

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 102 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Resources Corporation;
7 and providing for an effective date."

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

9 * Section 1. AS 37.12.071 is amended to read:

10 Sec. 37.12.071. ADDITIONAL POWERS. Notwithstanding other pro-
11 visions of law governing disposal of state property, the board may, at
12 either public or private sale, dispose of the assets of the corpora-
13 tion as required in AS 37.12.075. Disposal shall be made in a manner
14 that serves the best interests of the state, and may include amortiza-
15 tion of payments over a period of 25 years or less, but may not be by
16 lease. In addition, the corporation may spend money to protect the
17 assets of the corporation.

18 * Sec. 2. AS 37.12.075 is amended by adding a new subsection to read:

19 (b) In divesting the corporation of equity investments, the
20 board may convert the equity investment of the corporation in a par-
21 ticular enterprise to debt, if the governing board of the enterprise
22 approves the conversion. The debt created by the conversion may
23 include amortization of payments over a period of 25 years or less,
24 and becomes part of the outstanding loan portfolio of the corporation.

25 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSHB 102 (FIN)
 Title: Relating to Alaska Resources Corporation
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury
 Approved by Commissioner: *Henry G. Huskalah*
 Agency: Department of Revenue

Phone: 465-2350
 Date: January 7, 1985
 Date: 1/7/85

Distribution (by Agency preparing fiscal note):

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

HOUSE JOURNAL

House Finance Committee
Letter of Intent
for
Committee Substitute for House Bill 102 (Finance)

In adopting CS House Bill 102 (Finance), "An Act relating to the Alaska Resources Corporation; and providing for an effective date," it is the intent of the legislature that the assets of the Alaska Resources Corporation (ARC) be fully liquidated by July 1, 1989.

While the authority granted in CS HB 102 (Finance), allows credit terms of sale for ARC assets to extend beyond 1989, it is the intent of the legislature that this authority be used only when there is a compelling economic reason to allow terms of sale other than cash payment, and then only to the extent that any credit granted is collateralized. No terms of sale should require state management effort beyond that needed for any other high-quality note receivable.

 2.25-85

Al Adams, Chair
House Finance Committee

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Al Adams, Chair
House Finance Committee

2/20/85

LETTER OF INTENT FOR HOUSE BILL 102

In adopting House Bill 102, "An Act relating to the Alaska Resources Corporation; and providing for an effective date," it is the intent of the legislature that the assets of the Alaska Resources Corporation (ARC) be fully liquidated by July 1, 1989.

While the authority granted in HB 102 allows credit terms of sale for ARC assets to extend beyond 1989, it is the intent of the legislature that this authority be used only when there is a compelling economic reason to allow terms of sale other than cash payment, and then only to the extent that any credit granted is collateralized. No terms of sale should require state management effort beyond that needed for any other high-quality note receivable.

Chapter 11. Renewable Resources Funds.

[Repealed, § 16 ch 161 SLA 1984.]

Chapter 12. Alaska Resources Corporation.

Section	Section
10. Alaska Resources Corporation created	55. Compensation of board members
15. Purpose	60. [Repealed]
22. Development capital fund	70. Powers
23. Deposit of money	71. Additional powers
30. Composition of the board of directors	75. Duties
35. [Repealed]	80. [Repealed]
45. [Repealed]	85. [Repealed]
50. Quorum and transaction of business	125. Definitions

Revisor's notes. — Sections 17 and 18, ch. 161, SLA 1984, provides for the repeal of this chapter on July 1, 1989 and the attendant transfer of the administration of the then outstanding loan portfolio to the Department of Revenue.

Cross references. — For legislative findings and purpose in connection with the 1984 amendment and the July 1, 1989 repeal of this chapter, see § 1, ch. 161, SLA 1984 in the Temporary and Special Acts.

