor of its action and shall furnish him  
23 with such information on the proposed incorporation as he requires.  
24 Within 30 days after the receipt of his notification, the lieutenant  
25 governor shall issue an order that an election be held within the  
26 proposed organized borough to determine the question of whether the  
27 qualified voters of the proposed organized borough desire to be  
28 incorporated; and if so, to elect members of the first assembly of the  
29 borough, the borough chairman, and the members of the first school

1 board, and to determine whether the borough shall have an appointed  
 2 borough manager or an elected borough chairman. The date of the  
 3 election specified by the lieutenant governor in the order shall be  
 4 not less than 30 nor more than 90 days after the date of the order of  
 5 election. The lieutenant governor shall also specify in the election  
 6 order the dates during which petitions for nominations may be filed  
 7 with him.

8 \* Sec. 3. AS 44.19.260(a) is amended by adding a new paragraph to read:

9 (5) present to the legislature during the first 10 days of  
 10 a regular session proposed borough incorporations.

11 \* Sec. 4. Notwithstanding the provisions of AS 07.10.115, with respect  
 12 to any borough proposed for incorporation after February 15, 1972, and  
 13 before an election under AS 07.10.020, the Local Boundary Commission shall  
 14 submit the proposed borough incorporation to the legislature.

15 \* Sec. 5. This Act takes effect February 15, 1972.  
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CSSB 113 & CSHB 208 -- THE PROPOSED REVISED MUNICIPAL CODE\*

Attachments Prepared by Direction of the Senate and House Local Government Committees Acting Jointly

- a) Comparison of CSSB 113 (CSHB 208) and Existing Municipal Law
- b) Comparison of CSSB 113 (CSHB 208) and SB 113 (HB 208)

Foreword and Synopsis of Attachments

The need for revision of the maze of local government laws of the state, most of them in the case of cities dating back to territorial days, has long been recognized by the legislature. By concurrent resolution adopted in 1963 the Third Legislature characterized the bulk of state law relating to cities as "disjointed" and not serving the best interest of the state. After a two-year revision effort conducted by the Local Affairs Agency, the Department of Law, and the Legislative Affairs Agency, a proposed revised code was introduced into the First Session of the Fourth Legislature and since then has been continually before the legislature in various modified forms of the original bill.

This year, following two years of preparation and six years of review and revision by legislative committees as well as by the Alaska Municipal League, the public through hearings, municipal and

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\* The provisions of CSSB 113 and CSHB 208, like those of SB 113 and HB 208, are identical; for convenience, the reference to the proposed municipal code is made as CSSB 113, which is the printed and distributed bill.

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school officials, staffs of the legislative and executive branches of the government, and others, the presentation of CSSB 113 marks the first time the proposed code has reached the floor of either house. It does so after consideration by joint deliberation of the Senate and House Local Government Committees. Its passage in the current session offers the opportunity for the same legislature which enacts it to observe its practical operation and make any changes it may deem warranted during the second session.

This code is based on a proposed draft submitted by the Alaska Municipal League and prepared by a League committee comprised of municipal attorneys and administrators; the League draft in turn is based on earlier versions of the proposed code but reflects extensive updating and adjustment of provisions to emphasize a technical revision rather than large-scale substantive changes in existing areas of law, particularly in terms of relationships of boroughs and cities and local governing bodies and school boards.

Like any overall revision of titles of the Alaska Statutes, of course, the code incorporates changes from existing law both in form and in substance, albeit the substantive changes are relatively few considering the scope of the revision and the technical changes made. Among the most significant substantive changes appear to be the following. The code

- 1) provides for two classes of general law cities rather than four; p. 8, 27-29 & p. 9, 1 (transition: p. 4, 19-29 & p. 5, 1-3)
- 2) makes clear which provisions of the code apply to home rule local governments and which do not apply; a notable page 7, line 19-29 and page 8, lines 1-24

example of the merit of this approach is the basic provision outlining school board and local assembly or council relationships; the proposed code retains the substance of the provisions (sec. 29.33.050) virtually as they appear under present law (AS 07.15.330) but does not apply them to home rule governments; the provisions under present law have been the source of much controversy and pending litigation as to their applicability to home rule governments;

3) authorizes cities and boroughs to permit, on vote of the people, exemptions from property taxes in addition to those exemptions now required by law or already permitted on an optional basis by law (general law cities and, arguably, home rule cities, do not have such authority under present law); page 76, lines 18-20

