

COMMITTEE REPORT

HOUSE

FURTHER:

4/8/81

(11)

Date: May 22, 1981

Mr. Speaker:

The Committee on FINANCE has had HB 487

"An Act relating to the Alaska Industrial Development Authority; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 487 (FIN)  same title  
 new title
- and recommends individual rec.
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Freeman  
Melkins  
M.W.  
Decker, C.  
John H. ...

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

IBuehler No Rec.  
Hebrew ...  
Alma Love No Rec.  
B Rogers No Rec.

Freeman  
 CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 487 (Finance)

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 the Alaska Housing Finance Corpora-  
7 tion and the Alaska Industrial Development Authority."

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

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

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

16 (b) The board may meet and transact business by electronic media,  
17 including conference telephone, if the public is given notice and has  
18 the same right to participate in the meeting as if the meeting were  
19 held in person. A meeting by electronic media as provided in this  
20 section has the same legal effect as a meeting in person.

21 \* Sec. 2. AS 18.56.098(c) is amended to read:

22 (c) The corporation may pledge mortgage loans purchased by the  
23 corporation under (a) of this section, mortgage loans assigned to the  
24 corporation for the special mortgage loan purchase program, and mortgage  
25 loans purchased with amounts appropriated to the corporation for the  
26 special mortgage loan purchase program to pay the principal, interest,  
27 and redemption premium, if any, on bonds or bond anticipation notes  
28 issued by the corporation for the special mortgage loan purchase pro-  
29 gram and may expend amounts appropriated to the special mortgage loan

1 purchase program for mortgage loan subsidies as necessary to cause the  
2 interest rate on mortgage loans purchased under the special mortgage  
3 loan purchase program and retained by the corporation or sold under  
4 AS 18.56.099 to equal the rates specified in this section.

5 \* Sec. 3. AS 18.56.098(e) is amended to read:

6 (e) The corporation shall establish regulations in accordance  
7 with AS 18.56.083 to implement the special mortgage loan purchase  
8 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE  
9 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES  
10 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions  
11 allowing, prohibiting, or restricting [OTHERWISE SETTING CONDITIONS ON]  
12 the right to assume or the right to provide for the payment of mortgage  
13 loans purchased under (a) of this section by a person other than the  
14 mortgagor. A provision in a mortgage loan purchased by the corporation  
15 which prohibits or restricts the right to assume or the right to pro-  
16 vide for the payment of mortgage loans is enforceable. The corpora-  
17 tion shall enforce the regulations adopted under this subsection.

18 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to  
20 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
21 103A) the amount of mortgage revenue bonds that may be issued in the  
22 state under sec. 103A(g)(4) of that Act is allocated solely to the  
23 corporation. A municipality may not issue mortgage revenue bonds under  
24 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
25 permitted to do so by the corporation. The amount of mortgage revenue  
26 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
27 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
28 shall be deducted from the total amount permitted by that Act.

29 (b) The provisions of this section apply to home rule municipali-

1 ties.

2 \* Sec. 5. AS 44.88.010 is amended to read:

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

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

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

10 (3) the state lacks the basic manufacturing, industrial, and  
11 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
12 and other facilities referred to in (5) of this subsection [AS 44.88.-  
13 010(a)(5)] necessary to permit adequate development of its natural  
14 resources and the balanced growth of its economy;

15 (4) the establishment, and expansion of industrial, manufac-  
16 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
17 enterprises in Alaska, including facilities for air and water transpor-  
18 tation, facilities for pollution control and waste disposal, facilities  
19 for the local furnishing of gas, facilities for water, and facilities  
20 for industrial parks, is essential to the development of the natural  
21 resources and the long-term economic growth of the state, and will di-  
22 rectly and indirectly alleviate unemployment in the state;

23 (5) the achievement of the goal of full employment, and of  
24 establishment and continuing operation and development of industrial,  
25 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
26 FISHING] enterprises in the state, including facilities for air and  
27 water transportation, facilities for pollution control and waste dis-  
28 posal, facilities for the local furnishing of gas, facilities for  
29 water, and facilities for industrial parks, will be accelerated and

1 facilitated by the creation of an instrumentality of the state with  
2 powers to incur debt and to make and insure loans to finance, and to  
3 assist private lenders to make loans to finance, the establishment,  
4 operation, and development of industrial, manufacturing, and small  
5 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
6 ing facilities for air and water transportation, facilities for pollu-  
7 tion control and waste disposal, facilities for the local furnishing of  
8 gas, facilities for water, and facilities for industrial parks, for  
9 private operation;

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

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

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

29 \* Sec. 6. AS 44.88.050(a) is amended to read:

1 (a) A majority of the members of the authority constitutes a  
2 quorum for the transaction of business or the exercise of a power or  
3 function at a meeting of the authority. In case of a tie vote on a  
4 motion or resolution pending before the authority the motion or resolu-  
5 tion shall be presented to the governor and if approved by him, is  
6 considered adopted by the authority. The authority may meet and trans-  
7 act business by electronic media, including conference telephone call,  
8 if the public is given notice and has the same right to participate in  
9 the meeting as if the meeting was conducted in person. A meeting by  
10 electronic media as authorized in this subsection has the same legal  
11 effect as a meeting in person.

12 \* Sec. 7. AS 44.88.070 is amended to read:

13 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
14 authority is to promote, develop and advance the general prosperity and  
15 economic welfare of the people of Alaska, to relieve problems of unem-  
16 ployment, and to create additional employment by providing various  
17 means of financing and means of facilitating the financing of indust-  
18 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
19 CIAL FISHING] enterprises and the other facilities referred to in  
20 AS 44.88.010(a)(5) within the state.

21 \* Sec. 8. AS 44.88.080(18) is amended to read:

22 (18) to facilitate the expansion of a secondary market for  
23 the resale of federally or commercially insured loans made to finance  
24 the costs of projects held by commercial banks in Alaska.

25 \* Sec. 9. AS 44.88.080(12) is amended to read:

26 (12) to purchase or insure loans to finance the costs of  
27 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
28 COMMERCIAL FISHING] enterprise projects;

29 \* Sec. 10. AS 44.88 is amended by adding a new section to read:

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

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

6 \* Sec. 11. AS 44.88.105 is amended by adding new subsections to read:

7           (f) The authority may establish a reserve fund, other than a  
8 capital reserve fund, to secure its bonds. The authority may deposit  
9 in a reserve fund established under this subsection the proceeds of  
10 sale of its bonds and other money which may be made available from any  
11 other source. A reserve fund established under this subsection must  
12 comply with (a) - (c) of this section. The authority may allow a  
13 reserve fund established under this subsection to be depleted without  
14 complying with (d) of this section.

15           (g) The authority may not establish a capital reserve fund to  
16 secure a bond if the proceeds of the bond are used to finance a project  
17 the cost of which exceeds \$10,000,000.

18 \* Sec. 12. AS 44.88.155(b) is amended to read:

19           (b) The authority shall establish within the enterprise develop-  
20 ment fund a loan insurance account, a small enterprise [BUSINESS,  
21 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
22 other accounts it considers appropriate. Amounts in the enterprise  
23 development fund including, without limitation, repayments of loan  
24 principal and interest, may be pledged to the payment of bonds of the  
25 authority and shall be held and invested by the authority at competi-  
26 tive national market rates in investments authorized under AS 37.10.-  
27 070(a) or which [AS] may be authorized in agreements with bondholders  
28 respecting amounts in the loan insurance account, the small enterprise  
29 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan

1 account, and other accounts within the enterprise development fund.

2 \* Sec. 13. AS 44.88.157 is amended by adding new subsections to read:

3 (j) Notwithstanding (a) - (i) of this section, the authority may  
4 establish additional loan insurance accounts outside the enterprise  
5 development fund to secure special obligation bonds, and pay into the  
6 loan insurance account money made available from an appropriation or  
7 from any other source. A loan insurance account established under this  
8 subsection is not subject to the requirements of (d) and (g) of this  
9 section.

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

13 \* Sec. 14. AS 44.88.158(a) is amended to read:

14 Sec. 44.88.158. SMALL ENTERPRISE [BUSINESS, TOURISM, MINING, AND  
15 COMMERCIAL FISHING ENTERPRISES] LOAN ACCOUNT. (a) The authority may  
16 use the assets of the small enterprise [BUSINESS, TOURISM, MINING, AND  
17 COMMERCIAL FISHING ENTERPRISES] loan account to purchase loans made by  
18 others to [SMALL BUSINESS ENTERPRISES, TOURISM ENTERPRISES, MINING  
19 ENTERPRISES, AND COMMERCIAL FISHING] enterprises to pay the costs of  
20 projects, as defined in AS 44.88.220, which have been or which the  
21 authority anticipates will be financed with the proceeds of bonds.

22 \* Sec. 15. AS 44.88.158(b) is amended to read:

23 (b) The interest rate on a loan purchased with money in the small  
24 enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTER-  
25 PRISES] loan account must equal the interest rate which the authority  
26 estimates would be payable on bonds issued by the authority to provide  
27 money to make the loan.

28 \* Sec. 16. AS 44.88.158(c) is amended to read:

29 (c) A loan purchased with money in the small enterprise [BUSINESS,

1 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account

2 (1) may not exceed \$7,500,000

3 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-  
4 PRISE;

5 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-  
6 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM  
7 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

8 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN  
9 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A  
10 COMMERCIAL FISHING ENTERPRISE];

11 (2) may not exceed 75 percent of the cost of the project or  
12 75 percent of the appraised value of the project, whichever is less,  
13 unless the amount of the loan in excess of those limits is federally  
14 insured or guaranteed or is insured by a qualified mortgage insurance  
15 company;

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

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

21 (5) shall be in the form and contain the terms and provi-  
22 sions with respect to insurance, repairs, alterations, payment of taxes  
23 and assessments, default reserves, delinquency charges, default  
24 remedies, acceleration of maturity, secondary liens and other matters  
25 the authority prescribes; [AND]

26 (6) shall be secured as to repayment by a mortgage or other  
27 security instrument in the manner the authority determines is feasible  
28 to assure timely repayment under a loan agreement entered into with the  
29 borrower; and

1                   (7) may not be made unless at least 10 percent of the prin-  
2                   cipal amount of the loan is retained by the originator of the loan.

3 \* Sec. 17. AS 44.88.158(d) is amended to read:

4                   (d) The authority may adopt regulations for the administration of  
5 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
6 ENTERPRISES] loan account which may include, without limitation, provi-  
7 sions for fees and agreements relating to application, loan commitment,  
8 servicing, and origination of loans by other lenders.

9 \* Sec. 18. AS 44.88.158(e) is amended to read:

10                   (e) The authority may enter into agreements as to the use of the  
11 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
12 FISHING ENTERPRISES] loan account, including without limitation, trust  
13 or custody arrangements with banks or trust companies. It may also  
14 pledge, assign, or grant the agreement, interests under an agreement,  
15 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
16 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
17 appropriate to provide for payment and security for bonds of the  
18 authority.

19 \* Sec. 19. AS 44.88.220(2) is amended to read:

20                   (2) "business enterprise" means a single proprietorship,  
21 corporation, firm, partnership, or other association of persons organ-  
22 ized in any manner, for any business purpose, other than [WHICH IS NOT  
23 ORGANIZED] on a nonprofit basis;

24 \* Sec. 20. AS 44.88.220(5) is amended to read:

25                   (5) "project" means [INCLUDES]

26                   (A) a plant or facility used or intended for use in  
27 connection with making, processing, preparing, or producing in any  
28 manner, goods, products or substances of any kind or nature or in  
29 connection with developing or utilizing a natural resource, or

1 extracting, smelting, transporting, converting, assembling or  
2 producing in any manner, minerals, raw materials, chemicals,  
3 compounds, alloys, fibers, commodities and materials, products or  
4 substances of any kind or nature, any plant or facility used or  
5 intended for use as an industrial park or in connection with air  
6 and water transportation, or any plant or facility for the preven-  
7 tion, limitation or control of air or water pollution, for the  
8 disposal of sewage or solid waste, for the local furnishing of  
9 gas, or for the furnishing of water; or

10 (B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE,  
11 MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN  
12 (12), (13), (14), AND (15) OF THIS SECTION];

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

14 (8) "project cost" or "cost of a project"

15 (A) means all or any part of the aggregate costs deter-  
16 mined by the authority to be necessary to finance the construc-  
17 tion, expansion, or acquisition of a project, including without  
18 limitation the cost of acquiring real or tangible personal prop-  
19 erty, and, in connection with real property, the cost of construct-  
20 ing buildings and improvements, the cost of constructing means of  
21 access to and from the project, the cost of constructing extensions  
22 of utility systems to the site of the project; the cost of a  
23 project includes, without limitation, the cost of financing the  
24 project, interest charges before, during or after construction,  
25 expansion, or acquisition of the project, costs related to the  
26 determination of the feasibility, planning, design or engineering  
27 of the project and, to the extent determined necessary by the  
28 authority, administrative expenses, the cost of machinery or  
29 equipment to be used in the operation of the project and expenses

1 of installation, replacement or rehabilitation, and all other  
2 costs, charges, fees and expenses which may be determined by the  
3 authority to be necessary to finance the construction, expansion,  
4 or acquisition;

5 (B) does not include work in progress, stock in trade,  
6 or the refinancing of the existing indebtedness of a project  
7 applicant;

8 \* Sec. 22. AS 44.88.220(12) is repealed and reenacted to read:

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

13 \* Sec. 23. The Alaska Housing Finance Corporation may issue bonds in the  
14 principal amount of \$592,000,000 during the fiscal year ending June 30,  
15 1982.

16 \* Sec. 24. Subject to the limitation of AS 44.88.090(g), the Alaska  
17 Industrial Development Authority may issue bonds in the principal amount of  
18 \$230,000,000 during the fiscal year ending June 30, 1982.