Sec. 37.12.010. Alaska Resources Corporation created [Repealed effective July 1, 1989]. There is created the Alaska Resources Corporation to carry out the purposes of this chapter. The corporation is a public corporation of the state and an instrumentality of the state within the Department of Revenue, but has a legal existence independent of and separate from the state. The exercise by the corporation of the powers conferred by this chapter is considered an essential function of the state. (§ 3 ch 179 SLA 1978; am § 1 ch 142 SLA 1982; am § 2 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, substituted "Department of Revenue" for "Department of Commerce and Economic Development" in the second sentence.

Sec. 37.12.015. Purpose [Repealed effective July 1, 1989]. The purpose of the corporation is to effect an orderly wind-up of its affairs. (§ 3 ch 179 SLA 1978; am § 2 ch 142 SLA 1982; am § 3 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, rewrote this section.

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Sec. 37.12.022. Development capital fund [Repealed effective July 1, 1989]. The development capital fund is established in the corporation, consisting of money appropriated to the corporation. The development capital fund shall be used to pay for liabilities of the corporation that might arise during the wind-up of its affairs. (§ 3 ch 142 SLA 1982; am § 4 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, deleted "or assets" following "money," "or transferred" following "appropriated," and "and payments of principal and interest on

loans and equity investments made by the corporation" from the end, all in the first sentence; rewrote the second sentence; and deleted the former third sentence.

Sec. 37.12.023. Deposit of money [Repealed effective July 1, 1989]. Repayments of principal and payments of interest and other income from loans of the corporation, dividends received from capital stock investments, and money received from the sale of equity investments or other assets of the corporation must be deposited in the general fund. (§ 5 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effective dates. — Section 19, ch. 161, July 7, 1984, in accordance with AS SLA 1984, makes this section effective 01.10.070(c).

Sec. 37.12.030. Composition and term of board of directors [Repealed effective July 1, 1989]. The board consists of the commissioner of revenue, who shall serve as chairman, and the commissioners of two other principal executive departments designated by the governor. The term of office of these board members continues until the corporation is dissolved. (§ 3 ch 179 SLA 1978; am § 5 ch 142 SLA 1982; am § 6 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, rewrote this section.

Sec. 37.12.035. Term of office. [Repealed, § 16 ch 161 SLA 1984.]

Sec. 37.12.045. Qualifications of board members. [Repealed, § 16 ch 161 SLA 1984.]

Sec. 37.12.050. Quorum and transaction of business [Repealed effective July 1, 1989]. (a) Two members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.

(b) The board may meet and transact business by electronic media if (1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location; (2) participants and members of the public in attendance can hear and have the same right to partici-

— For legislative connection with and the July 1, 1989 see § 1, ch. 161, Temporary and Special

ion created ed the Alaska is chapter. The instrumentality as a legal exercise by the s considered an : am § 1 ch 142 LA 1984)

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ly 1, 1989]. The -up of its affairs. § 3 ch 161 SLA

pate in the meeting as if the meeting were conducted in person; and (3) copies of pertinent reference materials, statutes, regulations, and audio-visual materials are reasonably available to participants and to the public. A meeting by electronic media as provided in this subsection has the same legal effect as a meeting in person. (§ 3 ch 179 SLA 1978; am § 7 ch 142 SLA 1982; am § 7 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, substituted "Three members" for "Two members" at the beginning of subsection (a).

Sec. 37.12.055. Compensation of board members [Repealed effective July 1, 1989]. Members of the board are entitled to per diem and travel expenses authorized by law for state boards and commissions under AS 39.20.180. (§ 3 ch 179 SLA 1978; am § 8 ch 142 SLA 1982; am § 8 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, deleted "receive \$200 for each day spent on official business of the corporation, and" following "Members of the board"

Sec. 37.12.060. Executive director; staff. [Repealed, § 16 ch 161 SLA 1984.]