4) expressly authorizes ~~use taxes as correlatives to~~ status of existing exemptions: page 77, line 21-24 sales taxes, which still continue to require voter approval; authorizes borough collection and refund of city sales taxes as well as city property taxes, the latter now being required to be collected by boroughs under present law, page 93, lines 7-10 & page 94, line 1

5) establishes uniform fiscal years and practices for assessing, levying and collecting property taxes for all municipalities; page 71, lines 3-5 & page 92, lines 20-25

6) revises existing cumbersome special assessment laws and permits levy of special assessments against governmental units; page 101, line 5 & page 101, lines 11-13

7) authorizes differential property tax zones within cities to allow for different services or different levels of services than are provided generally within a city; page 92, lines 26-29

8) provides for general law cities within general law boroughs to levy sales or use taxes upon the same tax sources as are levied upon by the borough; page 93, lines 27-29

9) expands eligibility for organization grants to second class cities newly incorporating or reclassifying to first class status and assuming school functions (outside boroughs);

10) provides that the terms of office of city, page 4, line 28  
borough and school board officials are two years but that any local govern-  
ment may by ordinance choose otherwise and provide different terms  
not exceeding four years (three years for school boards, as under  
present law); terms of incumbents are not affected, however; page 17, line 27  
page 25, line 28  
page 29, line 7

11) sets the date of the regular municipal election at page 124,  
the same time as the date of the state general election (i.e. on lines 14-19  
the Tuesday after the first Monday of November); same as 10) above

12) makes every local voter registered to vote in state  
elections eligible to vote in any municipal election, without being  
required also to meet separate municipal registration requirements;  
if not registered to vote with the state, he may vote in local  
elections upon meeting the local registration requirements page 35, line 27  
if any;

13) adds garbage and solid waste and water pollution page 124, line 4  
control powers to the existing categories of powers which second  
class boroughs may exercise in the borough area outside cities  
without special voter approval; page 60, lines 6-7

14) gives cities authority to adopt and enforce building,  
housing and related codes within the cities rather than conferring  
such authority upon a borough as part of its required areawide  
planning, platting and zoning powers, as has been the interpretation  
under present law; page 63, lines 14-17

15) requires no election in general law cities and boroughs  
to sell municipal revenue bonds unless the local government chooses  
by ordinance to require an election. page 98, line 5

The fundamental change represented by the proposed code is technical in that it is a reorganized, clarified, and updated body of municipal law and a vastly improved framework within which to meet the legislative needs of municipalities as they may develop. Not the least of the proposed code's advantages is that it takes a body of law referred to probably as much or more than any other title in the Alaska Statutes and renders it far more intelligible for municipal officials as well as for the citizens whom it so directly affects.

The following summaries set forth in more detail comparisons of CSSB 113 and CSHB 208 and existing law and comparisons of CSSB 113 and CSHB 208 with the bills as first introduced.

## MUNICIPAL CODE

S U M M A R Y

## COMPARISON OF CSSB 113 AND EXISTING MUNICIPAL LAW

INTRODUCTION

Senate Bill 113, the current version of the revised municipal code, is an entire recodification of the laws relating to cities and boroughs now found in Titles 7 and 29. Like other reorganized and updated statutory titles, it incorporates changes from existing law both in form and in substance.

The revision was directed by the 1963 Legislature, which noted that the bulk of law relating to cities (Title 29) was a disjointed product of the territorial period. Addition of the Borough Act as a separate title in 1961 (Title 7) further confused the municipal law area.

In 1963 and 1964, the Local Affairs Agency, Department of Law and the Legislative Council prepared the first draft of legislation combining and attempting to reconcile the provisions of Titles 7 and 29. The revision was introduced as SB 101 in 1965 and was the subject of widespread hearings around the state, committee deliberations, and further revision.

Revised versions of SB 101 were introduced into the legislature in 1966, 1967 and 1969.

SB 113, the basis of the current proposal, represents a thorough review by the Alaska Municipal League and governmental agencies at the municipal and state levels. The League felt that revision should be primarily technical and should not attempt to solve the substantive problems existing in two areas, that of relations between cities and boroughs and that of relations between schools and general government.

Accordingly, the bill in these areas is substantially the same as existing law, with some exceptions as noted further (see references on pages 6, 7, 9 and 12 - 14).

It is virtually impossible to detail all of the changes that have taken place between the code and existing municipal law, but this summary will explain the major impact of the revision. It takes into account changes made after joint deliberations of the Senate and House Local Government Committees which resulted in CSSB 113. These changes between CSSB 113 and SB 113 are also separately treated in an attachment following this summary.