Not discussed  
5/21 Jim  
or  
PMM

# Proposed by Buchholdt

## AMENDMENTS TO DRAFT CSHB 487 (Finance) II

### To Permit Working Capital & Inventory Loans

1. Delete Section 8 of the draft bill on page 5.
2. Delete "at competitive national Market rates" on lines 20-21, page 6 (Section 12 of the draft bill).
3. Delete "work in progress, stock in trade, or" on line 29, page 10, and line 1, page 11 (Section 21 of the draft bill).
4. Insert "or (C) work in progress, or stock in trade, or accounts receivable." after the deleted material on line 7, page 10 (Section 20 of the draft bill).
5. Add a new section to the draft bill as follows:

"AS.44.88.220(b) is amended to read:

(6) "plant" or "facility" means real property, whether above or below mean high water, or an interest in it, and the buildings, improvements and structures constructed or to be constructed on or in it, and may include fixtures, machinery, and equipment on it or in it, and tangible personal property, regardless of whether the tangible personal property is attached to or connected with real property, if the owner has agreed not to remove the tangible personal property permanently from the state for the period the authority sets; ["plant" or "facility" does not include work in process or stock in trade]"

A M E N D M E N T

Offered in the HOUSE

By the Finance Committee

TO: CSHB 487. (Finance)

Page 11, line 12:

Following "loan" add "or a utility which qualifies for a loan under the federal Rural Electrification Act (7 U.S.C. 901 et seq) with gross revenues of \$20,000,000 or less for its annual reporting period which ended immediately before the application to the authority for a loan"

Carney moved

CSHB 487 (Fin)

Amendment - by Finance Committee

Page 11, line 12, after "authority for a loan" add the following:

"or those qualifying under the Rural Electrical Authority program who have gross revenues of \$20,000,000 or less".

Berry

Original sponsor: Rules/Governor

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 487 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the loan programs of and authorizing issuance of revenue bonds for loan programs by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

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

\* Section 1. AS 18.56.098(a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase mortgage loans, including graduated payment mortgage loans, made (1) for the purchase of one, two, three, and four family residences; [OR] (2) for the refinancing of a mortgage loan on a one, two, three, or four family residence if the purpose of the refinancing is to provide money for the improvement or rehabilitation of the residence; (3) to purchase multi-family residences of more than four units which are individually owned; or (4) for construction, or refinancing for the purpose of improvement or rehabilitation, of multi-family residences of more than four units which are not individually or cooperatively owned when the requirements of (g) of this section are met; (5) for the purchase, construction, or refinancing for the purpose of improvement or rehabilitation of residences of more than four units which are cooperatively owned.

\* Sec. 2. AS 18.56.098(c) is amended to read:

(c) The corporation may pledge mortgage loans purchased by the corporation under (a) of this section, mortgage loans assigned to the corporation for the special mortgage loan purchase program, and mortgage

1 loans purchased with amounts appropriated to the corporation for the  
2 special mortgage loan purchase program to pay the principal, interest,  
3 and redemption premium, if any, on bonds or bond anticipation notes  
4 issued by the corporation for the special mortgage loan purchase program  
5 and may expend amounts appropriated to the special mortgage loan pur-  
6 chase program as necessary to cause the interest rate on mortgage  
7 loans purchased under the special mortgage loan purchase program and  
8 retained by the corporation or sold under AS 18.56.099 to equal the  
9 rates specified in this section.

0 \* Sec. 3. AS 18.56.098(d) is repealed and reenacted to read:

1 (d) The limitations on the loan amount and the interest rate  
2 charged on a mortgage loan purchased by the corporation under (a) of  
3 this section are as follows:

4 (1) the interest rate for a loan made for purchase of a  
5 residence having more than four dwelling units in which the units are  
6 individually owned, may not exceed nine percent on the first \$90,000 of  
7 the loan if the loan is made to an eligible veteran under AS 18.56.101;

8 (2) the interest rate for a loan made for purchase of a  
9 residence having more than four dwelling units in which the units are  
10 individually owned may not exceed 10 percent on the first \$90,000 of  
11 the loan if the loan is made to a person other than an eligible veteran  
12 under AS 18.56.101;

13 (3) the interest rate for a loan made for the purchase,  
14 construction, or rehabilitation of a residence having more than four  
15 dwelling units in which the units are cooperatively owned may not  
16 exceed 10 percent on the part of the loan which does not exceed \$50,000  
17 per unit multiplied by the number of units;

18 (4) the interest rate for a loan for construction or rehab-  
19 ilitation of a residence having more than four dwelling units in which

1 the units are not individually or cooperatively owned may not exceed 11  
2 percent on the part of the loan which does not exceed \$50,000 per unit  
3 multiplied by the number of units;

4 (5) the interest rate for purchase or rehabilitation of an  
5 owner-occupied one, two, three, or four family residence may not exceed  
6 nine percent on the first \$90,000 of the loan if the loan is made to an  
7 eligible veteran under AS 18.56.101;

8 (6) the interest rate for purchase or rehabilitation of an  
9 owner-occupied one, two, three, or four family residence may not exceed  
0 10 percent on the first \$90,000 of the loan if the loan is made to a  
1 person other than an eligible veteran under AS 18.56.101;

2 (7) a loan made for the purchase, construction, or rehabili-  
3 tation of a multi-family residence of five or more units in which the  
4 units are not individually owned may not exceed \$75,000 per unit, and  
5 the maximum loan amount for a multi-family housing project is  
6 \$1,500,000;

7 (8) except as provided in this subsection, the interest rate  
8 for a loan shall equal the mortgage program costs to the corporation  
9 attributable to the loan.

10 \* Sec. 4. AS 18.56.098(e) is amended to read:

1 (e) The corporation shall establish regulations in accordance  
2 with AS 18.56.088 to implement the special mortgage loan purchase  
3 program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE  
4 CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES  
5 OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions  
6 allowing, prohibiting, or otherwise setting conditions on the right to  
7 assume mortgage loans purchased under (a) of this section.

8 \* Sec. 5. AS 18.56.098(f)(4) is repealed and reenacted to read:

9 (4) "residence" includes a single-family or multiple-unit

1 residence, including a mobile home, and an individually owned unit in a  
2 multiple-unit residence.

3 \* Sec. 6. AS 18.56.098(f) is amended by adding a new paragraph to read:

4 (5) "cooperatively" means owned by a cooperative incorporated  
5 under AS 10.15.

6 \* Sec. 7. AS 18.56.098 is amended by adding a new subsection to read:

7 (g) Mortgage loans may be purchased under (a)(3) of this section  
8 for a multi-family residence in a municipality only if the vacancy  
9 factor for rental units in the municipality is five percent or less and  
0 there is bank participation of at least 10 percent of the amount of the  
1 loan.

2 \* Sec. 8. AS 18.56 is amended by adding a new section to read:

3 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. Pursuant to  
4 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
5 103A) the amount of mortgage revenue bonds that may be issued in the  
6 state under sec. 103A(g)(4) of that Act is allocated solely to the  
7 corporation. A municipality may not issue mortgage revenue bonds  
8 unless permitted to do so by the corporation. The amount of bonds  
9 issued by a municipality with the permission of the corporation shall  
10 be deducted from the total amount permitted by the Act. The provisions  
11 of this section apply to home rule municipalities.

12 \* Sec. 9. AS 44.88.010 is amended to read:

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

15 (1) there exist areas of the state in which seasonal and  
16 nonseasonal unemployment exist;

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

1 (3) the state lacks the basic manufacturing, industrial,  
2 small business, tourism, mining, timber, agricultural, and commercial  
3 fishing enterprises and other facilities referred to in AS 44.88.-  
4 010(a)(5) necessary to permit adequate development of its natural  
5 resources and the balanced growth of its economy;

6 (4) the establishment, and expansion of industrial, manufac-  
7 turing, small business, tourism, mining, timber, agricultural, and  
8 commercial fishing enterprises in Alaska, including facilities for air  
9 and water transportation, facilities for pollution control and waste  
0 disposal, facilities for the local furnishing of gas, facilities for  
1 water, and facilities for industrial parks, is essential to the develop-  
2 ment of the natural resources and the long-term economic growth of the  
3 state, and will directly and indirectly alleviate unemployment in the  
4 state;

5 (5) the achievement of the goal of full employment, and of  
6 establishment and continuing operation and development of industrial,  
7 manufacturing, small business, tourism, mining, timber, agricultural,  
8 and commercial fishing enterprises in the state, including facilities  
9 for air and water transportation, facilities for pollution control and  
0 waste disposal, facilities for the local furnishing of gas, facilities  
1 for water, and facilities for industrial parks, will be accelerated and  
2 facilitated by the creation of an instrumentality of the state with  
3 powers to incur debt and to make and insure loans to finance, and to  
4 assist private lenders to make loans to finance, the establishment,  
5 operation, and development of industrial, manufacturing, small business,  
6 tourism, mining, timber, agricultural, and commercial fishing enter-  
7 prises, including facilities for air and water transportation, facili-  
8 ties for pollution control and waste disposal, facilities for the local  
9 furnishing of gas, facilities for water, and facilities for industrial

1 parks, for private operation;

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

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

11 (b) It is declared to be the policy of the state, in the interests  
12 of promoting the health, security and general welfare of all the people  
13 of the state, and a public purpose, to increase job opportunities and  
14 otherwise to encourage the economic growth of the state, including the  
15 development of its natural resources, through the establishment of  
16 manufacturing, industrial, small business, tourism, timber,  
17 agricultural, and commercial fishing enterprises and the other facili-  
18 ties referred to in AS 44.88.010(a)(5) by creating the public corpora-  
19 tion with power, duties and functions as provided in this chapter.

20 \* Sec. 10. AS 44.88.070 is amended to read:

21 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
22 authority is to promote, develop and advance the general prosperity and  
23 economic welfare of the people of Alaska, to relieve problems of unem-  
24 ployment, and to create additional employment by providing various  
25 means of financing and means of facilitating the financing of indust-  
26 rial, manufacturing, small business, tourism, mining, timber, agricul-  
27 tural, and commercial fishing enterprises and the other facilities  
28 referred to in AS 44.88.010(a)(5) within the state.

29 \* Sec. 11. AS 44.88.080(18) is amended to read:

1 (18) to facilitate the expansion of a secondary market for  
2 the resale of federally or commercially insured loans made to finance  
3 the costs of projects held by commercial banks in Alaska. :

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

5 (12) to purchase or insure loans to finance the costs of  
6 manufacturing, industrial, small business, tourism, mining, timber,  
7 agricultural, and commercial fishing enterprise projects;

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

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

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

4 \* Sec. 14. AS 44.88.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund, other than a  
6 capital reserve fund, to secure its bonds. The authority may deposit  
7 in a reserve fund established under this subsection the proceeds of  
8 sale of its bonds and other money which may be made available from any  
9 other source. A reserve fund established under this subsection must  
0 comply with (a) - (c) of this section. The authority may allow a  
1 reserve fund established under this subsection to be depleted without  
2 complying with (d) of this section.

3 \* Sec. 15. AS 44.88.155(b) is amended to read:

4 (b) The authority shall establish within the enterprise develop-  
5 ment fund a loan insurance account, a small business, tourism, mining,  
6 and commercial fishing enterprises loan account and other accounts it  
7 considers appropriate. Amounts in the enterprise development fund  
8 including, without limitation, repayments of loan principal and inter-  
9 est, may be pledged to the payment of bonds of the authority and shall

1 be held and invested by the authority at competitive national market  
2 rates in investments authorized under AS 37.10.070(a) or as may be  
3 authorized in agreements with bondholders respecting amounts in the  
4 loan insurance account, the small business, tourism, mining, and com-  
5 mercial fishing enterprises loan account, and other accounts within the  
6 enterprise development fund.

7 \* Sec. 16. AS 44.88.157(a) is amended to read:

8 (a) The authority may establish a loan insurance account. The  
9 purpose of the loan insurance account is to provide insurance of mort-  
0 gage loans and other loans made or purchased by the authority, or made  
1 by others and approved for insurance by the authority, for a project.  
2 The authority may enter into agreements as to the use of money in the  
3 loan insurance account and may pledge, assign, or grant interests in  
4 the loan insurance account as provided in this section. The authority  
5 may adopt regulations and enter into agreements with respect to the  
6 exercise of any power or approval relating to the loan insurance account  
7 under this section, including, without limitation, agreements as to the  
8 use of money in the loan insurance account, agreements with respect to  
9 the terms and conditions upon which payments from the loan insurance  
10 account will be made with respect to a loan insured under this section,  
11 agreements as to separate subaccounts in the loan insurance account for  
12 different categories of loans or as to loans made by the authority or  
13 any other person, and agreements regarding the payment of and security  
14 for bonds issued by the authority. An agreement, the rights of the  
15 authority under an agreement, or payments received or to be received  
16 under an agreement may be pledged or assigned by the authority for the  
17 benefit of the holders of bonds issued by the authority.

18 \* Sec. 17. AS 44.88.158(a) is amended to read:

19 Sec. 44.88.158. SMALL BUSINESS, TOURISM, MINING, TIMBER, AGRICUL-  
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TURAL, AND COMMERCIAL FISHING ENTERPRISES LOAN ACCOUNT. (a) The authority may use the assets of the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account to purchase loans made by others to small business enterprises, tourism enterprises, mining enterprises, timber enterprises, agricultural enterprises, and commercial fishing enterprises to pay the costs of projects, as defined in AS 44.88.220, which have been or which the authority anticipates will be financed with the proceeds of bonds.

\* Sec. 18. AS 44.88.158(c) is amended to read:

(c) A loan purchased with money in the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account

(1) may not exceed

(A) \$6,000,000 if the loan is made to a tourism enterprise;

(B) \$1,000,000 if the loan is made to a mining, timber, agricultural, or [ENTERPRISE OR TO A] small business enterprise that is not a tourism enterprise or a commercial fishing enterprise; or

(C) \$500,000 for each individual commercial fisherman in the commercial fishing enterprise if the loan is made to a commercial fishing enterprise;

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

(3) may not be made for a term longer than three-quarters of the authority's estimate of the life of the project or 25 years from

1 the date the loan is made, whichever is earlier;

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

4 (5) shall be in the form and contain the terms and provi-  
5 sions with respect to insurance, repairs, alterations, payment of taxes  
6 and assessments, default reserves, delinquency charges, default  
7 remedies, acceleration of maturity, secondary liens and other matters  
8 the authority prescribes; and

9 (6) shall be secured as to repayment by a mortgage or other  
10 security instrument in the manner the authority determines is feasible  
11 to assure timely repayment under a loan agreement entered into with the  
12 borrower.

