

COMMITTEE REPORT

4/1

HOUSE

(5)

FURTHER: FINANCE

1/28/85

Date: 3/25/86

The Committee on HOUSE SPECIAL COMMITTEE ON STATE LOANS has had HB 135

"An Act establishing a Small Business Development Loan Program; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 135 (Loans) same title
 new title
- and recommends do pass
- AND attaches a "Letter of Intent" ^{Fisc} New Fiscal Note Sup 103
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING OTHER RECOMMENDATIONS:

[Signature] No Rec

[Signature] (NO REC)

[Signature]

CHAIRMAN

Cook

Offered: 4/1/86
Referred: Finance

Original sponsors: Duncan, Sund,
Herrmann, et al

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2 CS FOR HOUSE BILL NO. 135 (Loans)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Small Business Loan Guarante-
7 tee Program; and providing for an effective date."

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

9 * Section 1. AS 44.88 is amended by adding new sections to read:

10 ARTICLE 5. SMALL BUSINESS LOAN GUARANTEE PROGRAM.

11 Sec. 44.88.310. SMALL BUSINESS LOAN GUARANTEE FUND. The small
12 business loan guarantee fund is established in the authority from
13 appropriations for the purpose. Subject to requirements of AS 44.88.-
14 310 - 44.88.380, the authority may use money in the fund to guarantee
15 loans to small businesses.

16 Sec. 44.88.320. APPLICANT QUALIFICATIONS. (a) To qualify to
17 apply for a loan guarantee under AS 44.88.310 - 44.88.380 an applicant
18 must be a single proprietorship, corporation, firm, partnership, or
19 other association organized in any manner for any business purposes,
20 other than on a nonprofit basis, with a gross income of \$5,000,000 or
21 less for its annual reporting period ending immediately before the
22 date of application for the loan guarantee. The authority may estab-
23 lish additional applicant qualifications by regulation and these
24 qualifications may vary depending upon the type of business the appli-
25 cant is engaged in.

26 (b) To apply for a loan guarantee an applicant must provide an
27 economic and financial feasibility analysis acceptable to the authori-
28 ty together with other information required by the authority.

29 Sec. 44.88.330. POWERS OF THE AUTHORITY. The authority may

COMMITTEE COPY

1 (1) designate agents and delegate powers necessary to
2 implement AS 44.88.310 - 44.88.380;

3 (2) adopt regulations to implement AS 44.88.310 - 44.88.-
4 380;

5 (3) establish terms and conditions for loan guarantees
6 subject to the requirements of AS 44.88.310 - 44.88.380;

7 (4) make and execute contracts and other instruments to
8 implement AS 44.88.310 - 44.88.380;

9 (5) acquire real or personal property by purchase, trans-
10 fer, or foreclosure when the acquisition is necessary to protect an
11 interest in the fund; and

12 (6) exercise any other power necessary to implement AS 44.-
13 88.310 - 44.88.380.

14 Sec. 44.88.340. CONDITIONS OF LOAN GUARANTEES. (a) Subject to
15 other requirements of this section, the authority may guarantee a loan
16 under AS 44.88.310 - 44.88.380 if the

17 (1) loan is commercially reasonable, secured by adequate
18 collateral, and the net cash flow from the borrower provides adequate
19 coverage for the debt service on the loan;

20 (2) loan is originated with and serviced by a state or
21 federally chartered financial institution;

22 (3) portion of the loan not guaranteed by the authority is
23 held by the originating financial institution or another financial
24 institution approved by the authority;

25 (4) loan is made to a small business with a majority inter-
26 est held by state residents; and

27 (5) interest rate is no more than 2.5 percent above the
28 prime rate of the majority of the banks doing business in the state.

29 (b) The authority may provide a guarantee from the fund for up

1 to 90 percent of a loan that does not exceed \$500,000. The ratio of
2 the guarantee to the outstanding principal of the loan shall remain
3 the same over the term of the loan.

4 (c) The authority may not guarantee

5 (1) a loan that is used to refinance existing debt;

6 (2) the payment of interest on the guaranteed portion of a
7 loan;

8 (3) loans to a borrower the guaranteed portion of which
9 cumulatively exceed \$500,000 in principal outstanding at any time;

10 (4) a loan secured by real property with a repayment term
11 in excess of 25 years;

12 (5) a loan secured by equipment or other personal property,
13 other than inventory, with a repayment term in excess of 10 years; or

14 (6) an unsecured loan or loan secured by inventory with a
15 repayment term in excess of seven years.

16 (d) At the inception of a loan guaranteed under AS 44.88.310 -
17 44.88.380 the authority shall charge the borrower a fee not to exceed
18 one percent of the principal amount of the guaranteed portion of the
19 loan.