Chapter 3. The Unorganized Borough

The law relating to the unorganized borough is unchanged. The present provisions of Title 7 granting authority to the division of lands to adopt zoning regulations for federal lands in the unorganized borough at the request of the Secretary of the Interior and only for purposes of facilitating federal land sales in the unorganized borough is placed in Title 38 (Sec. 6 of the proposed Act).

Chapter 8. Classification of Municipalities (i.e. Cities and Organized Boroughs)

One of the most significant changes is the change from four classes of cities to two classes of cities. The primary difference in the revision between the first and second class cities is that the first class city has the school function and has the power to assess, levy and collect a general property tax while the fourth class city has neither of these powers. Under present law, first, second and third class cities all have these powers, while fourth class cities do not. A population minimum of 400 persons has been set as the number

necessary to incorporate a first class city under the code, as in present law. The status of existing home rule cities, and existing first class cities with populations of 400 or more, remains unaffected by the proposed Act. Existing second and third class cities of 400 or more persons will automatically become first class cities, retaining their school and tax powers. The revision takes into account the fact that certain existing first, second and third class cities of under 400 persons may not have sufficient population or tax base to assume the burden of the school function. Therefore, these cities are given the option of becoming either first class or second class, depending upon their abilities and desires, as assessed by the local boundary commission and subject to legislative review. Existing fourth class cities will automatically become second class cities with the same powers and responsibilities which they now possess (Sections 29.08.010 through 29.08.050 and Sections 29.18.010 and 29.18.020). The code provides for reclassification of cities and boroughs to a higher class. Upon reclassification of a third class borough to a second or first class borough the borough may retain a combined assembly-school board or may separate the functions between an assembly and a board, depending upon the wishes of the voters (Sec. 29.08.040).

page 4

line 19-29

page 1, line 26

page 4, line 5

page 8, line 27

page 8, line 29

page 3, line 16

Chapter 13. Home Rule Municipalities

The new code standardizes the procedures for adopting a charter by either a first class city or borough (Secs. 29.13.010 - 29.13.080). Home rule limitations are gathered together in one place and listed. This section makes explicit the legislative intention to make only the sections of the code which are specifically listed as applicable to home rule municipalities so applicable. Additionally, the sections

page 5, line 6

page 7, line 9

page 7

themselves contain a specific reference making them applicable to home rule municipalities (Sec. 29.13.100). page 7, line 14

Chapter 18. Incorporation

Incorporation procedures for all municipalities are gathered together and standardized (page 9, line 20 page 11, line 23 (Secs. 29.18.050 - 29.18.110)). The election of the first slate of officers is separated from the question of incorporation itself.

Present law provides for transitional assistance upon the incorporation of a new borough. In the revision, such transitional assistance is also made available to cities incorporating after the code takes effect. Organizational money grants based on an allocation of \$10 per voter are allowed the newly incorporating boroughs and cities of all classes, other than unifying or consolidating municipalities. A minimum grant of \$25,000 is authorized for communities assuming the school function for the first time, either by incorporating as boroughs or first class cities outside organized boroughs or by reclassifying from second class to first class cities outside boroughs (Sec. 29.18.180). page 14, line 28

Under the revised code boroughs and cities of all classes may also select 10 per cent of the vacant, unappropriated, unreserved state land within their boundaries. (page 15, line 19 page 16, line 1 (Secs. 29.18.190 - 29.18.200)). Previously, only boroughs and, as of 1970, first and second class cities, were given this privilege. The code provisions declare that the policy of the state in making land selections under the Statehood Act is to make available the maximum land area for borough and city selections under the code provisions, consistent with the best interests of the state.

Chapter 23. Municipal Officers and Employees

The law relating to borough assemblies, city councils and all

municipal officers is gathered into this chapter.

Local officials' election dates and terms of office are changed to conform to the date of state general elections, but terms of office may be varied by local ordinance so as to provide either staggered or simultaneously expiring terms up to four years (page 17, line 27, page 25, line 28 page 29, line 7 (Secs. 29.23.040, 29.23.200(c) and 29.23.310). If a locality chooses to have other than two-year terms it may, of course, hold the elections in odd-numbered years, but the elections would occur on the Tuesday after the first Monday in November. Elections are nonpartisan for all municipalities (Sec. 29.28.010). page 35, line 5

The executive power has remained essentially the same except that the veto power of borough chairmen and mayors of first class cities has been broadened and clarified. In the past, there has been a question of whether a veto could be used for motions and other actions of the assembly or council. It is clearly spelled out that they may be.