13 \* Sec. 19. AS 44.88.158(d) is amended to read:

14 (d) The authority may adopt regulations for the administration of  
15 the small business, tourism, mining, timber, agricultural, and commer-  
16 cial fishing enterprises loan account which may include, without limita-  
17 tion, provisions for fees and agreements relating to application, loan  
18 commitment, servicing, and origination of loans by other lenders.

19 \* Sec. 20. AS 44.88.158(e) is amended to read:

20 (e) The authority may enter into agreements as to the use of the  
21 money in the small business, tourism, mining, timber, agricultural, and  
22 commercial fishing enterprises loan account, including without limita-  
23 tion, trust or custody arrangements with banks or trust companies. It  
24 may also pledge, assign, or grant the agreement, interests under an  
25 agreement, or interests in the small business, tourism, mining,  
26 timber, agricultural, and commercial fishing enterprises loan account  
27 as may be necessary or appropriate to provide for payment and security  
28 for bonds of the authority.

29 \* Sec. 21. AS 44.88.220(2) is amended to read:

1 (2) "business enterprise" means a single proprietorship,  
2 corporation, firm, partnership, or other association of persons organ-  
3 ized in any manner, for any business purpose, other than [WHICH IS NOT  
4 ORGANIZED] on a nonprofit basis;

5 \* Sec. 22. AS 44.88.220(5) is amended to read:

6 (5) "project" means [INCLUDES]

7 (A) a plant or facility used or intended for use in  
8 connection with making, processing, preparing, or producing in any  
9 manner, goods, products or substances of any kind or nature or in  
0 connection with developing or utilizing a natural resource, or  
1 extracting, smelting, transporting, converting, assembling or  
2 producing in any manner, minerals, raw materials, chemicals,  
3 compounds, alloys, fibers, commodities and materials, products or  
4 substances of any kind or nature, any plant or facility used or  
5 intended for use as an industrial park or in connection with air  
6 and water transportation, or any plant or facility for the preven-  
7 tion, limitation or control of air or water pollution, for the  
8 disposal of sewage or solid waste, for the local furnishing of  
9 gas, or for the furnishing of water; or

0 (B) commercial activity by a small business enterprise,  
1 tourism enterprise, mining enterprise, timber enterprise, agricul-  
2 tural enterprise, or [AND] commercial fishing enterprise as defined  
3 in (12), (13), (14), [AND] (15), (16), and (17) of this section;

4 \* Sec. 23. AS 44.88.220(8) is amended to read:

5 (8) "project cost" or "cost of a project" means all or any  
6 part of the aggregate costs determined by the authority to be necessary  
7 to finance the construction, expansion, or acquisition of a project,  
8 including without limitation the cost of acquiring real or tangible  
9 personal property, and, in connection with real property, the cost of

1 constructing buildings and improvements, the cost of constructing means  
2 of access to and from the project, the cost of constructing extensions  
3 of utility systems to the site of the project; the cost of a project  
4 includes, without limitation, the cost of financing the project, inter-  
5 est charges before, during or after construction, expansion, or acqui-  
6 sition of the project, costs related to the determination of the feasi-  
7 bility, planning, design or engineering of the project and, to the  
8 extent determined necessary by the authority, administrative expenses,  
9 the cost of machinery or equipment to be used in the operation of the  
0 project and expenses of installation, replacement or rehabilitation,  
11 and all other costs, charges, fees and expenses which may be determined  
12 by the authority to be necessary to finance the construction, expansion,  
13 or acquisition;

14 \* Sec. 24. AS 44.88.220(12) is amended to read:

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

19 \* Sec. 25. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which  
21 is a project applicant directly involved in the tourist industry;

22 \* Sec. 26. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-  
24 vidual commercial fishermen who are project applicants and residents of  
25 the state who jointly apply for and receive a commercial fishing loan  
26 from a private financial institution in the state or from a state or  
27 federal loan program;

28 \* Sec. 27. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

1 a project applicant directly involved in the mining industry.

2 \* Sec. 28. AS 44.88.220 is amended by adding new paragraphs to read:

3 (16) "agricultural enterprise" means a project applicant  
4 involved in the raising and harvesting of plants, trees, crops, and  
5 livestock and includes the real estate, buildings, equipment, and  
6 supplies normally necessary for the distribution, processing, marketing,  
7 and servicing of products related to agriculture or an agricultural  
8 purpose;

9 (17) "timber enterprise" means a project applicant which is  
0 directly involved in the timber industry;

1 \* Sec. 29. The Alaska Housing Finance Corporation may issue revenue  
2 bonds in the principal amount of \$647,000,000 during the fiscal year ending  
3 June 30, 1982.

4 \* Sec. 30. Subject to the limitation of AS 44.88.090(g), the Alaska  
5 Industrial Development Authority may issue revenue bonds in the principal  
6 amount of \$230,000,000 during the fiscal year ending June 30, 1982.

7 \* Sec. 31. 3 AAC 99.230(b) and 3 AAC 99.270(b) are annulled.  
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Mitt Barker  
5/21

AMENDMENTS TO DRAFT CSHB 487 (Finance) II

To Permit Working Capital & Inventory Loans

1. Delete Section 8 of the draft bill on page 5.
2. Delete "at competitive national Market rates" on lines 20-21, page 6 (Section 12 of the draft bill).
3. Delete "work in progress, stock in trade, or" on line 29, page 10, and line 1, page 11 (Section 21 of the draft bill).
4. Insert "or (c) work in progress, or stock in trade, or accounts receivable." after the deleted material on line 7, page 10 (Section 20 of the draft bill).
5. Add a new section to the draft bill as follows:

"AS.44.88.220(b) is amended to read:

(6) "plant" or "facility" means real property, whether above or below mean high water, or an interest in it, and the buildings, improvements and structures constructed or to be constructed on or in it, and may include fixtures, machinery, and equipment on it or in it, and tangible personal property, regardless of whether the tangible personal property is attached to or connected with real property, if the owner has agreed not to remove the tangible personal property permanently from the state for the period the authority sets; ["plant" or "facility" does not include work in process or stock in trade;]"

AMENDMENTS TO CSRB487 (Finance)

- Page 1, Line 6 After "of" add "owner-occupied single-family or duplex"
- Page 1, Line 7 After "on" add "an owner-occupied single-family or duplex"
- Page 2, Line 4 Delete "three or more" and insert "more than two"
- Line 5 After "unit" add "the maximum loan-to-value ratio is eighty percent"
- Line 6 After "a" add "rental" delete "project" and insert "residence"
- Line 25 Delete "bank", and after "participation" add "by a private sector lender"

MAIN BILL CS FOR HB No. 497 (Finance) II

- Page 1, Add a new section as follows:

Section 1. AS 18.56.040 is amended to read:

Sec. 18.56.040. Meetings of board. The board shall elect a chairman from among its membership at its [first] annual meeting [in] each year. A majority of the members constitute a quorum for organizing the board, conducting its business and exercising the powers of the corporation. The board shall meet at the call of its chairman. The board shall meet not less than once each three months. The corporation may meet and transact business by electronic media, including conference telephone call, if the public is given notice and has the same right to participate in the meeting as if the meeting was conducted in person. A meeting by electronic media as authorized in this section has the same legal effect as a meeting in person.

- Page 1, Line 19 Delete "or to the spouse of a person"
- Line 20 Delete "seven" and insert "three"
- Line 21 Add a new sentence as follows: "Sub-section (2) does not apply to mortgage loans which the corporation has committed to purchase prior to September 1, 1981."

Page 2, Line 23 At beginning of line add "under sec. 103A(g)(4)  
of that Act"

After "of" add "mortgage revenue"

Line 24 After "municipality" add "under sec. 103A(g)(4)  
of that Act"

Page 12, Line 16 Delete "revenue"

Line 17 Delete "\$492,000,000 and insert "\$592,000,000"

# CS HB 487 Amendments

1 \* Section 1. AS 18.56.098(a) is amended to read:

2 (a) The corporation shall establish a special mortgage loan  
3 purchase program. Under the special mortgage loan purchase program,  
4 the corporation may purchase mortgage loans, including graduated payment  
5 mortgage loans, made (1) for the purchase of one, two, three, and four  
6 family residences; (OR) (2) for the refinancing of a mortgage loan on a  
7 one, two, three, or four family residence if the purpose of the refin-  
8 ancing is to provide money for the improvement or rehabilitation of the  
9 residence; (3) to purchase multi-family residences of more than four  
10 units which are individually owned; or (4) for financing after completion  
11 of construction, or refinancing after completion of improvement or rehabili-  
12 tation, of multi-family residences of more than four units which are not  
13 individually or cooperatively owned when the requirements of (g) of this  
14 section are met; (5) for the purchase, financing after completion of  
15 construction, or refinancing after completion of improvement or rehabili-  
16 tation of residences of more than four units which are cooperatively  
17 owned.

AMENDMENTS TO CSHB 487 (Finance)

1 \* Sec. \_\_\_\_ AS 18.56.098(a) is amended to read:

2 Sec. 18.56.098. SPECIAL MORTGAGE LOAN PURCHASE PROGRAM. (a)

3 The corporation shall establish a special mortgage loan purchase  
4 program. Under the special mortgage loan purchase program, the  
5 corporation may purchase mortgage loans, including graduated payment  
6 mortgage loans, made (1) for the purchase of residences; (OR) (2)  
7 for the refinancing of a mortgage loan on a residence if the purpose  
8 of the refinancing is to provide money for the improvement or re-  
9 habilitation of the residence(.); (3) for financing after completion  
10 of construction of <sup>new</sup> rental multi-family residences of more than two  
11 units in rural and, when the requirements of (g) of this section are  
12 met, in urban areas.

13 \* Sec. \_\_\_\_ AS 18.56.098(d) is repealed and reenacted to read:

14 (d) The limitations on the loan amount and the interest rate  
15 charged on a mortgage loan purchased by the corporation under (a) of  
16 this section are as follows:

17 → (1) the interest rate for a loan purchased under (a)(1) or  
18 (a)(2) of this section may not exceed:

19 (A) nine percent on the first \$90,000 of the loan  
20 if the loan is made to an eligible veteran under AS 18.56.101;

21 (B) ten percent on the first \$90,000 of the loan if  
22 the loan is made to a person other than an eligible veteran under  
23 AS 18.56.101;

24 (2) the interest rate for a loan purchased under (a)(3)  
25 of this section may not exceed:

26 (A) nine and one-half percent on the part of the loan  
27 which does not exceed \$75,000 per unit multiplied by the number of  
28 units if the loan is made in a rural area;

29 (B) eleven percent on the part of the loan which

1 does not exceed \$50,000 per unit multiplied by the number of units  
2 if the loan is made in an urban area;

3 (3) a loan made for the financing after completion of  
4 construction of a rental multi-family residence of three or more  
5 units may not exceed \$75,000 per unit, and the maximum loan amount  
6 for a multi-family housing project is \$1,500,000;

7 (4) except as provided in this subsection, the interest  
8 rate for a loan shall equal the mortgage program costs to the  
9 corporation attributable to the loan.

10 \* Sec. \_\_\_\_\_. AS 18.56.098(f)(4) is repealed and reenacted to read:

11 (4) "residence" includes a single-family or multiple-unit  
12 residence, including a mobile home, and an individually owned unit  
13 in a multiple-unit residence.

14 \* Sec. \_\_\_\_\_. AS 18.56.098(f) is amended by adding new paragraphs  
15 to read:

16 (5) "urban" means an area which (A) has road or railroad  
17 access to Anchorage or Fairbanks; or (B) a community that has a population  
18 of 4,500 or more;

19 (6) "rural" means an area or community other urban.

20  
21 \* Sec. \_\_\_\_\_. AS 18.56.098 is amended by adding a new subsection  
22 to read:

23 (g) Mortgage loans may be purchased under (a)(3) of this  
24 section for a rental multi-family residence in an urban area only if  
25 there is bank participation of at least 10 percent of the amount of  
26 the loan.  
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Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE  
 2 CS FOR HOUSE BILL NO. 487 (Finance)  
 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 the Alaska Housing Finance Corpora-  
 7 tion and the Alaska Industrial Development Authority."

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

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

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

16 (b) The authority may meet and transact business by electronic  
 17 media, including conference telephone, if the public has the same  
 18 right to participate in the meeting as if the meeting were held in  
 19 person. A meeting by electronic media as provided in this section has  
 20 the same legal effect as a meeting in person.

21 \* Sec. 2. AS 18.56.098(c) is amended to read:

22 (c) The corporation may pledge mortgage loans purchased by the  
 23 corporation under (a) of this section, mortgage loans assigned to the  
 24 corporation for the special mortgage loan purchase program, and mortgage  
 25 loans purchased with amounts appropriated to the corporation for the  
 26 special mortgage loan purchase program to pay the principal, interest,  
 27 and redemption premium, if any, on bonds or bond anticipation notes  
 28 issued by the corporation for the special mortgage loan purchase pro-  
 29 gram and may expend amounts appropriated to the special mortgage loan

1 purchase program for mortgage loan subsidies as necessary to cause the  
2 interest rate on mortgage loans purchased under the special mortgage  
3 loan purchase program and retained by the corporation or sold under  
4 AS 18.56.099 to equal the rates specified in this section.

5 \* Sec. 3. AS 18.56.098(e) is amended to read:

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

18 \* Sec. 4. AS 18.56 is amended by adding a new section to read:

19 Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. (a) Pursuant to  
20 sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C.  
21 103A) the amount of mortgage revenue bonds that may be issued in the  
22 state under sec. 103A(g)(4) of that Act is allocated solely to the  
23 corporation. A municipality may not issue mortgage revenue bonds under  
24 sec. 103A(g)(4) of the Mortgage Subsidy Bond Tax Act of 1980 unless  
25 permitted to do so by the corporation. The amount of mortgage revenue  
26 bonds issued by a municipality under sec. 103A(g)(4) of the Mortgage  
27 Subsidy Bond Tax Act of 1980 with the permission of the corporation  
28 shall be deducted from the total amount permitted by that Act.

29 (b) The provisions of this section apply to home rule municipali-

1 ties.