Sec. 37.12.070. Powers [Repealed effective July 1, 1989]. In carrying out the corporate powers of the corporation, the board may

- (1) adopt, alter, and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;
- (4) enter into any agreements necessary to the exercise of its powers and functions;
- (5), (6) *[Repealed, § 16 ch 161 SLA 1984.]*
- (7) appear in behalf of the corporation before boards, commissions, departments, or other agencies of municipal, state, or federal government;
- (8) acquire, hold, use, lease, sell, or otherwise dispose of property of any kind, real, personal, or mixed, or any interest in it;
- (9) hold, as a means of securing the providing of financial assistance, patents, copyrights, trademarks, royalties, or any other evidences of protection or exclusivity issued under the laws of the United States or any state or nation;
- (10) prepare, publish, and distribute technical studies, reports, bulletins and other materials it considers appropriate;
- (11) *[Repealed, § 16 ch 161 SLA 1984.]*
- (12) *[Repealed, § 33 ch 142 SLA 1982.]*
- (13) adopt regulations governing the exercise of its corporate powers;

§ 37.12.070

§ 37.12.071

PUBLIC FINANCE

§ 37.12.125

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(14) [Repealed, § 33 ch 142 SLA 1982.]

(15) do all acts and things necessary or desirable to carry out the purposes of the corporation;

(16) [Repealed, § 8 ch 56 SLA 1979.](§ 3 ch 179 SLA 1978; am §§ 2, 8 ch 56 SLA 1979; am E.O. No. 48, § 2 (1981); am §§ 11, 33 ch 142 SLA 1982; am § 16 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, repealed paragraphs (5), (6), and (11).

Sec. 37.12.071. Additional powers [Repealed effective July 1, 1989]. Notwithstanding other provisions of law governing disposal of state property, the board may, at either public or private sale, dispose of the assets of the corporation as required in AS 37.12.075. In addition, the corporation may spend money to protect the assets of the corporation. (§ 9 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effective dates. — Section 19, ch. 161, July 7, 1984, in accordance with AS SLA 1984, makes this section effective 01.10.070(c).

Sec. 37.12.075. Duties [Repealed effective July 1, 1989]. In carrying out the purposes of this chapter the board shall

(1) contract with the Department of Revenue to manage the assets of the corporation;

(2) divest the corporation of all equity investments by July 1, 1989; and

(3) divest the corporation of all other remaining assets, with the exception of the outstanding loan portfolio, by July 1, 1989. (§ 3 ch 179 SLA 1978; am § 12 ch 142 SLA 1982; am § 10 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, rewrote this section.

Sec. 37.12.080. Financial assistance. [Repealed, § 16 ch 161 SLA 1984.]

Sec. 37.12.085. Eligibility for financial assistance. [Repealed, § 16 ch 161 SLA 1984.]

Sec. 37.12.125. Definitions [Repealed effective July 1, 1989]. In this chapter, unless the context otherwise requires,

(1) [Repealed, § 16 ch 161 SLA 1984.]

(2) "board" means the Board of Directors of the Alaska Resources Corporation;

(3) "corporation" means the Alaska Resources Corporation;

(4)—(7) [Repealed. § 16 ch 161 SLA 1984.] (§ 3 ch 179 SLA 1978; am §§ 23 — 28 ch 142 SLA 1982; am § 16 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, repealed paragraphs (1), (4)—(7).

Chapter 15. State Bonding Act.

Article

1. General Obligation Bonds (§ 37.15.012)
3. International Airports Revenue Bonds (§ 37.15.415)
4. Toll Facilities Revenue Bonds (§§ 37.15.610 — 37.15.760)

Article 1. General Obligation Bonds.

Section

12. Continuing debt service appropriation

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated each fiscal year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981; am § 1 ch 156 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 6, 1984, substituted "each fiscal" for "on July 1 of each."

Article 3. International Airports Revenue Bonds.

Section

415. Continuing revenue bond debt service appropriation

Sec. 37.15.415. Continuing revenue bond debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding international airports revenue bonds of the state are appropriated each fiscal year from the international airports revenue fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 2 ch 156 SLA 1984)

Effective dates. — Section 5, ch. 156, SLA 1984 makes this section effective July 6, 1984, in accordance with AS 01.10.070(c).