Additionally, a new authority for the line item veto in municipal budgets has been added. This line item veto is expressly stated not to apply to the school budget (since the only power the assembly or council has is to approve or disapprove the total school budget, and the chairman or mayor may only veto that which the assembly or council has power to enact) (page 24, line 28 page 27, line 20 (Secs. 29.23.170 and 29.23.270)). The mayor of a second class city is a member of the council and has no veto power (Sec. 29.23.270(b)). page 27, line 28

The mayor of a first class city is elected separately from the council. The mayor of a second class city is a council member who is elected to the council along with the other council members, who then

mayor of a first class city votes only in case of a tie and has the veto power. The mayor of a second class city may vote on all matters as a council member, but he has no veto power (Secs. 29.23.260 and 29.23.270). The borough chairman does not vote on matters before the assembly but has the veto power (Secs. 29.23.160 and 29.23.170).

page 27, line 16

page 27, line 20

page 24, line 25 page 24, line 28

A provision of present law applying only to first class cities and requiring written examination of police officer applicants on laws and ordinances, the examination to be graded by the council, is not retained in the code.

The revision makes clear that city councils may be elected from election districts within the city as well as citywide or partly at large and partly by districts, the choice being left to the local governments (Sec. 29.23.200(a)). Election sections for election of borough assemblymen in the borough area outside cities are permitted, as under present law, with sections to be of approximately equal population (Sec. 29.23.100).

page 25, line 20

page 22, line 4

Utility boards elected by the voters or appointed by the municipal executive and confirmed by the governing body are permitted for boroughs and cities (Sec. 29.23.340). (Elected boards only are authorized to general law municipalities under existing statutes.)

page 29, line 16

With respect to school board relations with local governments there are no substantive changes from present law except that election dates and terms of office have been established to coincide with state general elections with different terms not exceeding four years authorized by local ordinance, and local governing bodies are authorized to provide for centralized purchasing of those school supplies and equipment which are of a kind used by municipal departments (Sec. 29.23.100).

page 72, line 14 page 29, line 7 page 29, line 16

In addition, the code makes clear that page 43, line 19 Sec. 29.33.050 setting out school board-governing body relationships is not intended to apply to home rule municipalities. There is uncertainty whether the same provisions as they appear in present law apply to home rule governments.

Either a borough or a city may adopt or repeal a manager form of government, as under existing law. However, a standard procedure is established for both types of municipality. Under this procedure, either the voters by petition, or the assembly or council by its own motion, may initiate an election on the manager plan (page 31, line 16 Secs. 29.23-410 - 29.23.480). page 32, line 23

The code requires certain reports to be made to the Local Affairs Agency, including up-to-date maps, tax assessment figures, a financial report, and reports relating to long-term debt as already required under AS 44.19.205. The financial report takes the form of the annual audit for boroughs and first class cities, but second class cities may submit a statement of income and expenditures. Furnishing the reports is made a condition of receipt of authorized shared revenues under AS 43.18 (Sec. 29.23.560). page 33, line 25 page 34, line 6-10

Chapter 28. Elections

The major change affecting elections is the scheduling of municipal elections to coincide with state general elections rather than being held approximately one month earlier, as under current law (page 35, line 21 Sec. 29.28.020). Terms of office of borough, city and school elected officials are also set at two years, but different terms not exceeding four years for borough and city governing bodies, and three years for school boards (the maximum term permitted under present law)

may be set in all cases by local ordinance.

Municipalities may, but are not required to, impose registration requirements over and above those of the state. However, a local voter registered with the state to vote in state elections is eligible to vote in local elections, whether or not he meets local registration requirements (Sec. 29.28.030). Also, the municipality may at its option require a majority vote for election of officials and utilize a runoff election or other means of obtaining a majority for the purpose page 35, line 27 page 36, line 8 (Sec. 29.28.040).

Assemblies and councils are required to provide by ordinance for election appeals. If the appeal is successful, the assembly or council bears the cost; if unsuccessful, the contestant must pay (Sec. 29.28.-050). page 36, line 8

The powers of initiative and referendum are reserved to municipalities and the procedure for exercise of these powers by municipal residents is outlined page 37, line 47 page 40, line 18 (Secs. 29.28.060 - ~~29.28.110~~).

The section on recall has been changed to eliminate the successor running at the same election as the recall election. Should the recall be successful, a subsequent election is required to elect a successor. page 40, line 29 page 43, line 1 (Secs. 29.28.130 - 29.28.250).