2 \* Sec. 5. AS 44.88.010 is amended to read:

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

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

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

10 (3) the state lacks the basic manufacturing, industrial, and  
11 small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises  
12 and other facilities referred to in (5) of this subsection [AS 44.88.-  
13 010(a)(5)] necessary to permit adequate development of its natural  
14 resources and the balanced growth of its economy;

15 (4) the establishment, and expansion of industrial, manufac-  
16 turing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING]  
17 enterprises in Alaska, including facilities for air and water transpor-  
18 tation, facilities for pollution control and waste disposal, facilities  
19 for the local furnishing of gas, facilities for water, and facilities  
20 for industrial parks, is essential to the development of the natural  
21 resources and the long-term economic growth of the state, and will di-  
22 rectly and indirectly alleviate unemployment in the state;

23 (5) the achievement of the goal of full employment, and of  
24 establishment and continuing operation and development of industrial,  
25 manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
26 FISHING] enterprises in the state, including facilities for air and  
27 water transportation, facilities for pollution control and waste dis-  
28 posal, facilities for the local furnishing of gas, facilities for  
29 water, and facilities for industrial parks, will be accelerated and

1 facilitated by the creation of an instrumentality of the state with  
2 powers to incur debt and to make and insure loans to finance, and to  
3 assist private lenders to make loans to finance, the establishment,  
4 operation, and development of industrial, manufacturing, and small  
5 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, includ-  
6 ing facilities for air and water transportation, facilities for pollu-  
7 tion control and waste disposal, facilities for the local furnishing of  
8 gas, facilities for water, and facilities for industrial parks, for  
9 private operation;

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

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

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

29 \* Sec. 6. AS 44.88.050(a) is amended to read:

1 (a) A majority of the members of the authority constitutes a  
2 quorum for the transaction of business or the exercise of a power or  
3 function at a meeting of the authority. In case of a tie vote on a  
4 motion or resolution pending before the authority the motion or resolu-  
5 tion shall be presented to the governor and if approved by him, is  
6 considered adopted by the authority. The authority may meet and trans-  
7 act business by electronic media, including conference telephone call,  
8 if the public is given notice and has the same right to participate in  
9 the meeting as if the meeting was conducted in person. A meeting by  
10 electronic media as authorized in this subsection has the same legal  
11 effect as a meeting in person.

12 \* Sec. 7. AS 44.88.070 is amended to read:

13 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the  
14 authority is to promote, develop and advance the general prosperity and  
15 economic welfare of the people of Alaska, to relieve problems of unem-  
16 ployment, and to create additional employment by providing various  
17 means of financing and means of facilitating the financing of indust-  
18 rial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMER-  
19 CIAL FISHING] enterprises and the other facilities referred to in  
20 AS 44.88.010(a)(5) within the state.

21 \* Sec. 8. AS 44.88.080(18) is amended to read:

22 (18) to facilitate the expansion of a secondary market for  
23 the resale of federally or commercially insured loans made to finance  
24 the costs of projects held by commercial banks in Alaska.

25 \* Sec. 9. AS 44.88.080(12) is amended to read:

26 (12) to purchase or insure loans to finance the costs of  
27 manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND  
28 COMMERCIAL FISHING] enterprise projects;

29 \* Sec. 10. AS 44.88 is amended by adding a new section to read:

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

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

6 \* Sec. 11. AS 44.88.105 is amended by adding new subsections to read:

7           (f) The authority may establish a reserve fund, other than a  
8 capital reserve fund, to secure its bonds. The authority may deposit  
9 in a reserve fund established under this subsection the proceeds of  
10 sale of its bonds and other money which may be made available from any  
11 other source. A reserve fund established under this subsection must  
12 comply with (a) - (c) of this section. The authority may allow a  
13 reserve fund established under this subsection to be depleted without  
14 complying with (d) of this section.

15           (g) The authority may not establish a capital reserve fund to  
16 secure a bond if the proceeds of the bond are used to finance a project  
17 the cost of which exceeds \$10,000,000.

18 \* Sec. 12. AS 44.88.155(b) is amended to read:

19           (b) The authority shall establish within the enterprise develop-  
20 ment fund a loan insurance account, a small enterprise [BUSINESS,  
21 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and  
22 other accounts it considers appropriate. Amounts in the enterprise  
23 development fund including, without limitation, repayments of loan  
24 principal and interest, may be pledged to the payment of bonds of the  
25 authority and shall be held and invested by the authority at competi-  
26 tive national market rates in investments authorized under AS 37.10.-  
27 070(a) or which [AS] may be authorized in agreements with bondholders  
28 respecting amounts in the loan insurance account, the small enterprise  
29 [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan

1 account, and other accounts within the enterprise development fund.

2 \* Sec. 13. AS 44.88.157 is amended by adding new subsections to read:

3 (j) Notwithstanding (a) - (i) of this section, the authority may  
4 establish additional loan insurance accounts outside the enterprise  
5 development fund to secure special obligation bonds, and pay into the  
6 loan insurance account money made available from an appropriation or  
7 from any other source. A loan insurance account established under this  
8 subsection is not subject to the requirements of (d) and (g) of this  
9 section.

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

13 \* Sec. 14. AS 44.88.158(a) is amended to read:

14 Sec. 44.88.158. SMALL ENTERPRISE [BUSINESS, TOURISM, MINING, AND  
15 COMMERCIAL FISHING ENTERPRISES] LOAN ACCOUNT. (a) The authority may  
16 use the assets of the small enterprise [BUSINESS, TOURISM, MINING, AND  
17 COMMERCIAL FISHING ENTERPRISES] loan account to purchase loans made by  
18 others to [SMALL BUSINESS ENTERPRISES, TOURISM ENTERPRISES, MINING  
19 ENTERPRISES, AND COMMERCIAL FISHING] enterprises to pay the costs of  
20 projects, as defined in AS 44.88.220, which have been or which the  
21 authority anticipates will be financed with the proceeds of bonds.

22 \* Sec. 15. AS 44.88.158(b) is amended to read:

23 (b) The interest rate on a loan purchased with money in the small  
24 enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTER-  
25 PRISES] loan account must equal the interest rate which the authority  
26 estimates would be payable on bonds issued by the authority to provide  
27 money to make the loan.

28 \* Sec. 16. AS 44.88.158(c) is amended to read:

29 (c) A loan purchased with money in the small enterprise [BUSINESS,

1 TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account

2 (1) may not exceed \$7,500,000

3 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-  
4 PRISE;

5 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-  
6 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM  
7 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

8 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN  
9 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A  
10 COMMERCIAL FISHING ENTERPRISE];

11 (2) may not exceed 75 percent of the cost of the project or  
12 75 percent of the appraised value of the project, whichever is less,  
13 unless the amount of the loan in excess of those limits is federally  
14 insured or guaranteed or is insured by a qualified mortgage insurance  
15 company;

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

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

21 (5) shall be in the form and contain the terms and provi-  
22 sions with respect to insurance, repairs, alterations, payment of taxes  
23 and assessments, default reserves, delinquency charges, default  
24 remedies, acceleration of maturity, secondary liens and other matters  
25 the authority prescribes; [AND]

26 (6) shall be secured as to repayment by a mortgage or other  
27 security instrument in the manner the authority determines is feasible  
28 to assure timely repayment under a loan agreement entered into with the  
29 borrower; and

1           (7) may not be made unless at least 10 percent of the prin-  
2           cipal amount of the loan is retained by the originator of the loan.

3 \* Sec. 17. AS 44.88.158(d) is amended to read:

4           (d) The authority may adopt regulations for the administration of  
5 the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING  
6 ENTERPRISES] loan account which may include, without limitation, provi-  
7 sions for fees and agreements relating to application, loan commitment,  
8 servicing, and origination of loans by other lenders.

9 \* Sec. 18. AS 44.88.158(e) is amended to read:

10           (e) The authority may enter into agreements as to the use of the  
11 money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL  
12 FISHING ENTERPRISES] loan account, including without limitation, trust  
13 or custody arrangements with banks or trust companies. It may also  
14 pledge, assign, or grant the agreement, interests under an agreement,  
15 or interests in the small enterprise [BUSINESS, TOURISM, MINING, AND  
16 COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or  
17 appropriate to provide for payment and security for bonds of the  
18 authority.

19 \* Sec. 19. AS 44.88.220(2) is amended to read:

20           (2) "business enterprise" means a single proprietorship,  
21 corporation, firm, partnership, or other association of persons organ-  
22 ized in any manner, for any business purpose, other than [WHICH IS NOT  
23 ORGANIZED] on a nonprofit basis;

24 \* Sec. 20. AS 44.88.220(5) is amended to read:

25           (5) "project" means [INCLUDES]

26           (A) a plant or facility used or intended for use in  
27 connection with making, processing, preparing, or producing in any  
28 manner, goods, products or substances of any kind or nature or in  
29 connection with developing or utilizing a natural resource, or

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extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature, any plant or facility used or intended for use as an industrial park or in connection with air and water transportation, or any plant or facility for the prevention, limitation or control of air or water pollution, for the disposal of sewage or solid waste, for the local furnishing of gas, or for the furnishing of water; or

(B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE, MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SECTION];

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

(8) "project cost" or "cost of a project"

(A) means all or any part of the aggregate costs determined by the authority to be necessary to finance the construction, expansion, or acquisition of a project, including without limitation the cost of acquiring real or tangible personal property, and, in connection with real property, the cost of constructing buildings and improvements, the cost of constructing means of access to and from the project, the cost of constructing extensions of utility systems to the site of the project; the cost of a project includes, without limitation, the cost of financing the project, interest charges before, during or after construction, expansion, or acquisition of the project, costs related to the determination of the feasibility, planning, design or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation of the project and expenses

1 of installation, replacement or rehabilitation, and all other  
2 costs, charges, fees and expenses which may be determined by the  
3 authority to be necessary to finance the construction, expansion,  
4 or acquisition;

5 (B) does not include work in progress, stock in trade,  
6 or the refinancing of the existing indebtedness of a project  
7 applicant;

8 \* Sec. 22. AS 44.88.220(12) is repealed and reenacted to read:

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

13 \* Sec. 23. The Alaska Housing Finance Corporation may issue revenue  
14 bonds in the principal amount of \$592,000,000 during the fiscal year ending  
15 June 30, 1982.

16 \* Sec. 24. Subject to the limitation of AS 44.88.090(g), the Alaska  
17 Industrial Development Authority may issue bonds in the principal amount of  
18 \$230,000,000 during the fiscal year ending June 30, 1982.

# STATE OF ALASKA

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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

May 27, 1981

### M E M O R A N D U M

TO: Honorable Sam Cotten, Chairman  
House Finance Committee

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

SUBJECT: CSHB 487 (Finance) III

CSHB 487 (Finance) III relating to AHFC and AIDA does the following:

#### Bill Section

- 1 Provides for board meetings by election media;
- 2 Permits AHFC to issue pass-through mortgage certificates;
- 3 Permits AHFC to include "due on sale" clauses in mortgages;
- 4 Allocates \$200 million in tax-exempt bonding authority to AHFC which may reallocate amounts to municipalities;
- 5,7,9,12, Adds expansions and otherwise generalizes the  
14,15,17- category of small enterprise projects authorized  
22 for AIDA loan purposes;
- 6 Permits AIDA to transact business by electronic media;
- 8,12,21 Disallows working capital, inventory, and re-financing loans by AIDA;

Bill  
Section

- 10 Eliminates AIDA application fees; limits AIDA commitment fees to 2% of the loan amount;
- 11,13 Permits AIDA to establish bond reserve funds or loan insurance accounts which do not have the moral obligation of the state; disallows moral obligations on bond reserve funds or loan insurance accounts for projects over \$10 million;
- 16 Raises the limit on loans purchased by AIDA to \$7,500,000 for all projects and requires 10% bank participation;
- 23 Authorizes \$592 million in AHFC bonds for FY 82;
- 24 Authorizes \$230 million in AIDA bonds for FY 82.

MBB:pw

## KUTAK ROCK & HUIE

ATLANTA

DENVER

LOS ANGELES

MINNEAPOLIS

OMAHA

WASHINGTON, D.C.

### MEMORANDUM NO. 12

#### Tax-Exempt Status of Industrial Development Bonds

A draft report recommending a broad range of restrictions on the use of small issue industrial development bonds was circulated this weekend to members of the House Oversight Ways and Means Subcommittee by Chairman Charles B. Rangel (D-N.Y.)

Meanwhile, with both Republicans and Democrats telling President Reagan he probably will not get his tax reduction bill in the form he has proposed, there remained the likelihood that IDB restrictions could be included in the measure eventually worked out in the Congress.

The draft report outlines six major changes in IDB use to be recommended to the full Ways and Means Committee, including:

- 1) Elimination of commercial uses for all but "designated economically depressed areas."
- 2) Establishment of a statewide cap on the volume of small issue IDBs of \$50 per capita.
- 3) Establishment of a \$10 million cap for each company on the total amount of all small issue IDBs it can have outstanding.
- 4) Application of the capital expenditure rules to the use of IDBs which are less than \$1 million—thereby eliminating the "clean" \$1 million limit.
- 5) A requirement that states submit an annual report to the Federal Government on "small issue" IDB sales.
- 6) A requirement that the Secretary of the Treasury report to the Ways and Means Committee in two years on the need to increase present bond limits (as a means of heading off support for bills to increase present IDB capital expenditure limits introduced by Congressmen Gephardt (D-Mo.), Duncan (D-Ore.) and Nowak (D-N.Y.).

The memo from the staff to Subcommittee Chairman Rangel offers some insights into the rationale behind the recommendations, but it also leaves a number of unanswered questions. According to the memo, the staff anticipates that final approval of the subcommittee report would have to occur at a subcommittee executive session to respond to "any substantive problems that surface."

- ° In restricting the use of IDBs for commercial projects to economically depressed areas, the staff states that "current law is retained for projects"

in these areas. Yet, the recommendations would change current law by placing a cap on IDB use in each state. In many states that would mean that current use would be significantly reduced. The staff recommendation would also change current law by placing a cap on the amount of IDB financing by any single firm.