20 Sec. 44.88.350. DEFAULT OR FORECLOSURE. (a) Payments received
21 toward satisfaction of a default on a loan guaranteed under AS 44.88.-
22 310 - 44.88.380 shall be allocated between the lender and the fund
23 according to the guaranteed percentage of the loan until the principal
24 balance has been repaid.

25 (b) The authority shall dispose of property acquired through
26 default or foreclosure of a loan guaranteed under AS 44.88.310 -
27 44.88.380. Disposal shall be made in a manner that serves the best
28 interest of the state, and may include the amortization of payments
29 over a period of years.

1 Sec. 44.88.360. SPECIAL ACCOUNT ESTABLISHED. (a) There is
2 established as a special account within the fund the foreclosure
3 expense account. This account is established as a reserve from fund
4 equity.

5 (b) The authority may expend money credited to the foreclosure
6 expense account when necessary to protect the state's security inter-
7 est in collateral on loans guaranteed under AS 44.88.310 - 44.88.380
8 or to defray expenses incurred during a foreclosure proceeding after a
9 default.

10 Sec. 44.88.380. DEFINITION. In AS 44.88.310 - 44.88.380, "fund"
11 means the small business loan guarantee fund established under AS 44.-
12 88.310.

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Levy
0423

Introduced: 1/23/85
Referred: House Special Committee
on State Loans and Finance

BY DUNCAN, SUND AND
HERRMANN BY DUNCAN

1 IN THE HOUSE

2 HOUSE BILL NO. 135

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a Small Business Development
7 Loan program; and providing for an effective date."

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

9 * Section 1. AS 45.95.020 is repealed and reenacted to read:

10 Sec. 45.95.020. SMALL BUSINESS DEVELOPMENT LOANS. (a) The
11 commissioner shall adopt regulations and policies to make small busi-
12 ness development loans or to purchase small business development loans
13 from a bank or other financial institution in the state. A small
14 business development loan made under this chapter may not exceed
15 \$100,000 and shall be for the purpose of acquiring, operating, or
16 equipping a business, other than a farming, mining, or fishing busi-
17 ness. A small business development loan shall be secured by accept-
18 able collateral and may not exceed 80 percent of the fair market value
19 of the collateral offered as security. The initial rate of interest
20 on a small business development loan is equal to the federal discount
21 rate in effect on the first day of the month preceding the month of
22 closing the loan plus three percentage points. The interest rate
23 shall be adjusted annually to be three percentage points more than the
24 federal discount rate in effect on the first day of the month preced-
25 ing the month of the anniversary date of the loan.

26 (b) Money loaned shall be delivered to the borrower as provided
27 by regulations adopted by the commissioner. Upon repayment of loans
28 by installments, or otherwise, in accordance with the prescribed
29 terms, or upon liquidation by foreclosure or other process, or upon

1 receipt of interest or other revenue, the money so received shall be
2 turned over to the commissioner of revenue for deposit in the small
3 business development revolving loan fund.

4 (c) The commissioner may not disqualify an applicant for, or
5 prejudice an applicant's privilege to receive, a loan for a purpose
6 authorized under this section because the applicant has previously
7 received a loan under this chapter, but the total principal amount
8 outstanding to a borrower on loans made under this chapter may not
9 exceed \$150,000.

10 * Sec. 2. AS 45.95.050 is amended to read:

11 Sec. 45.95.050. POWER OF COMMISSIONER TO ASSIGN AND SELL MORT-
12 GAGES. The commissioner may assign and sell small business develop-
13 ment loan mortgages to the Alaska permanent fund, the Department of
14 Revenue, the Alaska Industrial Development Authority, or to a bank or
15 other private purchaser [STATE MORTGAGE ASSOCIATION] in consideration
16 of receiving [ITS] cash, bonds, debentures and notes upon conditions
17 which the commissioner [HE] considers advantageous to the state small
18 business development lending program.

19 * Sec. 3. AS 45.95.060 is amended to read:

20 Sec. 45.95.060. ESTABLISHMENT [CREATION] OF FUND. The [THERE IS
21 CREATED THE] small business development revolving loan fund is estab-
22 lished in the Department of Commerce and Economic Development to carry
23 out the purposes of this chapter. This fund may not [SHALL] be used
24 for any [NO] other purpose.

25 * Sec. 4. AS 45.95.070 is amended to read:

26 Sec. 45.95.070. ELIGIBILITY FOR LOANS. A small business [PER-
27 SON] is eligible for a loan under this chapter if

28 (1) it [HE] can establish or demonstrate [GOOD CHARACTER,]
29 capacity for financial responsibility and an [,] ability to provide

1 sufficient collateral [AND KNOWLEDGE OF ALASKA ECONOMIC CONDITIONS];
2 and

3 (2) [HE IS A RESIDENT OF THE STATE; AND

4 (3)] in the judgment of the commissioner [DEPARTMENT OF
5 COMMERCE AND ECONOMIC DEVELOPMENT]

6 (A) the business shows a definite potential for
7 growth;

8 (B) the borrower will be able to repay the loan; and

9 (C) the loan has the potential to [WILL POTENTIALLY]
10 create more jobs and provide additional services in the commu-
11 nity.