HB102

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

January 29, 1985

The Honorable John Sund
Chairman
House Special Committee on Loans
Pouch V
Juneau, AK 99811

Dear Mr. Sund:

Ch. 161, SLA 1984 directs the Alaska Resources Corporation (ARC) to divest all its assets, except its loan portfolio, by July 1, 1989. ARC's assets to be divested include equity in various corporations and assets acquired in foreclosure of ARC loans. Several of the enterprises in which ARC has invested are in bankruptcy proceedings. Several of the foreclosed properties are not currently operating as businesses and their prospect of doing so is uncertain.

Under these circumstances, bank or other outside financing for a potential buyer to purchase ARC equity or foreclosed properties may not be available or available on reasonable terms. The only means of financing the purchase may be for ARC to take a promissory note for all or part of the purchase price. In some cases, the only interested buyer of ARC equity may be the corporation in which ARC has invested. In this case, conversion of equity to debt is tantamount to taking a note on sale.

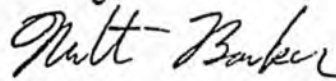
HB 102 would authorize ARC to take a note on sale or enter into an installment sale contract as well as to convert equity to debt. This is a necessary tool which will be used only when a cash buyout for ARC cannot be negotiated.

The ARC board of directors has endorsed this legislation.

Hon. John Sund
January 29, 1985
Page 2

Enclosed is a summary of ARC's various investments. Detailed information on credit status of investments is not provided because of confidentiality requirements.

Sincerely yours,

A handwritten signature in cursive script that reads "Milt Barker".

Milt Barker
Deputy Commissioner of Treasury

BM/gb

Enclosure

cc: The Honorable Mary A. Nordale

TABLE

Alaska Resources Corporation
Business Investments as of 6-30-84

	<u>Original Debt</u>	<u>Current ARC Equity</u>	<u>Percent ARC Ownership</u>	<u>Total ARC Debt & Equity</u>
ACT 1 (Alaska Fish)	\$ 125,000	\$ 125,000	13%	\$ 250,000
Alaska Timber Corp.	1,500,000			1,500,000
Alyeska Candy Kitchen	37,600			37,600
American Eagle Seafoods-	200,000			200,000
Anchor Renewable Farms-	120,404			120,404
Anchorage Tank & Welding-	370,000			370,000
Arctic Frost Seafoods-	19,200			19,200
Ball Brothers	4,169,095	500,000	40	4,669,095
Clark, Inc.	395,000	25,000	1	420,000
✓ Icicle Seafoods, Inc.	2,300,000	2,222,622	39	4,522,622
Kachemak Seafoods	256,092			256,092
Kokechik, Inc.	300,000	490	49	300,490
Pacific Forest Products-	6,765,065			6,765,065
Rice Fur Farm	115,000			115,000
✓ Salamatof Seafoods	3,065,350	976,264	35	4,041,614
Sayles Marine	156,126			156,126
Seaward Shipyard	590,000	150,000	22	740,000
Smaragd Partners	490,000			490,000
Steik Enterprises-	55,000			55,000
Sterling Seafoods	125,000	100,000	49	225,000
Trinity Resources		206,100	32	206,100
Wyman	<u>1,000,000</u>			<u>1,000,000</u>
TOTAL INVESTMENTS	<u>\$21,380,444</u> ^{1/}	<u>\$4,305,476</u>		<u>\$25,685,919</u>
Assets acquired through foreclosure less valuation allowance of \$7,653,647				4,362,364
Less allowance for doubtful collections	(13,298,256)			(13,298,256)
Less valuation allowance		(2,032,754)		(2,032,754)
TOTAL BUSINESS INVESTMENT ASSETS	\$ 8,082,188	\$2,272,722		\$14,717,273

Investment Status: 12 loans delinquent - \$3,174,422; 6 companies bankrupt - \$17,520,774.

^{1/} Total is debt outstanding and does not equal total Original Debt.

Offered: 2/6/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON LOANS

2

CS FOR HOUSE BILL NO. 102 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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A BILL

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10.070(c).

Offered: 2/6/85
Referred: Finance

Original sponsor: Rules/Governor

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BY THE HOUSE SPECIAL
COMMITTEE ON LOANS

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CS FOR HOUSE BILL NO. 102 (Loans)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - FIRST SESSION

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