- ° The staff does not attempt to define an economically depressed area, but suggests that it could follow the definition in Chairman Rangel's "Targeted Revitalization Bill," H.R. 2950, under which a governor could select as "targeted areas" up to 25 percent of the census tracts in his state in which either the number of welfare recipients or unemployed exceeds 150 percent of the national median or where 70 percent of the people have 80 percent or less of the state median income.
- ° As to a definition of manufacturing industries, the staff said this "may need to be expanded to include mining, storage, wholesale distribution and research and development facilities, depending on the members' concerns."
- ° The staff indicated that the \$50 per capita recommendation was drawn from the "Mortgage Bond Act" and represents a net increase in average dollar volume of \$10 per capita without noting that 18 states already would be over this limit.
- ° The staff told Chairman Rangel that "the cap is necessary in order to insure that the total number of 'small issue' IDB sales does not increase at the rate it has over the past several years, and to insure that the states set up substantive eligibility standards and meaningful review systems reflecting their priority economic needs."
- ° Finally, with regard to the cap, the staff said that "since the first recommendation (targeting of commercial uses) specifically authorizes certain uses of 'small issue' IRBs, a cap is necessary to insure that these IRBs are used sparingly, according to the states' needs, and to prevent IRBs from becoming substitutes for conventional financing in these areas." The staff does not point out that the cap would severely cut back industrial IDB projects in several states.

With respect to the other recommendations, the staff memo notes:

- ° A \$10 million limit per firm would restrict large firms from repeatedly using IRB financing.
- ° By applying the capital expenditure rules to issues of less than \$1 million, the Congress would prevent large firms from tacking a tax-exempt \$1 million issue onto a taxable offering or large tax-exempt bond issue for an "exempt activity," such as pollution control. The memo does not point out for members that Internal Revenue Service narrowly construes what constitutes a pollution control facility—and that preventive facilities, such as those which extract sulphur from coal, often are not eligible, while discharge treatment facilities are eligible. Thus, the additional \$1 million often is used to finance important pollution control activities that fall outside IRS's narrow categories.

The suggestion that states report annually on small issue sales is one which generally has widespread support because, at this point, the Congress knows very little about the nature and volume of IDB use in the states, even with the benefit of the Congressional Budget Office Study which was released on April 1.

In perhaps one of the most interesting arguments in the memo, the staff suggested that "the legislative recommendations requiring state reporting and a Department of Treasury analysis would give [Congressmen Duncan, Gephardt and Nowak] reason to postpone their push to increase the 'small issue' IRB limits, since accurate, complete information on the subject will be available in the very near future." The memo did not suggest that the other staff recommendations might also await receipt of that information.

In other events during the week, congressional sources were predicting that instead of the President's tax cut bill, what eventually emerges from the Congress will more closely resemble legislation approved last year by the Senate Finance Committee. That would mean the Congress might enact a whole range of new tax incentives in a single bill late this summer, instead of granting the President's request for quick action on his tax rate and depreciation change bill with action on other measures postponed until fall.

This also means that members will attempt to reshape the President's tax bill substantially while trying to come up with the same total numbers. If, as part of the frequently delayed markup in the House Ways and Means Committee now scheduled to begin about May 27, Democratic members seek to produce an "alternative" tax bill, the likelihood increases that members will attempt to raise some tax revenues by placing restrictions on the use of industrial development bonds. Several events this week underscored the growing opposition to the President's Kemp-Roth tax cut proposal.

- House Ways and Means Democrats agreed in a private meeting on Wednesday to oppose the President's three-year, 30 percent across-the-board individual tax cut proposal and to seek to develop a yet undefined alternative.
- Senate Finance Committee Chairman Bob Dole (R-Kan.) warned Administration witnesses at hearings this week on the tax bill that the President did not have enough votes on his committee to adopt the full tax cut plan.

On the other hand, the President continued to enjoy victories in his efforts to influence the congressional budget process in favor of his tax proposals. The Senate last week overwhelmingly defeated an effort to sidetrack the three-year tax cuts. In a 74 to 14 vote, the Senate rejected an amendment by Senator Ernest F. Hollings (D-S.C.) which would have substituted a \$21.4 billion tax cut for the \$54 billion reduction contained in the Kemp-Roth bill. The Hollings amendment was an effort to reduce the projected federal deficit from \$48.8 billion to \$16.8 billion. Even Senators voting against the Hollings amendment indicated that this action did not bind the Senate to supporting the controversial Kemp-Roth tax cuts. That amendment did not, however, include any revenue-raising measures, such as IDB restrictions.

Both the White House and the Congress are using the delay in beginning the markup of the President's first tax bill to push their respective positions on wavering members of the House and Senate tax-writing committees. House Democrats are attempting to negotiate a more acceptable tax cut measure and to protect certain spending programs.

Informed congressional sources believe that many Senate Finance Committee members want to treat this tax bill as they have others in the past and incorporate a number of "baubles" for the tax "Christmas tree." In fact, Senator Dole has said that if it appeared that there would be no time to consider a second tax bill this year, some of the tax relief measures the Administration wanted to put in the second bill would be included in the first one. Senators already are talking about a \$1,000 to \$2,000 income tax exemption on interest and dividends and amendments to the estate tax laws.

Thus, the more that Senators and Congressmen become convinced that there will be only one tax bill this year, the more they will want it to include many of the tax reform and tax-raising measures that the Administration has asked them to defer until the President sends up his second tax bill. Incorporation of additional features in the bill could require scaling back across-the-board rate cuts in order to keep the projected budget at an acceptable level—or it could increase congressional interest in raising revenues by restricting or eliminating IDB use.

As suggested in our last memo, the final outcome continues to depend in large part on the extent to which IDB supporters make clear their support for the small issue exemption to members of the Congress, especially those on the Ways and Means Committee.

May 15, 1981

May 16, 1981

M E M O R A N D U M

TO: Honorable Sam Cotten, Chairman  
House Finance Committee

FROM: Milt Barker, Fiscal Analyst  
Legislative Finance Division

SUBJECT: CSHB 487 (Finance) II

CSHB 487 (Finance)II relating to AHFC and AIDA does the following:

Bill  
Section

- 1 Limits a person or their spouse to one AHFC loan during a seven year period;
- 2 Permits AHFC to issue pass-through mortgage certificates;
- 3 Permits AHFC to include "due on sale" clauses in mortgages;
- 4 Allocates \$200 million in tax-exempt bonding authority to AHFC which may reallocate amounts to municipalities;
- 5,7,9,12 Adds expansions, timber, agriculture, telephone,  
14,15,17- and multi-family dwellings to the authorized  
26 AIDA loan purposes;
- 6 Permits AIDA to transact business by electronic media;

Bill  
Section

- 8,12,21 Disallows working capital, inventory, and re-financing loans by AIDA;
- 10 Eliminates AIDA application fees; limits AIDA commitment fees to 2% of the loan amount;
- 11,13 Permits AIDA to establish bond reserve funds or loan insurance accounts which do not have the moral obligation of the state; disallows moral obligations on bond reserve funds or loan insurance accounts for projects over \$10 million;
- 16 Raises the limit on loans purchased by AIDA to \$7,500,000 for all projects and requires 10% bank participation;
- 27 Authorizes \$492 million in AHFC bonds for FY 82;
- 28 Authorizes \$230 million in AIDA bonds for FY 82.

MBB/pw

15 Copies  
+ file

CSHB 487 Amendments

\* Sec. 3. AS 18.56.098(d) is repealed and reenacted to read:

(d) The limitations on the loan amount and the interest rate charged on a mortgage loan purchased by the corporation under (a) of this section are as follows:

(1) . . . . .

(2) . . . . .

(3) . . . . .

(4) the interest rate for a loan for construction or rehabilitation of a residence having more than four dwelling units in which the units are not individually or cooperatively owned may not exceed 11 percent on the part of the loan which does not exceed \$50,000 per unit multiplied by the number of units multiplied by the percentage of the loan purchased by the corporation;

(5) . . . . .

(6) . . . . .

(7) . . . . .

(8) . . . . .



Original sponsor: Rules/Governor

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 487 (Finance) II

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the loan programs of and authorizing issuance of revenue bonds for loan programs by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

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

\* Section 1. AS 18.56.096 is amended to read:

Sec. 18.56.096. LIMITATION ON POWER TO MAKE OR PURCHASE MORTGAGE LOANS. The corporation may not make, participate in the making of, purchase, or participate in the purchase of a mortgage loan under this chapter which

(1) exceeds the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount and loan-to-value ratio; or

(2) is made to a person or to the spouse of a person who has received a mortgage loan under this chapter within a seven-year period preceding the person's application for the loan.

\* Sec. 2. AS 18.56.098(c) is amended to read:

(c) The corporation may pledge mortgage loans purchased by the corporation under (a) of this section, mortgage loans assigned to the corporation for the special mortgage loan purchase program; and mortgage loans purchased with amounts appropriated to the corporation for the special mortgage loan purchase program to pay the principal, interest, and redemption premium, if any, on bonds or bond anticipation notes issued by the corporation for the special mortgage loan purchase program

and may expend amounts appropriated to the special mortgage loan purchase program as necessary to cause the interest rate on mortgage loans purchased under the special mortgage loan purchase program and retained by the corporation or sold under AS 18.56.099 to equal the rates specified in this section.

\* Sec. 3. AS 18.56.098(e) is amended to read:

(e) The corporation shall establish regulations in accordance with AS 18.56.088 to implement the special mortgage loan purchase program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions [ALLOWING,] prohibiting [,] or restricting [OTHERWISE SETTING CONDITIONS ON] the right to assume or to provide for the payment of mortgage loans purchased under (a) of this section by a person other than the mortgagor. The corporation shall enforce the regulations adopted under this subsection.

\* Sec. 4. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. Pursuant to sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) the amount of mortgage revenue bonds that may be issued in the state under sec. 103A(g)(4) of that Act is allocated solely to the corporation. A municipality may not issue mortgage revenue bonds unless permitted to do so by the corporation. The amount of bonds issued by a municipality with the permission of the corporation shall be deducted from the total amount permitted by the Act. The provisions of this section apply to home rule municipalities.

\* Sec. 5. AS 44.88.010 is amended to read:

Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legislature finds, determines and declares that

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

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

(3) the state lacks the basic manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises and other facilities referred to in AS 44.88.010(a)(5) necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment, and expansion of industrial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises in Alaska, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, is essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

(5) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises in the state, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, will be accelerated and facilitated by the creation of an instrumentality of the state with powers to incur debt and to make and insure loans to finance, and to assist private lenders to make loans to finance, the establishment, operation, and development of industrial, manufacturing, and small

[BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, for private operation;

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

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

(b) It is declared to be the policy of the state, in the interests of promoting the health, security and general welfare of all the people of the state, and a public purpose, to increase job opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment of manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises and the other facilities referred to in AS 44.88.010(a)(5) by creating the public corporation with power, duties and functions as provided in this chapter.

\* Sec. 6. AS 44.88.050(a) is amended to read:

(a) A majority of the members of the authority constitutes a quorum for the transaction of business or the exercise of a power or function at a meeting of the authority. In case of a tie vote on a motion or resolution pending before the authority the motion or resolution shall be presented to the governor and if approved by him, is

considered adopted by the authority. The authority may meet and trans-act business by electronic media, including conference telephone call, if the public is given notice and has the same right to participate in the meeting as if the meeting was conducted in person. A meeting by electronic media as authorized in this subsection has the same legal effect as a meeting in person.

\* Sec. 7. AS 44.88.070 is amended to read:

Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the authority is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by providing various means of financing and means of facilitating the financing of industrial, manufacturing, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises and the other facilities referred to in AS 44.88.010(a)(5) within the state.

\* Sec. 8. AS 44.88.080(18) is amended to read:

(18) to facilitate the expansion of a secondary market for the resale of federally or commercially insured loans made to finance the costs of projects held by commercial banks in Alaska.

\* Sec. 9. AS 44.88.080(12) is amended to read:

(12) to purchase or insure loans to finance the costs of manufacturing, industrial, and small [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING] enterprise projects;

\* Sec. 10. AS 44.88 is amended by adding a new section to read:

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

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

\* Sec. 11. AS 44.88.105 is amended by adding new subsections to read:

(f) The authority may establish a reserve fund, other than a capital reserve fund, to secure its bonds. The authority may deposit in a reserve fund established under this subsection the proceeds of sale of its bonds and other money which may be made available from any other source. A reserve fund established under this subsection must comply with (a) - (c) of this section. The authority may allow a reserve fund established under this subsection to be depleted without complying with (d) of this section.

(g) The authority may not establish a capital reserve fund to secure a bond if the proceeds of the bond are used to finance a project whose cost exceeds \$10,000,000.

\* Sec. 12. AS 44.88.155(b) is amended to read:

(b) The authority shall establish within the enterprise development fund a loan insurance account, a small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and other accounts it considers appropriate. Amounts in the enterprise development fund including, without limitation, repayments of loan principal and interest, may be pledged to the payment of bonds of the authority and shall be held and invested by the authority at competitive national market rates in investments authorized under AS 37.10.-070(a) or which [AS] may be authorized in agreements with bondholders respecting amounts in the loan insurance account, the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, and other accounts within the enterprise development fund.

\* Sec. 13. AS 44.88.157 is amended by adding new subsections to read:

(j) Notwithstanding (a) - (i) of this section, the authority may establish additional loan insurance accounts outside the enterprise development fund to secure special obligation bonds, and pay into the

loan insurance account money made available from an appropriation or from any other source. A loan insurance account established under this subsection is not subject to the requirements of (d) and (g) of this section.

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

\* Sec. 14. AS 44.88.158(a) is amended to read:

Sec. 44.88.158. SMALL ENTERPRISE [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] LOAN ACCOUNT. (a) The authority may use the assets of the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account to purchase loans made by others to [SMALL BUSINESS ENTERPRISES, TOURISM ENTERPRISES, MINING ENTERPRISES, AND COMMERCIAL FISHING] enterprises to pay the costs of projects, as defined in AS 44.88.220, which have been or which the authority anticipates will be financed with the proceeds of bonds.

\* Sec. 15. AS 44.88.158(b) is amended to read:

(b) The interest rate on a loan purchased with money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account must equal the interest rate which the authority estimates would be payable on bonds issued by the authority to provide money to make the loan.

\* Sec. 16. AS 44.88.158(c) is amended to read:

(c) A loan purchased with money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account

(1) may not exceed \$7,500,000

[(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTERPRISE;

(B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-

PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

(C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A COMMERCIAL FISHING ENTERPRISE];

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

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

(4) shall contain complete amortization provisions satisfactory to the authority requiring periodic payments by the borrower;

(5) 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 the authority prescribes; [AND]

(6) 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

(7) may not be made unless at least 10 percent of the principal amount of the loan is retained by the originator of the loan.

\* Sec. 17. AS 44.88.158(d) is amended to read:

(d) The authority may adopt regulations for the administration of the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING

ENTERPRISES] loan account which may include, without limitation, provisions for fees and agreements relating to application, loan commitment, servicing, and origination of loans by other lenders.

\* Sec. 18. AS 44.88.158(e) is amended to read:

(e) The authority may enter into agreements as to the use of the money in the small enterprise [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account, including without limitation, trust or custody arrangements with banks or trust companies. It may also pledge, assign, or grant the agreement, interests under an agreement, or interests in the small enterprise, [BUSINESS, TOURISM, MINING, AND COMMERCIAL FISHING ENTERPRISES] loan account as may be necessary or appropriate to provide for payment and security for bonds of the authority.

\* Sec. 19. AS 44.88.220(2) is amended to read:

(2) "business enterprise" means a single proprietorship, corporation, firm, partnership, or other association of persons organized in any manner, for any business purpose, other than [WHICH IS NOT ORGANIZED] on a nonprofit basis;

\* Sec. 20. AS 44.88.220(5) is amended to read:

(5) "project" means [INCLUDES]

(A) a plant or facility used or intended for use in connection with making, processing, preparing, or producing in any manner, goods, products or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature, any plant or facility used or intended for use as an industrial park or in connection with air

and water transportation, or any plant or facility for the prevention, limitation or control of air or water pollution, for the disposal of sewage or solid waste, for the local furnishing of gas, or for the furnishing of water; or

(B) a small [BUSINESS] enterprise [, TOURISM ENTERPRISE, MINING ENTERPRISE, AND COMMERCIAL FISHING ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SECTION];

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

(8) "project cost" or "cost of a project"

(A) means all or any part of the aggregate costs determined by the authority to be necessary to finance the construction, expansion, or acquisition of a project, including without limitation the cost of acquiring real or tangible personal property, and, in connection with real property, the cost of constructing buildings and improvements, the cost of constructing means of access to and from the project, the cost of constructing extensions of utility systems to the site of the project; the cost of a project includes, without limitation, the cost of financing the project, interest charges before, during or after construction, expansion, or acquisition of the project, costs related to the determination of the feasibility, planning, design or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation of the project and expenses of installation, replacement or rehabilitation, and all other costs, charges, fees and expenses which may be determined by the authority to be necessary to finance the construction, expansion, or acquisition;

(B) does not include work in progress, stock in trade,  
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or the refinancing of the existing indebtedness of a project applicant;

\* Sec. 22. AS 44.88.220(12) is repealed and reenacted to read:

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

- (A) a tourism enterprise;
- (B) a commercial fishing enterprise;
- (C) a mining enterprise;
- (D) an agricultural enterprise;
- (E) a timber enterprise;
- (F) a telephone enterprise; or
- ~~(G) a multi-family dwelling enterprise;~~

\* Sec. 23. AS 44.88.220(13) is amended to read:

(13) "tourism enterprise" means a business enterprise which is a project applicant directly involved in ~~the~~ tourist industry;

\* Sec. 24. AS 44.88.220(14) is amended to read:

(14) "commercial fishing enterprise" means one or more individual commercial fishermen who are project applicants and residents of the state who jointly apply for and receive a commercial fishing loan from a private financial institution in the state or from a state or federal loan program;

\* Sec. 25. AS 44.88.220(15) is amended to read:

(15) "mining enterprise" means a business enterprise which is a project applicant directly involved in the mining industry.

\* Sec. 26. AS 44.88.220 is amended by adding new paragraphs to read:

(16) "agricultural enterprise" means a project applicant involved in the raising and harvesting of plants, trees, crops, and

livestock and includes the real estate, buildings, equipment, and supplies normally necessary for the distribution, processing, marketing, and servicing of products related to agriculture or an agricultural purpose;

(17) "multi-family dwelling enterprise" means a project applicant which is directly involved as a commercial enterprise in the construction, operation, rental or sale of dwellings having eight or more units;

(18) "telephone enterprise" means a project applicant which is a public utility under AS 42.05.701(2)(B) and which is providing telephone service to the public under a certificate of public convenience and necessity issued by the Alaska Public Utilities Commission at the time of submitting a loan application;

(19) "timber enterprise" means a project applicant which is directly involved in the timber industry.

\* Sec. 27. The Alaska Housing Finance Corporation may issue revenue bonds in the principal amount of \$492,000,000 during the fiscal year ending June 30, 1982.

\* Sec. 28. Subject to the limitation of AS 44.88.090(g), the Alaska Industrial Development Authority may issue revenue bonds in the principal amount of \$230,000,000 during the fiscal year ending June 30, 1982.

Berry

Original sponsor: Rules/Governor

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 487 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the loan programs of and authorizing issuance of revenue bonds for loan programs by the Alaska Housing Finance Corporation and the Alaska Industrial Development Authority."

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

\* Section 1. AS 18.56.098(a) is amended to read:

(a) The corporation shall establish a special mortgage loan purchase program. Under the special mortgage loan purchase program, the corporation may purchase mortgage loans, including graduated payment mortgage loans, made (1) for the purchase of one, two, three, and four family residences; [OR] (2) for the refinancing of a mortgage loan on a one, two, three, or four family residence if the purpose of the refinancing is to provide money for the improvement or rehabilitation of the residence; (3) to purchase multi-family residences of more than four units which are individually owned; or (4) for construction, or refinancing for the purpose of improvement or rehabilitation, of multi-family residences of more than four units which are not individually or cooperatively owned when the requirements of (g) of this section are met; (5) for the purchase, construction, or refinancing for the purpose of improvement or rehabilitation of residences of more than four units which are cooperatively owned.

\* Sec. 2. AS 18.56.098(c) is amended to read:

(c) The corporation may pledge mortgage loans purchased by the corporation under (a) of this section, mortgage loans assigned to the corporation for the special mortgage loan purchase program, and mortgage

loans purchased with amounts appropriated to the corporation for the special mortgage loan purchase program to pay the principal, interest, and redemption premium, if any, on bonds or bond anticipation notes issued by the corporation for the special mortgage loan purchase program and may expend amounts appropriated to the special mortgage loan purchase program as necessary to cause the interest rate on mortgage loans purchased under the special mortgage loan purchase program and retained by the corporation or sold under AS 18.56.099 to equal the rates specified in this section.

\* Sec. 3. AS 18.56.098(d) is repealed and reenacted to read:

(d) The limitations on the loan amount and the interest rate charged on a mortgage loan purchased by the corporation under (a) of this section are as follows:

(1) the interest rate for a loan made for purchase of a residence having more than four dwelling units in which the units are individually owned, may not exceed nine percent on the first \$90,000 of the loan if the loan is made to an eligible veteran under AS 18.56.101;

(2) the interest rate for a loan made for purchase of a residence having more than four dwelling units in which the units are individually owned may not exceed 10 percent on the first \$90,000 of the loan if the loan is made to a person other than an eligible veteran under AS 18.56.101;

(3) the interest rate for a loan made for the purchase, construction, or rehabilitation of a residence having more than four dwelling units in which the units are cooperatively owned may not exceed 10 percent on the part of the loan which does not exceed \$50,000 per unit multiplied by the number of units;

(4) the interest rate for a loan for construction or rehabilitation of a residence having more than four dwelling units in which

the units are not individually or cooperatively owned may not exceed 11 percent on the part of the loan which does not exceed \$50,000 per unit multiplied by the number of units;

(5) the interest rate for purchase or rehabilitation of an owner-occupied one, two, three, or four family residence may not exceed nine percent on the first \$90,000 of the loan if the loan is made to an eligible veteran under AS 18.56.101;

(6) the interest rate for purchase or rehabilitation of an owner-occupied one, two, three, or four family residence may not exceed 10 percent on the first \$90,000 of the loan if the loan is made to a person other than an eligible veteran under AS 18.56.101;

(7) a loan made for the purchase, construction, or rehabilitation of a multi-family residence of five or more units in which the units are not individually owned may not exceed \$75,000 per unit, and the maximum loan amount for a multi-family housing project is \$1,500,000;

(8) except as provided in this subsection, the interest rate for a loan shall equal the mortgage program costs to the corporation attributable to the loan.

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

(e) The corporation shall establish regulations in accordance with AS 18.56.088 to implement the special mortgage loan purchase program. The [IN ORDER TO DISCOURAGE THE SPECULATIVE USE OF MORTGAGE CREDIT UNDER THE SPECIAL MORTGAGE LOAN PURCHASE PROGRAM FOR PURPOSES OTHER THAN HOME OWNERSHIP, THE] regulations shall include provisions allowing, prohibiting, or otherwise setting conditions on the right to assume mortgage loans purchased under (a) of this section.

\* Sec. 5. AS 18.56.098(f)(4) is repealed and reenacted to read:

(4) "residence" includes a single-family or multiple-unit

residence, including a mobile home, and an individually owned unit in a multiple-unit residence.

- \* Sec. 6. AS 18.56.098(f) is amended by adding a new paragraph to read:
- (5) "cooperatively" means owned by a cooperative incorporated under AS 10.15.
- \* Sec. 7. AS 18.56.098 is amended by adding a new subsection to read:
- (g) Mortgage loans may be purchased under (a)(3) of this section for a multi-family residence in a municipality only if the vacancy factor for rental units in the municipality is five percent or less and there is bank participation of at least 10 percent of the amount of the loan.
- \* Sec. 8. AS 18.56 is amended by adding a new section to read:
- Sec. 18.56.104. ALLOCATION OF TAX-EXEMPT BONDS. Pursuant to sec. 103A(g)(6) of the Mortgage Subsidy Bond Tax Act of 1980 (26 U.S.C. 103A) the amount of mortgage revenue bonds that may be issued in the state under sec. 103A(g)(4) of that Act is allocated solely to the corporation. A municipality may not issue mortgage revenue bonds unless permitted to do so by the corporation. The amount of bonds issued by a municipality with the permission of the corporation shall be deducted from the total amount permitted by the Act. The provisions of this section apply to home rule municipalities.
- \* Sec. 9. AS 44.88.010 is amended to read:
- Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legislature finds, determines and declares that
- (1) there exist areas of the state in which seasonal and nonseasonal unemployment exist;
- (2) this unemployment is a serious menace to the health, safety and general welfare, not only to the people in those areas, but also to the people of the entire state;

(3) the state lacks the basic manufacturing, industrial, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises and other facilities referred to in AS 44.88.-010(a)(5) necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment, and expansion of industrial, manufacturing, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises in Alaska, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, is essential to the development of the natural resources and the long-term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

(5) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises in the state, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, will be accelerated and facilitated by the creation of an instrumentality of the state with powers to incur debt and to make and insure loans to finance, and to assist private lenders to make loans to finance, the establishment, operation, and development of industrial, manufacturing, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial

parks, for private operation;

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

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

(b) It is declared to be the policy of the state, in the interests of promoting the health, security and general welfare of all the people of the state, and a public purpose, to increase job opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment of manufacturing, industrial, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises and the other facilities referred to in AS 44.88.010(a)(5) by creating the public corporation with power, duties and functions as provided in this chapter.

\* Sec. 10. AS 44.88.070 is amended to read:

Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the authority is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by providing various means of financing and means of facilitating the financing of industrial, manufacturing, small business, tourism, mining, timber, agricultural, and commercial fishing enterprises and the other facilities referred to in AS 44.88.010(a)(5) within the state.

\* Sec. 11. AS 44.88.080(18) is amended to read:

(18) to facilitate the expansion of a secondary market for the resale of federally or commercially insured loans made to finance the costs of projects held by commercial banks in Alaska.

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

(12) to purchase or insure loans to finance the costs of manufacturing, industrial, small business, tourism, mining, timber, agricultural, and commercial fishing enterprise projects;

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

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

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

\* Sec. 14. AS 44.88.105 is amended by adding a new subsection to read:

(f) The authority may establish a reserve fund, other than a capital reserve fund, to secure its bonds. The authority may deposit in a reserve fund established under this subsection the proceeds of sale of its bonds and other money which may be made available from any other source. A reserve fund established under this subsection must comply with (a) - (c) of this section. The authority may allow a reserve fund established under this subsection to be depleted without complying with (d) of this section.

\* Sec. 15. AS 44.88.155(b) is amended to read:

(b) The authority shall establish within the enterprise development fund a loan insurance account, a small business, tourism, mining, and commercial fishing enterprises loan account and other accounts it considers appropriate. Amounts in the enterprise development fund including, without limitation, repayments of loan principal and interest, may be pledged to the payment of bonds of the authority and shall

be held and invested by the authority at competitive national market rates in investments authorized under AS 37.10.070(a) or as may be authorized in agreements with bondholders respecting amounts in the loan insurance account, the small business, tourism, mining, and commercial fishing enterprises loan account, and other accounts within the enterprise development fund.

\* Sec. 16. AS 44.88.157(a) is amended to read:

(a) The authority may establish a loan insurance account. The purpose of the loan insurance account is to provide insurance of mortgage loans and other loans made or purchased by the authority, or made by others and approved for insurance by the authority, for a project. The authority may enter into agreements as to the use of money in the loan insurance account and may pledge, assign, or grant interests in the loan insurance account as provided in this section. The authority may adopt regulations and enter into agreements with respect to the exercise of any power or approval relating to the loan insurance account under this section, including, without limitation, agreements as to the use of money in the loan insurance account, agreements with respect to the terms and conditions upon which payments from the loan insurance account will be made with respect to a loan insured under this section, agreements as to separate subaccounts in the loan insurance account for different categories of loans or as to loans made by the authority or any other person, and agreements regarding the payment of and security for bonds issued by the authority. An agreement, the rights of the authority under an agreement, or payments received or to be received under an agreement may be pledged or assigned by the authority for the benefit of the holders of bonds issued by the authority.

\* Sec. 17. AS 44.88.158(a) is amended to read:

Sec. 44.88.158. SMALL BUSINESS, TOURISM, MINING, TIMBER, AGRICUL-

TURAL, AND COMMERCIAL FISHING ENTERPRISES LOAN ACCOUNT. (2) The authority may use the assets of the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account to purchase loans made by others to small business enterprises, tourism enterprises, mining enterprises, timber enterprises, agricultural enterprises, and commercial fishing enterprises to pay the costs of projects, as defined in AS 44.88.220, which have been or which the authority anticipates will be financed with the proceeds of bonds.

\* Sec. 18. AS 44.88.158(c) is amended to read:

(c) A loan purchased with money in the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account

(1) may not exceed

(A) \$6,000,000 if the loan is made to a tourism enterprise;

(B) \$1,000,000 if the loan is made to a mining, timber, agricultural, or [ENTERPRISE OR TO A] small business enterprise that is not a tourism enterprise or a commercial fishing enterprise; or

(C) \$500,000 for each individual commercial fisherman in the commercial fishing enterprise if the loan is made to a commercial fishing enterprise;

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

(3) may not be made for a term longer than three-quarters of the authority's estimate of the life of the project or 25 years from

the date the loan is made, whichever is earlier;

(4) shall contain complete amortization provisions satisfactory to the authority requiring periodic payments by the borrower;

(5) 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 the authority prescribes; and

(6) 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.

\* Sec. 19. AS 44.88.158(d) is amended to read:

(d) The authority may adopt regulations for the administration of the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account which may include, without limitation, provisions for fees and agreements relating to application, loan commitment, servicing, and origination of loans by other lenders.

\* Sec. 20. AS 44.88.158(e) is amended to read:

(e) The authority may enter into agreements as to the use of the money in the small business, tourism, mining, timber, agricultural, and commercial fishing enterprises loan account, including without limitation, trust or custody arrangements with banks or trust companies. It may also pledge, assign, or grant the agreement, interests under an agreement, or interests in the small business, tourism, mining, timber agricultural, and commercial fishing enterprises loan account as may be necessary or appropriate to provide for payment and security for bonds of the authority.

\* Sec. 21. AS 44.88.220(2) is amended to read:

(2) "business enterprise" means a single proprietorship, corporation, firm, partnership, or other association of persons organized in any manner, for any business purpose, other than [WHICH IS NOT ORGANIZED] on a nonprofit basis;

\* Sec. 22. AS 44.88.220(5) is amended to read:

(5) "project" means [INCLUDES]

(A) a plant or facility used or intended for use in connection with making, processing, preparing, or producing in any manner, goods, products or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature, any plant or facility used or intended for use as an industrial park or in connection with air and water transportation, or any plant or facility for the prevention, limitation or control of air or water pollution, for the disposal of sewage or solid waste, for the local furnishing of gas, or for the furnishing of water; or

(B) commercial activity by a small business enterprise, tourism enterprise, mining enterprise, timber enterprise, agricultural enterprise, or [AND] commercial fishing enterprise as defined in (12), (13), (14), [AND] (15), (16), and (17) of this section;

\* Sec. 23. AS 44.88.220(8) is amended to read:

(8) "project cost" or "cost of a project" means all or any part of the aggregate costs determined by the authority to be necessary to finance the construction, expansion, or acquisition of a project, including without limitation the cost of acquiring real or tangible personal property, and, in connection with real property, the cost of

constructing buildings and improvements, the cost of constructing means of access to and from the project, the cost of constructing extensions of utility systems to the site of the project; the cost of a project includes, without limitation, the cost of financing the project, interest charges before, during or after construction, expansion, or acquisition of the project, costs related to the determination of the feasibility, planning, design or engineering of the project and, to the extent determined necessary by the authority, administrative expenses, the cost of machinery or equipment to be used in the operation of the project and expenses of installation, replacement or rehabilitation, and all other costs, charges, fees and expenses which may be determined by the authority to be necessary to finance the construction, expansion, or acquisition;

\* Sec. 24. AS 44.88.220(12) is amended to read:

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

\* Sec. 25. AS 44.88.220(13) is amended to read:

(13) "tourism enterprise" means a business enterprise which is a project applicant directly involved in the tourist industry;

\* Sec. 26. AS 44.88.220(14) is amended to read:

(14) "commercial fishing enterprise" means one or more individual commercial fishermen who are project applicants and residents of the state who jointly apply for and receive a commercial fishing loan from a private financial institution in the state or from a state or federal loan program;

\* Sec. 27. AS 44.88.220(15) is amended to read:

(15) "mining enterprise" means a business enterprise which is

a project applicant directly involved in the mining industry.

\* Sec. 28. AS 44.88.220 is amended by adding new paragraphs to read:

(16) "agricultural enterprise" means a project applicant involved in the raising and harvesting of plants, trees, crops, and livestock and includes the real estate, buildings, equipment, and supplies normally necessary for the distribution, processing, marketing, and servicing of products related to agriculture or an agricultural purpose;

(17) "timber enterprise" means a project applicant which is directly involved in the timber industry;

\* Sec. 29. The Alaska Housing Finance Corporation may issue revenue bonds in the principal amount of \$647,000,000 during the fiscal year ending June 30, 1982.

\* Sec. 30. Subject to the limitation of AS 44.88.090(g), the Alaska Industrial Development Authority may issue revenue bonds in the principal amount of \$230,000,000 during the fiscal year ending June 30, 1982.

\* Sec. 31. 3 AAC 99.230(b) and 3 AAC 99.270(b) are annulled.

HB 487

April 8, 1981

cc  
The Honorable Jim Duncan  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which relates to the Alaska Industrial Development Authority (the authority).

Section 1 of the bill authorizes the authority to issue up to \$400,000,000 in revenue bonds to provide financing for projects which are eligible for assistance from the authority.

Section 2 of the bill repeals a condition enacted in ch. 120, SLA 1980, which requires the reversion to the general fund of \$166,000,000 in loans appropriated to the enterprise development fund administered by the authority if the loans aren't pledged as security for revenue bonds. Under amendments made in sec. 6 of the bill, money earned from these loans may be used by the authority to buy interests in loans made by private financial institutions to finance industrial development projects or for tourism, mining, commercial fishing or small business loans.

Section 4 of the bill allows the authority to meet and transact business by conference telephone. The authority meets each week to take action on loan applications. It is essential that the consistent participation of all members of the authority be assured without the inconvenience and loss of time resulting from constant travel from one meeting location to the next.

Section 5 of the bill allows the authority to secure revenue bonds by creating a reserve fund. The reserve fund would receive a deposit of assets from the authority which secures the indebtedness owed to bondholders. The authority is not obligated to bondholders to request appropriations to replenish the reserve fund if it should become depleted.

Section 6 of the bill permits the authority to embark on a major program to buy interests in loans made by private financial institutions. This would mitigate the restricted market that would result if the tax exempt status of industrial development bonds is withdrawn or severely limited by Congress.

Sections 7 -- 10 of the bill amend statutes relating to the small business, tourism, mining, and commercial fishing loan program. These amendments authorize the authority to buy interests in loans made by private financial institutions even if those loans are not financed with the proceeds earned from the sale of revenue bonds of the authority.

Section 11 of the bill requires the authority to stop purchasing loans from a financial institution if more than two percent of the loans purchased from the institution become delinquent for 90 days or more. This section expands existing law which imposes the same requirement but only for tourism, small business, commercial fishing, or mining loans purchased by the authority.

Section 12 of the bill specifies the interest rate for loans purchased by the authority with money in the small business, tourism, commercial fishing, and mining enterprise loan account or with proceeds of bonds with taxable interest. The rate of interest is set at one-half of one percent more than the interest rate set for a bond issue of the authority which does not exceed \$1,000,000 in principal amount.

Sections 13 -- 18 make technical amendments to the definitions in existing law.

The repeal of AS 44.88.158(b) and (f), contained in sec. 19 of the bill, is included to remove provisions in existing law which would be superseded if secs. 11 and 12 become law.

Sincerely,

*S/SSH*  
Jay S. Hammond  
Governor

TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE

Committee Substitute for SENATE BILL 404  
12 May 1981 - Juneau, Alaska

Gentlemen (Ladies), My name is Kent Lee Woodman. With me today is my partner Mr Steve R Cloud. We are Anchorage businessmen who felt strongly enough about the ramifications of SB 404 to take the time away from our busy schedules, spend over \$600.00, and come down here to make some input, and ask some questions.

First, let me assure you, that though we have our own firm, YELLOW ELECTRIC, Ltd, at heart, we are here precisely because Yellow is completely typical of a number of other small businesses, especially those in the construction trades, and because we feel that something very wrong will happen, to the individual and collective detriment of many Alaskans if 404, or a similar measure does not pass the legislature this session.

Yellow is typical because it is an established business, operated and owned by long time Alaskan residents, and it has been through 2 very difficult years. It was, in fact so very typical, that Dave Rose specifically requested permission last year to utilize a three page letter we wrote him about our firm and its challenges, in his efforts to make some legislative changes to the AIDA program. He requested, and we agreed, to use the letter and make it public.

There have been many programs to come out of Juneau in the past 5 years, to benefit many Alaskans. These programs have ranged from support and assistance to the Fish industry, forestry, barley farming, mineral development and individual home ownership. There have been many good things come from these programs, and I imagine some abuses.

I wish to speak today of the needs of the small businessman, who has not benefited from any program to date. First, let me review the current AIDA program as pertains to such contractors. There are basically 2 programs. The first is the stand-alone program, which allows tax-free bonds to be sold against a specific project. Generally these projects are in the several million dollar range and quite frankly, stretch the concept of "small business" a tad. The other program provides a pool of funds based upon non-taxable bonds. Because of the requirement to comply with the provisions of various IRS rulings, and in order to maintain the tax-free nature of the bonds, certain restrictions must be applied to the loans.

The two restrictions which prevent access to the program by 90% of the existing small businesses are: 1. Lack of ability to utilize the program to refinance anything. 2. Lack of ability to utilize the program for any working capital.

In effect, the program works against the existing small business and for the outsider who wants to come up and open a new facility, or build something, often in direct competition with an existing businessman who is trying to hang on by his fingernails.

In the past two seasons, many small businesses went out of business, reorganized under one or more of the somewhat more flexible bankruptcy regulations, or stretched so thin it's near breaking. Generally what happens is that the businessman must cut way back on personnel, minimize his expenses, and takes on some heavy, short term debt either through short term loans at terrible interest rates, or through inability to pay all his bills on time, and being in arrears and in debt.

This season is already known as the biggest construction season in at least Anchorage history...with home sales exceeding even the 1977 pipeline period. Many contractors in Anchorage are desparately trying to gear up for this season, get out from under the heavy short term debt load and invest in equipment and personnel. There are thousands of projects underway. The funds approved for many bush programs in the last legislature, ranging from runway extensions to erosion control, road projects, school additions and the like, are only just now coming off the drawing boards. The funds will be spent through a 36 month period, creating many opportunities in the bush as well as in the urban areas.

Private industry is spending considerable funds on development of resources, systems, facilities and programs, ranging from the new dock at Valdez to the water injection program on the slope to Misty Fjords to new banks and shopping centers.

In order for a contractor or businessman to gear up, he needs access to capital for rolling stock, tools, office and accounting upgrades, communications, and personnel programs. He needs to purchase stock, materials and many other items and it takes cash UP FRONT.

3-3-3-3-3

When difficult times come upon small businesses, they cut back on personnel drastically, putting those folks out of work, amplifying the normal seasonal cyclic effect inordinately. Then we have folks on welfare and unemployment: How much better it would be if the financing were available, to keep the employees on board year-round, allowing minor reductions in the mid-winter through normal attrition? How much better to be geared up and rolling when the season begins rather than having to start from scratch each time.

In recent years, the seasonal cycle for construction in the Anchorage area has virtually vanished. Contractors start footings in September and October and heat them in the winter, beginning framing in March. Others work all year to frame and cover in facilities to allow them to work at more relaxed pace on finishing inside all winter. With the high price of interim financing, this latter program, however, suffers.

Because of the price of money, all projects must be completed with a minimum of construction time, a minimum of higher priced interim financing. In order to meet such a goal, developers and builders must cut corners, pave the first year instead of the 2nd after settling, hire carpenters, plumbers and electricians who pop up from California, Oregon and Washington in their trucks, operate all season with out of state plates out of the backs of vans and pickups.

The local contractor has a difficult time beating all this. Oftentimes the work is shoddy and there is no one to pin it on.

It is our understanding that the primary purpose of certain changes in the AIDA language, as provided by the original SB 404 and by the original Committee Substitute, would have allowed AIDA to invest a certain amount in secured programs. Among these would have been certain SBA insured loans. These loans are already 90% backed by the Federal Government, and it would only be this portion which would be investment material. The results of such a program would be that the qualifying SBA borrower would have funds available at approximately 12% firm instead of the conventional SBA program of 2% over low Wall Street prime. That rate today, by the way, would result in a loan of some 22% interest!!!!

4-4-4-4-4

Yellow already has an SBA for about \$150,000 approved and on hold, pending this legislation. This money would be instantly invested in the community and in our employees. Large chunks would be utilized to upgrade truck fleets and tools, and to invest in management systems and tools which would create a more stable, year-round operation for 20-30 Alaskans. Were no such program to be forthcoming this session, and were Yellow faced with 22½% money, we would have to carefully re-investigate our plans and manning levels.

It is important to note that one cannot simply pick up the SBA loan now and shoot for a buy-out in the next session, for then we have a 100% refinance condition on our hands.

There is a portion of our SBA package, which would relieve us from 2 short term debts. Each of these is with a supplier which pays 2% for payments by the 10th. We've not been able to obtain that 2% for over 2 years because we could never get our balance down to zero. This means, in a firm that buys some \$750,000 in materials locally each year, that we are giving away about \$15,000!

It is our understanding that there have been members of the AIDA board down here to make input. Similarly you've heard from bankers, SBA and the Department of Commerce and Economic Development. One imagines that you've had just about all the high level theory and esoteric input you need.

Our purpose is to make some grass roots input. We are the people affected.

We recognize that Alaska is not a sovereign nation, and that tinkering with the economy is a dangerous business and one that has ripple effects everywhere. We also recognize that the discovery of oil is "tinkering" with the economy in a mammoth fashion, injecting large sums of cash directly into the economy. We do not ask for a subsidy; we abhor subsidies, give-aways, "special programs" and the whole welfare mood of our society today. We consider this program to be at the very heart of what AIDA and Commerce and Economic Development are supposed to be doing. These are, after all, LOANS TO BE PAID BACK. These moneys, after all, are injected directly into the community and invested in PEOPLE.

5-5-5-5-5

Our company does not manufacture hoola hoops, did not get stuck with an inventory of recreational vehicles or snow machines. We did not expand up into the Matanuska Valley 2 years ago to get "in on the rush" and now find we are hurting. Our company has been around for a long time. We have been around for longer....I first arrived in 1952. We are not looking for a bailout. We have a program for creation of a stable, year-round employment firm for several dozen Alaskans, a firm that provides quality work and a valuable service in construction of residential and commercial facilities, repairs, restorations and service work.

The \$85,000 home program with the 5% interest; the \$147,000 home program with the 10% interest.... they are all great, but they are dangled in front of us, just out of our reach. One developer with who we work, just secured some \$10 million in operating funds at 14%, but that is very rare indeed, and only available because he is a large and well known developer. Most cannot even get an appointment.

**BOTTOM LINE:**

We urge you to ignor high level bickering and empire building which seem to be at the root of some of the negative testimony you have had on this bill and its derivations to date. We urge you to pass out with a unanimous DO PASS, an acceptable version of the bill, and do it today so that it stands a chance in the House prior to the end of the session.

The Administration is in favor of the bill, so veto is not likely if you do not dork it up so much they become suspicions.

We understand that AIDA currently has some \$2 million a month which could go directly to this program, to the great benefit of AIDA and its bond position. We understand that SBA estimates the market for funds under this program at some \$80 million a year.... somewhat more than the \$24 million available, even if AIDA could utilize the funds for the program. We understand that come either 1 or 30 June, that AIDA will lose its authority to issue bonds, and that when its \$15 million on hand currently expires, they will effectively close down in the middle of the busiest and most prosperous season ever to come along.

6-6-6-6-6

If our understandings are correct, we urge you this date, to amend this bill or develop another to at once extend the authority of AIDA to operate and to fund as required, this valuable program.

Faced with 22½% money, what small businessperson can really organize, gear up and make a good season out of what appears to be an excellent 5 year stretch? After hanging on by our fingernails for 2 years, watching our homes and valuables become more and more at risk trying to tide over until improvement, we are now faced with the inability to do much about the prosperity that is here. On the other hand, if we were fresh up here from California and wanted to open a firm just like ours for all our California friends to work in. we would qualify easily for ½ million!

Please, please, let this one piece of legislation work out for small business. We do not have the tax incentives we were told we'd get. We do not have the bonus money we all expected. We do not have a chunk of our own destiny, and we are prohibited from even participating in what could be our own recovery.

We'd be pleased to respond to particulars and detailed questions about our own operation, our understandings of our colleagues in other trades etc.

Incidentally, should you ask why we are here and you may or may not have heard from anybody else, there are 2 reasons I can think of:

1. First, the impact of the provisions of this bill on the SBA/ AIDA program are known to only a very small radius of folk. It would take a relatively sophisticated small businessperson or contractor to have ferreted it all out. We had some help from our banker, and the timeliness of our SBA approval hit right on the introduction of this bill.

2. Secondly, most of the contractors are heavy into that part of the year when they run from 0500 to midnight, and they simply have no energy or wherewithall to study, research and come down. They would surely flounder if they did.

7-7-7-7-7

Most have already investigated AIDA and the SBA and have already found out that AIDA was effectively closed to them and that SBA needs 22½%.

*AIDA is supposed to be investing in business and industrial expansion. Supposed to be injecting amounts of capital here and there to help folks help themselves.* The Department of Commerce and Economic Development says it all in its name...but there is nothing for us.

We want to grow with the state, become stable, participate in our own recovery.

thank you very much:

Kent Lee Woodman, President and Administrator  
Steve R Cloud, Vice President and Manager

Yellow Electric, Ltd  
1658 East 59th Avenue  
Anchorage, Alaska 99507  
(907) 344-3743

Woodman- home: 345-1356  
work: 274-0694  
Cloud- home: 344-7213  
work: 344-3743/1725

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Alaska Housing  
7 Finance Corporation for mortgage loan subsidies and  
8 mobile home loans; and providing for an effective  
9 date."

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

11 \* Section 1. The sum of \$220,000,000 is appropriated from the general  
12 fund to the Alaska Housing Finance Corporation, special mortgage loan pur-  
13 chase program, for mortgage loan subsidies.

20 \* Sec. 4. The appropriations made by this Act are not one-year appro-  
21 priations and do not lapse under AS 37.25.010.

22 \* Sec. 5. This Act takes effect July 1, 1981.  
23  
24  
25  
26  
27

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 487  
 Title Relating to the AK Industrial Development Authority  
 Requested by Governor Date 3/26/81

II. FISCAL DETAIL

Agency Affected Commerce  
 Program Category Affected Economic Development  
 BRU, Program, or Subprogram(s) Affected Alaska Industrial Development Authority  
 (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						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	NONE					

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	NONE					

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE March 26, 1981 PREPARED BY Charles R. Webber  
 AGENCY Commerce  
 PHONE 465-2500  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Introduced: 4/8/81  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 487

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 the Alaska Industrial Development  
7 Authority; and providing for an effective date."

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

9 \* Section 1. In accordance with AS 44.88.090(g), the Alaska Industrial  
10 Development Authority may issue revenue bonds in the principal amount of  
11 \$400,000,000 during the fiscal year ending June 30, 1982.

12 \* Sec. 2. Section 9(c), ch. 120 SLA 1980, is repealed.

13 \* Sec. 3. AS 44.88.010(4) is amended to read:

14 (4) the establishment, and expansion of industrial, manufac-  
15 turing, small business, tourism, mining, and commercial fishing enter-  
16 prises in Alaska, including facilities for air and water transportation,  
17 facilities for pollution control and waste disposal, facilities for the  
18 local furnishing of gas, facilities for water, and facilities for  
19 industrial parks, is essential to the development of the natural re-  
20 sources and the long-term economic growth of the state, and will di-  
21 rectly and indirectly alleviate unemployment in the state;

22 \* Sec. 4. AS 44.88.050(a) is amended to read:

23 (a) A majority of the members of the authority constitutes a  
24 quorum for the transaction of business or the exercise of a power or  
25 function at a meeting of the authority. In case of a tie vote on a  
26 motion or resolution pending before the authority the motion or resolu-  
27 tion shall be presented to the governor and if approved by him, is  
28 considered adopted by the authority. The authority may meet and trans-  
29 act business by electronic media, including conference telephone, if

1 the public has the same right to participate in the meeting as if the  
2 meeting were held in person. A meeting by electronic media as provided  
3 in this section has the same legal effect as a meeting in person.

4 \* Sec. 5. AS 44.83.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund other than a  
6 capital reserve fund, to secure its bonds. The authority may deposit  
7 in a reserve fund established under this subsection the proceeds of  
8 sale of its bonds and other money which may be made available from any  
9 other source. A reserve fund established under this subsection must  
10 comply with (a) -- (c) of this section. The authority may allow a  
11 reserve fund created under this subsection to be depleted without  
12 complying with (d) of this section.

13 \* Sec. 6. AS 44.88.155 is repealed and reenacted to read:

14 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) There is  
15 established in the authority the enterprise development fund. The  
16 authority may use money in the enterprise development fund to purchase  
17 all or a part of a loan made by a private financial institution to  
18 finance the cost of a project. The authority may pledge or enter into  
19 covenants with respect to (1) loans purchased by it and (2) amounts and  
20 loans appropriated to the authority for the enterprise development fund  
21 to secure the payment of the principal, interest, and redemption pre-  
22 mium, if any, on bonds issued by the authority to finance the purchase  
23 of loans for a project.

24 (b) If the security for the bonds issued to provide money to  
25 purchase a loan for a project includes the general obligation of the  
26 authority or any pledge of, or covenants with respect to, assets of the  
27 authority, other than bond proceeds or amounts provided by nongovern-  
28 mental sources, the enterprise development loan purchased must be for a  
29 purpose and comply with the conditions specified in AS 44.88.158(c).

1 \* Sec. 7. AS 44.88.157(a) is amended to read:

2 (a) The authority may establish a loan insurance account. The  
3 purpose of the loan insurance account is to provide insurance of mort-  
4 gage loans and other loans made or purchased by the authority, or made  
5 by others and approved for insurance by the authority, for a project.  
6 The authority may enter into agreements as to the use of money in the  
7 loan insurance account and may pledge, assign, or grant interests in  
8 the loan insurance account as provided in this section. The authority  
9 may adopt regulations and enter into agreements with respect to the  
10 exercise of any power or approval relating to the loan insurance account  
11 under this section, including, without limitation, agreements as to the  
12 use of money in the loan insurance account, agreements with respect to  
13 the terms and conditions upon which payments from the loan insurance  
14 account will be made with respect to a loan insured under this section,  
15 agreements as to separate subaccounts in the loan insurance account for  
16 different categories of loans or as to loans made by the authority or  
17 any other person, and agreements regarding the payment of and security  
18 for bonds issued by the authority. An agreement, the rights of the  
19 authority under an agreement, or payments received or to be received  
20 under an agreement may be pledged or assigned by the authority for the  
21 benefit of the holders of bonds issued by the authority.

22 \* Sec. 8. AS 44.88.158(a) is amended to read:

23 (a) There is established in the authority a small business, tour-  
24 ism, mining, and commercial fishing enterprises loan account. The ac-  
25 count is composed of money or assets appropriated or transferred to the  
26 authority, interest on investments and loans of the account, and other  
27 money deposited in it by the authority. The authority may use the  
28 assets of the small business, tourism, mining, and commercial fishing  
29 enterprises loan account to purchase loans made by others to small

1 business enterprises, tourism enterprises, mining enterprises, and  
2 commercial fishing enterprises to pay the costs of projects, as defined  
3 in AS 44.88.220 [, WHICH HAVE BEEN OR WHICH THE AUTHORITY ANTICIPATES  
4 WILL BE FINANCED WITH THE PROCEEDS OF BONDS].

5 \* Sec. 9. AS 44.188.158(c) is amended by adding a new paragraph to read:

6 (7) must involve participation from private lending sources  
7 in an amount not less than 10 percent of the cost of the project or 10  
8 percent of the appraised value of the project, whichever is less.

9 \* Sec. 10. AS 44.88.158(e) is amended to read:

10 (e) The authority may enter into agreements as to the use and in-  
11 vestment of the money in the small business, tourism, mining, and  
12 commercial fishing enterprises loan account, including without limita-  
13 tion, trust or custody arrangements with banks or trust companies. It  
14 may also pledge, assign, or grant the agreement, interests under an  
15 agreement, or interests in the small business, tourism, mining, and  
16 commercial fishing enterprises loan account as may be necessary or  
17 appropriate to provide for payment and security for bonds of the autho-  
18 rity.

19 \* Sec. 11. AS 44.88 is amended by adding a new section to read:

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

25 \* Sec. 12. AS 44.88 is amended by adding a new section to read:

26 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan  
27 may not exceed by more than one-half of one percent a year the interest  
28 rate on loans of the authority prevailing at the time the loan is  
29 purchased for projects which are financed with the proceeds from the

1 sale of a series of bonds with interest exempt from federal income tax  
2 in the principal amount of \$1,000,000 or less if the loan is purchased  
3 (1) with money in the small business, tourism, mining, and commercial  
4 fishing enterprises loan account; or (2) with the proceeds of bonds of  
5 the authority the interest on which is not exempt from federal income  
6 tax.

7 (b) If the purchase of a loan is financed with the proceeds of  
8 bonds referred to in (a)(2) of this section, the difference between the  
9 interest rate on the bonds plus the necessary expenses of the authority  
10 attributable to the loan and the rate of interest charged by the au-  
11 thority on the loan, shall be paid as the authority determines, with  
12 money or assets appropriated or transferred to the authority. The dif-  
13 ference between the rate the authority estimates would be payable by a  
14 borrower referred to in (a)(1) of this section on a loan if the loan  
15 were financed from private sources and the rate of interest charged by  
16 the authority on the loan shall be separately reported by the authority  
17 in the report required by AS 44.88.210.

18 \* Sec. 13. AS 44.88.220(2) is amended to read:

19 (2) "business enterprise" means a single proprietorship,  
20 corporation, firm, partnership, or other association of persons organ-  
21 ized in any manner, for any business purpose, other than [WHICH IS NOT  
22 ORGANIZED] on a nonprofit basis;

23 \* Sec. 14. AS 44.88.220(5) is amended to read:

24 (5) "project" means [INCLUDES]

25 (A) a plant or facility used or intended for use in  
26 connection with making, processing, preparing, or producing in any  
27 manner, goods, products or substances of any kind or nature or in  
28 connection with developing or utilizing a natural resource, or  
29 extracting, smelting, transporting, converting, assembling or

1 producing in any manner, minerals, raw materials, chemicals,  
2 compounds, alloys, fibers, commodities and materials, products or  
3 substances of any kind or nature, any plant or facility used or  
4 intended for use as an industrial park or in connection with air  
5 and water transportation, or any plant or facility for the preven-  
6 tion, limitation or control of air or water pollution, for the  
7 disposal of sewage or solid waste, for the local furnishing of  
8 gas, or for the furnishing of water; or

9 (B) commercial activity by a small business enterprise,  
10 tourism enterprise, mining enterprise, or [AND] commercial fishing  
11 enterprise as defined in (12), (13), (14), and (15) of this sec-  
12 tion;

13 \* Sec. 15. AS 44.88.220(12) is amended to read:

14 (12) "small business enterprise" means a business enterprise  
15 which is a project applicant with annual profit before the payment of  
16 taxes [GROSS INCOME] of \$10,000,000 or less for its annual reporting  
17 period which ended immediately before the application to the authority  
18 for a loan;

19 \* Sec. 16. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which  
21 is a project applicant directly involved in the tourist industry;

22 \* Sec. 17. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-  
24 vidual commercial fishermen who are project applicants and residents of  
25 the state who jointly apply for and receive a commercial fishing loan  
26 from a private financial institution in the state or from a state or  
27 federal loan program;

28 \* Sec. 18. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

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a project applicant directly involved in the mining industry.

\* Sec. 19. AS 44.88.158(b) and (f) are repealed.

\* Sec. 20. This Act takes effect immediately in accordance with AS 01.10.070(c).