Chapter 33. Areawide Borough Powers and Duties

Boroughs retain their basic areawide responsibilities prescribed by current law: (1) assessment and collection of taxes, (2) education, and (3) planning, platting and zoning. Under current law, however, the borough is charged only with assessment and collection of real and personal property taxes. The assessment and collection provision of the new code broadens this to include the collection of use

and sales taxes authorized by the voters <sup>page 43, line 19</sup> (Sec. 29.33.030).

There has been considerable smoothing out in the planning, platting and zoning article, with two significant alterations. One is that the planning commission itself may decide on variances subject only to appeal to the board of adjustment. Under the current procedure all variances, no matter how routine, must go to the board of adjustment. The second change is the placing of power to adopt and enforce building, housing, and related codes clearly within the jurisdiction of cities within boroughs rather than the boroughs as part of the area-wide planning, platting and zoning responsibility. Boroughs may exercise the powers in the area outside cities or areawide by acquiring the power in the same manner as they obtain other powers in those areas. However, boroughs now exercising the powers within cities may continue to do so upon agreement to that effect between a city and a borough; if there is no agreement, the city is required to exercise the powers within the city and the borough now exercising the powers is required to continue doing so outside the city. Areawide borough exercise of the powers may subsequently be acquired through transfer by the cities or by vote of the people <sup>page 63, lines 24-29</sup> (Sec. 29.48.025). (Present borough law has been interpreted by the Attorney General's office to vest boroughs with areawide building code powers as part of the required areawide planning and zoning function.)

Under existing laws relating to acquisition of additional areawide powers, it is unclear whether second class boroughs may, like first class boroughs, acquire additional areawide powers by transfer from cities. The revision explicitly authorizes this method. Also, the Local Affairs Agency is no longer required to pass upon the acquisition

of additional areawide powers. In both the revision and present law, additional areawide powers require approval by a majority of the borough voters page 54, line 7 page 54, line 25 (Secs. 29.33.250 - 29.33.290).

Chapter 38. Borough Powers and Duties in the Area Outside Cities

This chapter is designed to encourage areawide or joint city-borough exercise of powers by requiring the borough to seek these alternatives before exercising powers in the area outside cities only. If transfer or joint exercise is not acceptable, a first class borough may exercise any general law municipal power outside cities (Sec. 29.38.-010). page 55, line 27

A second or third class borough requires an election in the area outside cities in order to add additional powers in that area (Sec. 29.-page 56, line 4 38.020), except with respect to certain special matters specified in page 59, line 26 Sec. 29.48.020, including regulation of fireworks, animals, vehicles, snow machines, garbage and solid waste, and water pollution. The latter two powers are newly conferred in the code for second class borough exercise in the area outside cities without a vote of the area; the others are already conferred for such exercise under existing law. Acquisition of additional powers and duties in the area outside cities again no longer requires review by the Local Affairs Agency.

Chapter 41. Powers of Third Class Boroughs

Third class borough powers are unchanged.

Chapter 43. Powers of Cities Outside Boroughs

Authority is continued for cities outside boroughs to assess, levy and collect property and sales taxes. Use tax authority is also conferred. Taxes are to be assessed, levied and collected in the same manner as set forth for boroughs in the code.

First class cities outside boroughs continue to comprise city school districts, with relationships between school boards and city councils to be governed in the same manner as those between borough school boards and assemblies, as under present law.

Home rule and first class cities outside boroughs must, and second class cities may, provide for planning, platting and zoning in the manner provided in the code for boroughs under the code (present law does not expressly require home rule or first class city exercise of planning, platting or zoning authority).

The chapter makes borough laws incorporated by reference under the chapter applicable to home rule cities only in those cases in which they are made applicable to home rule boroughs in the provisions incorporated.

#### Chapter 48. Powers Applicable to All Municipalities

An entirely new approach has been taken to delineation of municipal powers, facilities and services. Under existing law these are in many cases spelled out in substantial detail. This detail often serves no useful purpose. The new code merely lists the powers and provides for liberal construction of the powers, as required by the constitution page 59, line 3 page 60, line 10 page 74, line 23 (Secs. 29.48.010, 29.48.030, and 29.48.310). The listings the code provides are not intended to be all-inclusive but rather illustrative of the object or purpose intended to be accomplished page 74, line 26 (Secs. 29.48.320 and 29.48.330). page 75, line 1

The procedure for enactment of ordinances has been simplified and streamlined without changing substantive rights. The code, however, changes the time between publication and hearing from one week to five days. The change permits special meetings for final consideration of