12 * Sec. 5. AS 45.95.080 is amended to read:

13 Sec. 45.95.080. DEFINITIONS. In this chapter,

14 (1) "commissioner" means the commissioner of commerce and
15 economic development;

16 (2) "small business" means a sole proprietorship, partner-
17 ship, or corporation operating only in the state that is not a subsid-
18 iary of another business and that does not employ more than 10 em-
19 ployees.

20 * Sec. 6. Section 71(2), ch. 106, SLA 1980 is amended to read:

21 (2) no further loans may be made under AS 45.90.020
22 [,AS 45.95.020,] and AS 26.15.040(3).

23 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

Oil
4/21/86

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST Page 1 of 2
 Bill/Resolution No.: HB 135
 Title: An Act establishing the small business loan guarantee program
 Sponsor: Sund, Taylor & Grussendorf
 Requester: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Dept. of Comm. & Econ. Dev.
 BRU: Alaska Industrial Development Auth.
 Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		122.3	128.4	134.8	141.5	148.6
TRAVEL		10.0	10.0	10.0	12.0	12.0
CONTRACTUAL		50.0	25.0	25.0	25.0	25.0
SUPPLIES		5.0	5.0	6.0	6.0	6.0
EQUIPMENT		15.0	5.0	5.0	5.0	5.0
LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS		-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS		-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING		202.3	173.4	180.8	189.5	196.6

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		202.3	173.4	180.8	189.5	196.6
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

Prepared by: Bert L. Wagon, Executive Director
 Division: Alaska Industrial Development Authority

Phone: 274-1651
 Date: February 21, 1986

Approved by Commissioner: _____
 Agency: Commerce and Economic Development

Date: February 21, 1986

Distribution (by Agency preparing fiscal note):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 135 Page 2 of 2

DETAIL

Travel: Mostly in-State to meet with bankers, establish program and explain its operation. Majority of trips would be to Fairbanks and Juneau with occasional elsewhere.

Contractual: Primarily for legal expenses to establish program. Drafting guaranty agreement and other legal documents.

Supplies: Ordinary and general such as paper, forms, postage, telephone, etc.

Equipment: Desks, chairs, calculators, etc.

<u>Personnel:</u>	Position	Salaried Benefits
	1 Range 18	\$ 49,097
	1 Range 16	43,001
	1 Range 10	<u>30,192</u>
	TOTAL	<u>\$122,290</u>

3593W22186a

ALASKA STATE LEGISLATURE

14th Legislature FIRST Session

HOUSE BILL NO. 135..

By DUNCAN, SUND, HERMANN

"An Act establishing a Small Business Development Loan Program; and providing for an effective date."

Small Business Dev. Loan Pro.

Introduced in the House . 1/28, 1985.

HISTORY IN THE HOUSE

19 85	Read first time and referred to Committee on																						
Jan. 28	SPEC. LOANS AND FINANCE																						
	Reported back with recommendation that																						
	Read second time and																						
	Read third time and																						
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reconsideration</td> </tr> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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Excused	Excused																						
	Reported correctly engrossed																						
	Signed by Speaker																						
	Sent to Senate																						
CHIEF CLERK OF THE HOUSE																							

HISTORY IN THE SENATE

19	Read first time and referred to Committee on																						
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	Signed by President																						
	Returned to House																						
SECRETARY OF THE SENATE																							

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

Offered: 4/1/86
Referred: Finance

Original sponsors: Duncan, Sund,
Herrmann, et al

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

2

CS FOR HOUSE BILL NO. 135 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act establishing the Small Business Loan Guar-
tee Program; and providing for an effective date."

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4 (3)] in the judgment of the commissioner [DEPARTMENT OF
5 COMMERCE AND ECONOMIC DEVELOPMENT]

6 (A) the business shows a definite potential for
7 growth;

8 (B) the borrower will be able to repay the loan; and

9 (C) the loan has the potential to [WILL POTENTIALLY]
10 create more jobs and provide additional services in the commu-
11 nity.

12 * Sec. 5. AS 45.95.080 is amended to read:

13 Sec. 45.95.080. DEFINITIONS. In this chapter,

14 (1) "commissioner" means the commissioner of commerce and
15 economic development;

16 (2) "small business" means a sole proprietorship, partner-
17 ship, or corporation operating only in the state that is not a subsid-
18 iary of another business and that does not employ more than 10 em-
19 ployees.

20 * Sec. 6. Section 71(2), ch. 106, SLA 1980 is amended to read:

21 (2) no further loans may be made under AS 45.90.020
22 [,AS 45.95.020,] and AS 26.15.040(3).

23 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).