

HB

402

HOUSE COMMITTEE REPORT

(7)

Date referred: 1/27/88

FURTHER REFERRALS: Finance

DATE: 4/19/88

The Labor & Commerce Committee has considered HB 402

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

RECOMMENDS:

- replace with CS HB 402 (L+C) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

David Dooly
W.A. Barber

Alvin Korman no rec
Chy Dooly (no rec)
J. Ellis (no rec)

David Dooly
 Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 402 (L&C)
PUBLISH DATE: 4-19-88

FISCAL NOTE

REQUEST: AK Industrial Development

Revision Date: _____ Agency Affected: and Export Authority
Title: An Act relating to the Alaska Industrial Development and Export Authority
Sponsor: Governor Components: N/A
Requester: House Labor & Commerce

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

NO INCREASE IN OPERATING FUNDS

CAPITAL		\$25,150.0	\$35.0 M	\$40.0 M	\$40.0 M	\$40.0 M
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REVENUE						
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		\$25,150.0	\$35.0 M	\$40.0 M	\$40.0 M	\$40.0 M
TOTAL		\$25,150.0	\$35.0 M	\$40.0 M	\$40.0 M	\$40.0 M

POSITIONS:

FULL-TIME						
PART-TIME			NONE			
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED PAGE

Prepared by: Bertram L. Wagoner Executive Director Phone: 274-1651
Division: AK Industrial Development and Export Authority Date: 4-20-88

Approved by Commissioner: J. Anthony... Commissioner Date: 4-20-88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

ANALYSIS:

- Section 1: This bill increases the loan limits of the Authority from \$10.0 million to \$25.0 million. The funding source is bond proceeds derived from the sale of the Authority's general obligation bonds.
- Section 2: Changes the method of calculating the interest on loans purchased by the Authority that are guaranteed by an instrumentality of the U.S. government. Current law provides that the interest rate received by the Authority will equal the Moody's Aa composite bond yield.
- Section 3: Changes 44.88.165 to allow the Authority to provide by regulation when a bank will be restricted from submitting credits to the Authority. Currently, it provides that, when over 2% of a bank's loans sold to the Authority are delinquent 90 days or more, they cease being eligible.
- Section 4: This new section authorizes the feasibility study/financial analysis of the Eagle River ski resort proposal. AIDEA corporate receipts are to be used to finance 50% of the cost of the study.

go0548hB ✓
Chenoweth
4/19/88

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 402 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to projects of and the handling of
7 institutional loans by the Alaska Industrial Develop-
8 ment and Export Authority; increasing the maximum
9 size of loans entered into from the authority's
10 enterprise development account; amending the manner
11 of determining the interest rate on loans guaranteed
12 by the federal government; permitting the authority
13 to describe the circumstances under which it will
14 discontinue purchasing loans from a financial insti-
15 tution because of delinquencies; directing the au-
16 thority to complete a feasibility study for a devel-
17 opment project relating to development of certain
18 state park land; and providing for an effective
19 date."

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

21 * Section 1. AS 44.88.155(d) is amended to read:

22 (d) A loan purchased in whole or in part by the authority with
23 assets of the enterprise development account or with proceeds of bonds
24 secured by assets of the enterprise development account, other than a
25 loan that [WHICH] is financed with the proceeds of bonds of the au-
26 thority and secured only by a project applicant or a project,

27 (1) may not exceed

28 (A) \$25,000,000 [\$10,000,000]; or

29 (B) \$1,000,000 [\$500,000] if the loan is purchased

1 under AS 44.88.158;

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

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

9 (4) shall contain complete amortization provisions satis-
10 factory to the authority requiring periodic payments by the borrower;

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

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

20 (7) may not be made unless

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

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

26 (8) must be

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

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

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

4 * Sec. 2. AS 44.88.159(c) is amended to read:

5 (c) The interest rate to be received by the authority on a
6 federally guaranteed loan purchased under AS 44.88.158 [BY THE AUTHOR-
7 ITY WITH MONEY IN THE SMALL ENTERPRISE LOAN ACCOUNT] that is not from
8 the proceeds of the sale of a series of bonds

9 (1) may be either floating or fixed;

10 (2) is the least of

11 (A) the prevailing prime rate adopted by the United
12 States Small Business Administration;

13 (B) Moody's Investors Service Aa corporate bond yield
14 index; or

15 (C) an index as established by regulation of the
16 authority [IS EQUAL TO THE MOST RECENT INDEX OF Aa CORPORATE BOND
17 YIELD AVERAGES AS PUBLISHED BY MOODY'S INVESTORS SERVICE].

18 * Sec. 3. AS 44.88.165 is repealed and reenacted to read:

19 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
20 regulations to describe the circumstances under which it will discon-
21 tinue purchasing loans from a financial institution because of exces-
22 sive delinquencies among the loans previously purchased from the
23 financial institution. In adopting the regulations, the authority
24 shall take into consideration its delinquency experience with loans it
25 has purchased from all financial institutions. The authority may
26 include in the regulations other remedies it considers appropriate as
27 alternatives to the discontinuance of purchasing loans from the finan-
28 cial institution.

29 * Sec. 4. FEASIBILITY STUDY. (a) The legislature finds that it is in

1 the best interests of the state to promptly determine the feasibility of
2 the development project proposed for the Eagle River Valley portion of
3 Chugach State Park. The legislature further finds that it is contrary to
4 the public interest to incur the delay associated with soliciting competi-
5 tive sealed bids or competitive sealed proposals.

6 (b) The Alaska Industrial Development and Export Authority shall
7 contract for the preparation of a feasibility study of the development
8 project proposed for the Eagle River Valley portion of Chugach State Park.
9 The feasibility study must

10 (1) satisfy the requirements of AS 44.88.173(a);

11 (2) satisfy contractual requirements imposed on the owner or
12 developer by the Department of Natural Resources, division of parks; and

13 (3) make recommendations concerning amendments to AS 44.88
14 necessary for the authority to provide financing for the project.

15 (c) The authority shall finance 50 percent of the cost of the study
16 required by this section.

17 (d) The provisions of AS 36.30.310 apply to contracts entered into
18 for the study required by this section.

19 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).
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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House List

Feb. 2, 1988

March 24, 1988

March 31, 1988

April 19, 1989 2:00pm



Official Business

COMMITTEE:
HOUSE LABOR & COMMERCE

DATE: April 19, 1988

SIGN-IN

Subject of meeting:

WORK SESSION - Insurance Related Bills including HB 502, HB 513, HB 514, HB 515, HB 313, HB 227.

HB 550 "An Act authorizing the Dept. of Community and Regional Affairs to modify the terms of its mortgage loans; and providing for an effective date."

HB 552 "An Act relating to civil liability for emergency aid."

HB 402 "An Act establishing a program in the AIDEA to guarantee business loans, and limiting the Authority's ability to issue bonds; and providing for an effective date."

PLEASE PRINT
NAME & TITLE

REPRESENTING ADDRESS & ZIP

PHONE

DO YOU WANT TO TESTIFY? SUBJECT: BILL #

NAME & TITLE	REPRESENTING	ADDRESS & ZIP	PHONE	DO YOU WANT TO TESTIFY?	SUBJECT: BILL #
DON KUH	DIV. INSURANCE	P.O. Box D JUNO	H W 2577	AS NEEDED	INSURANCE RELATED BILLS
Bill Snieder	AGC		H W	AS NEEDED	HB 227
JP Taugent	Alliance of Amer. Ins.		H W		HB 573 HB 574
JOHN WILLIAMS	DCED		H W		
Rep. FRANK			H W		
GENT DAWSON	326 4th ST #203 Juneau, AK 99801	ALASKA TRIAL LAWYERS ASSOC	H W 586 2667	AS NEEDED	HB 552
			H W		
			H W		
			H W		
			H W		

WORK SESSION TESTIMONY

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

71R402

January 27, 1988

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Industrial Development and Export Authority's (AIDEA's) handling of financial institution loans.

Current law provides in AS 44.88.155(d)(1)(A) that when the authority purchases a participation under its enterprise development account in a loan made by a financial institution, the loan may not exceed \$10 million. (The enterprise development account is the "general fund" of the authority, and bonds issued in connection with this account are general obligations of the authority.) Section 1 of this bill increases from \$10 million to \$25 million the limit on such loans in which the authority may use assets of that account to purchase a participation. This increase to \$25 million from \$10 million will allow authority involvement in larger transactions that will help diversify the state's economy. Due to the recent downturn in the Alaskan economy, many of the traditional investor relationships with outside organizations no longer exist and the larger loan limit will help by allowing the authority to fill a portion of that void.

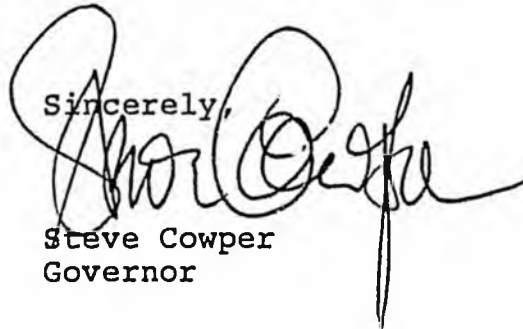
Section 1 also increases from \$500,000 to \$1,000,000 the loan limit on federally guaranteed loans that the authority may purchase. The current limit, enacted with the original AIDEA statutes, is too restrictive, especially in light of current federal loan guaranty levels. These guaranteed loans provide not only a good investment for the authority but also are an important source of capital for Alaskan borrowers.

Section 2 of this bill amends AS 44.88.159(c), which sets the interest rate on those loans guaranteed by an instrumentality of the United States government. Current law sets the rate equivalent to the Moody's Aa corporate bond yield. The new language adopts the prevailing methodology used by

the Small Business Administration in setting its rates. Additionally, to provide a degree of protection to borrowers in high interest rate environments, it uses the lesser of the prime rate, Moody's Aa corporate bond yield, or other index selected by the authority.

Current law provides in AS 44.88.165 that if more than two percent of the total outstanding balance of loans purchased from a financial institution (i.e., the authority's participation in such loans) becomes delinquent for 90 days or more, the authority may no longer purchase from that financial institution participations in loans for which it has not already made a commitment, until the delinquencies are reduced to less than two percent. Section 3 of this bill repeals that requirement and substitutes a requirement that the authority adopt regulations to describe the circumstances under which it will discontinue purchasing loans from a financial institution because of delinquencies among the loan participations previously purchased from that institution.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name below.

Steve Cowper
Governor

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 402
PUBLISH DATE: 1/27/88 *House*

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: AIDEA
 Title: An Act relating to the AIDEA BRU: Same as above
 Sponsor: Governor Components: N/A
 Requester: Authority Board of Directors

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

NO INCREASE IN OPERATING FUNDS

CAPITAL		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil
TOTAL		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY			<i>NONE</i>			

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Bertram L. Wagnon, Executive Director Phone: 274-1651
 Division: AK Industrial Dev. and Export Authority (AIDEA) Date: January 18, 1988

Approved by Commissioner: *[Signature]* Date: 1-25-88
 Agency: Department of Commerce & Economic Development

- Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impact'd Agency(ies)



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

6

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

M E M O R A N D U M

TO: J. Jack Jessee
AIDEA Board of Directors

FROM: Bertram L. Wagon *B.L.W./BLW*
Executive Director

DATE: March 31, 1988

SUBJECT: AIDEA Legislation in House Labor & Commerce

Currently there is legislation related to the Authority waiting to be heard in the House Labor and Commerce (L & C) Committee. They include:

- ° House Bill (HB) 402 entitled "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date." This act does three things and they are prioritized as follows: 1) Provides language to allow the Authority to adopt regulations describing at what delinquency rates a financial institution may not access the Authority's programs. 2) Changes the method of calculating interest on loans purchased by the Authority which are guaranteed by an instrumentality of the United States. 3) Increases the Authority's loan limit from \$10,000,000 to \$25,000,000.
- ° Committee Substitute for Senate Bill (CSSB) 392 entitled "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date." This act addresses the existing statutes which prohibits the participation of financial institutions in the Authority's programs if loans sold to the Authority by a particular financial institution are over 2% delinquent.

These two bills are priority bills because they can be implemented quickly with positive results.

J. Jack Jessee - Memo
March 31, 1988
Page Two

Because HB 402 and CSSB 392 are priority, House L&C could:

- 1) Pass HB 402 as is;
- 2) Pass CSSB 392 as is; or
- 3) Amend CSSB 392 to include the language in HB 402 regarding interest rates and loan limits and pass it out of committee.

The easiest way to meet the immediate priorities is for House L&C to pass HB 402. This bill is comprehensive and would allow the Authority to immediately implement procedures to allow greater participation of the financial institutions (and business people) in the Authority's programs. The next best method would be to pass CSSB 392 in order to address the delinquency situation of some of the financial institutions who could otherwise participate in the Authority's programs. ..

Attached you will find the bills and their corresponding bill analyses and fiscal notes.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Commerce & Economic Development	DIVISION AK Industrial Devel & Export Authority	BILL NUMBER	SPONSOR Request of Governor	
SHORT TITLE OF BILL An act relating to the Alaska Industrial Development and Export Authority and providing for an effective date.				
DEPARTMENT POSITION The Authority supports this legislation in that it will provide the ability to assist certain sectors of the economy during these difficult times.				
PREPARED BY Bertram L. Wagon	Executive Director	DATE 1/29/88	COMMISSIONER'S SIGNATURE	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL None	CONSTITUENT GROUP(S) AFFECTED BY BILL Alaskan business and banking community.
ORGANIZATIONAL SUPPORT FOR BILL Lukewarm to mild support from the banking community.	ORGANIZATIONAL OPPOSITION TO BILL Unknown. Should be very little.

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT
This legislation originated with the Authority's Board of Directors to address certain particular shortcomings in the Authority's existing statutes. During these difficult economic times furthering the Authority's ability to provide an in-state investor for Alaskan projects and increasing the availability of the Small Business program will assist some businesses who otherwise may be unable to obtain capital through any other means.

ANALYSIS OF BILL/PROGRAM EFFECTS
Section one of the bill increases the Authority's loan limit from its current \$10 million maximum to \$25 million for those loans which are not guaranteed by an instrumentality of the U.S. Government. For those loans guaranteed by an agency or instrumentality of the U.S. Government, the loan limit is increased from \$500,000 to \$1 million.

The increase in the bonded program limits to \$25 million will allow the Authority to be a participant in transactions that previously have been too large for Authority participation. The recent downturn in the economy has greatly diminished outside correspondent investor relationships and the larger loan limit will allow the Authority to fill a portion of the void. The increase from \$500,000 to \$1 million for loans guaranteed by the U.S. Government would allow the purchase of these larger guaranteed loans backed primarily by the BIA, National Marine Fisheries Service and the Farmers Home Administration.
SEE ADDITIONAL SHEET ATTACHED

AMENDMENTS PROPOSED
None

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

BY HALFORD, FAIKS, KELLY,
STURGULEWSKI, HENSLEY, ABOOD,
FISCHER, JONES, JOSEPHSON AND
UEHLING

1 IN THE SENATE

2 SENATE BILL NO. 392

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to delinquent loans of the Alaska
7 Industrial Development and Export Authority; and
8 providing for an effective date."

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

10 * Section 1. AS 44.88.165 is repealed and reenacted to read:

11 Sec. 44.88.165. DELINQUENT LOANS. (a) The authority shall
12 adopt regulations to describe the circumstances under which it will
13 discontinue purchasing loans from a financial institution because of
14 excessive delinquencies among the loans previously purchased from the
15 financial institution. In adopting the regulations, the authority
16 shall take into consideration its delinquency experience with loans it
17 has purchased from all financial institutions.

18 (b) The authority may include in the regulations other remedies
19 it considers appropriate as alternatives to the discontinuance of
20 purchasing loans from the financial institution.

21 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Commerce & Economic Development	DIVISION AK Industrial Devel & Export Authority	BILL NUMBER SB392	SPONSOR Halford, Faiks, Kelly, et al
SHORT TITLE OF BILL An act relating to delinquent loans of the Authority and providing for an effective date.			
DEPARTMENT POSITION The Authority supports this legislation in that it will permit the banking community to participate in the Authority's loan programs during these difficult times.			
PREPARED BY Bertram L. Wagnon, Executive Director	DATE 2/5/88	COMMISSIONER'S SIGNATURE	DATE

SUMMARY

OTHER AGENCIES AFFECTED BY BILL NONE	CONSTITUENT GROUPS AFFECTED BY BILL Alaskan Banking Community
ORGANIZATIONAL SUPPORT FOR BILL Banking Community	ORGANIZATIONAL OPPOSITION TO BILL None to very little; perhaps from individuals fearing we are to soft on the banks.

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The Authority currently has a law on its books which requires the Authority to cease participating with a bank when over 2% of the loans purchased from that institution are 90 days or more delinquent (44.88.165). This law would repeal and reenact a new law to allow more banks to be involved with the Authority.

ANALYSIS OF BILL/PROGRAM EFFECTS

Section one of the bill addresses a problem in that existing statutes prohibits a bank from participating in any of the Authority's programs if over 2% of its loans sold to the Authority are 90 days or more delinquent. The new language provides that the Authority will adopt regulations to describe the circumstances under which it will discontinue purchasing loans which will provide much needed flexibility to allow banks access to the Authority's programs. The bill further provides other remedies as alternatives to discontinuance of purchasing loans that may be set forth in regulations. This bill will allow greater bank involvement in the Authority's programs which should allow the public more access to credit.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 392 (Rules)
PUBLISH DATE: 2-29-1988

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: AIDEA
Title: An Act relating to the AIDEA BRU: Same as above
Sponsor: Halford, Faiks, Kelly, et al. Components: Same as above
Requestor: Senate Rules

EXPENDITURES / REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Passage of this legislation will have no fiscal impact upon the Authority's budget.

Prepared by: Bertram L. Wagnon, Executive Director Phone: 274-1651
Division: AK Industrial Dev. and Export Authority (AIDEA) Date: February 26, 1988

Approved by Commissioner: J. Anthony Smith *Kathy Newell* Date: 2/25/88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

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

CSB 392(R1a)

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 392 (Rules) by the Rules Committee, entitled:

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

was read the first time and referred to the Labor & Commerce and Judiciary Committees.

SB 420

SENATE BILL NO. 420 by Kerttula, entitled:

"An Act relating to the curriculum required in public schools."

was read the first time and referred to the State Affairs and Health, Education & Social Services Committees.

COMMUNICATIONS

A letter of disclosure was received in accordance with AS 24.60.070, and appears in House Journal Supplement No. 21.

The following reports were received:

Alaska Judicial Council
News Cameras in the Alaska Courts:
Assessing the Impact
January 1988

Department of Education
Basic Skills Performance of Alaska's Students
Achievement Test Results for 1984-85;
1985-86; and 1986-87

University of Alaska
Cooperative Extension Service
1987 Demonstration & Research Report

The reports are on file in the Speaker's office.

Anchorage Daily News

3/2/88

Bill would lift AIDEA delinquency limit

JUNEAU — Restricting the Alaska Industrial Development and Export Authority to purchasing loans only from institutions with less than a 2 percent delinquency rate could freeze the commercial real estate market, say lawmakers who voted Monday to repeal the restriction. The delinquency rule is meant to keep banks and other institutions from dumping bad loans on AIDEA, a state lending agency. Banks typically put together a loan package for commercial developers, then turn to AIDEA for financing. The authority sells bonds to raise money, then purchases up to 90 percent of a \$1 million loan package, or up to 80 percent of a package between \$1 million and \$10 million, the agency's top limit. But lately, the authority has been finding it difficult to underwrite any development. Of the 16 banks that do business with AIDEA, only three meet the 2 percent requirement, said authority Director Bert Wagnon. He blames higher delinquency rates on the economy, not faulty bank management. The bill that passed the Senate would take the delinquency limit out of law and allow AIDEA to set it by regulation.

Anchorage Daily News
Wed 3/2/88

State of Alaska - Office of the Governor
BILL ANALYSIS - Alaska Industrial Development and Export Authority
Continuation of Analysis of Bill/Program Effects

When the limit was originally set at \$500,000 it coincided with the SBA limit. Subsequently it has been learned that several other instrumentalities of the U.S. