

COMMITTEE REPORT
SENATE

M. C. C. C.

FURTHER:

3/22/34

Date 5/1/34

Mr. President

The Committee on FINANCE considered SB 479

invest products - see those loan guaranteed property, etc.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for
- new title
- same title and recommends
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Handwritten signatures]

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Chairman

Chairman recommendation

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 479 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

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

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

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

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

25 (2) adopt regulations to implement this chapter;

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

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

1 interest in the fund.

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

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

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

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

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

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

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

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

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

8 Sec. 45.94.060. DEFINITIONS. In this chapter

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

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

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

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

16 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).
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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: CS SB 479 (Res)
Title: Forest Products Loan Guarantee

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: _____

Sponsor: Senate Resources
Requestor: Senate Finance
Date of Request: 3-23-84

BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

This fiscal note addresses costs for Treasury to administer the program.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: 3-28-84

Approved by Commissioner: James M. Zullo
Agency: _____

Date: 3/29/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CSSB 479 (Fin) Sectional Analysis

Section 1)

- 45.94.010: Establishes the forest products business loan guarantee fund in the Department of Revenue.
- 45.94.020: Allows the Department to use fund money to guarantee a loan for the purchase of 35% or more of the stock or assets of a forest products business "by, on behalf of, or for the benefit" of the employees of that business.
- 45.94.030: Grants the Department the powers necessary to administer the loan guarantees under the forest products business loan guarantee program. Provides that loans shall be secured by adequate collateral and that the net cash flow is adequate for the debt service on the loan.
- 45.94.040: Department must invest money from the guarantee fund not being used to guarantee loans in investments allowed under 37.10.070.
- 45.94.050 Establishes conditions on loan guarantees as follows:

- 1) Term not to exceed 10 years
- 2) secured by adequate collateral;
- 3) loan to be originated and serviced by state or federally chartered financial institution;
- 4) loans to be made to employees of the business, to an employee stock ownership trust, or to one or more corporations or business associations in which the controlling interest is held by state residents who are employees of the forest products business.

Loans must be greater than \$5 million and less than \$30 million, and the Department may provide a guarantee for up to 50%. The Department may not guarantee the annual interest on the guaranteed portion of the loan.

After a default by a borrower, the liability shall be shared equally between the lender and the fund.

45.94.060: Definitions

Section 2) Immediate effective date.

Asper
5/9/84 ✓

Original sponsor: Mulcahy

Funding Information

General Fund	\$25,000,000
Other Funds	-0-
	<u>\$25,000,000</u>

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 87 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the forest
7 products business loan guarantee fund; reappropriat-
8 ing money from the forest products business loan
9 guarantee fund; and providing for an effective date."

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

11 * Section 1. The sum of \$25,000,000 is appropriated from the reserve
12 for emergency operating expenses account in the general fund (AS 37.05.159)
13 to the forest products business loan guarantee fund (AS 45.94).

14 * Sec. 2. Money from the appropriation made by sec. 1 of this Act that
15 is obligated for the purpose of guaranteeing a forest products business
16 loan is reappropriated to the emergency operating expenses account in the
17 general fund (AS 37.05.159) as the principal of the guaranteed loan is
18 paid, in amounts equal to the percentage of the loan guarantee multiplied
19 by the payments on the principal of the loan.

20 * Sec. 3. The unexpended and unobligated portion of the appropriation
21 made by sec. 1 of this Act lapses into the emergency operating expenses
22 account in the general fund (AS 37.05.159) on the earlier of the following
23 dates:

24 (1) one year from the effective date of this Act;

25 (2) the date of a proclamation issued by the governor under
26 AS 37.05.159(b)(1) requiring that money in excess of the balance in the
27 emergency operating expenses account be used for operating expenses of
28 state government; the lapse provisions of this paragraph apply only to the
29 extent of the difference between the amount required by the governor's

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proclamation and the balance of the emergency operating expenses account.

* Sec. 4. This Act takes effect on the effective date of an Act that establishes a forest products business loan guarantee program.

Introduced: 2/13/84
Referred: Labor and Commerce
Resources and
Finance

1 IN THE SENATE

BY KERTTULA AND ZIEGLER

2

SENATE BILL NO. 479

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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

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

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

11 CHAPTER 94. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.

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

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

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

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

25 (2) adopt regulations to implement this chapter;

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

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

1 interest in the fund.

2 (b) The commissioner shall require that a loan guaranteed by the
3 fund be secured by adequate collateral.

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

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

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

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

15 (3) the loan is originated with and serviced by the Alaska
16 Commercial Fishir . and Agriculture Bank, or by a state or federally
17 chartered financi. institution located in the state; and

18 (4) the loan is made to the employees of the forest pro-
19 ducts business, to an employee stock ownership trust, or to one or
20 more corporations or other business associations or entities in which
21 the employees of the forest products business hold an interest that is
22 equal to or greater than the interest held by the seller of the forest
23 products business.

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

28 (c) Upon default by a borrower, the amount of the maximum liabi-
29 lity of the fund for a loan guarantee under this chapter is the

1 percentage of the amount in default specified by the department in the
2 guarantee agreement.

3 Sec. 45.94.055. ADDITIONAL GUARANTEES. Not less than 30 days
4 after the department enters into a contract to guarantee a loan to a
5 borrower under this chapter, the department may enter into a contract
6 to guarantee another loan to that borrower under this chapter.

7 Sec. 45.94.060. DEFINITIONS. In this chapter

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

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

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

13 (4) "fund" means the forest products business loan guaran-
14 tee fund.

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

Offered: 3/22/84
Referred: Finance

Original sponsors: Kerttula and
Ziegler

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 479 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a forest products business loan
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18 or assets of a forest products business by, on behalf of, or for the
19 benefit of the employees of that business, as provided in AS 45.94.-
20 050.

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8 Sec. 45.94.040. INVESTMENT OF THE FUND. Money in the fund that
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15 (1) the term of the loan does not exceed 10 years;

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

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

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

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

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

9 Sec. 45.94.060. DEFINITIONS. In this chapter

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

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

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

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

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

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB 479
 Title: Forest Products Business Loan
Guarantee
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce
 Date of Request: 2-20-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury
 Approved by Commissioner: *Robert O'Hea*
 Agency: Revenue

Phone: 465-2350
 Date: 2-23-84
 Date: 2/28/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: SB 479
 Title: Forest Products Business Loan
Guarantee
 Sponsor: Kerttula
 Requestor: Senate Labor & Commerce
 Date of Request: 2-20-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: 2-23-84

Approved by Commissioner: *Robert D. Heath*
 Agency: Revenue

Date: 2/28/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

3/9/84

Date 3-19-84

Mr. President

The Committee on RESOURCES considered SB 479

forest products business loan guarantee program; efd.

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

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 479 (Res)
- new title
- same title and recommends Do pass
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

13
Ziegler
Paul Fisher
William Stangorovich
McGhee

MEMBERS HAVING
OTHER RECOMMENDATIONS

2
Bob Ziegler M/R
2
V. Fisher M/R

Debbie Faberkamp
 Chairman
Do Pass
 Chairman recommendation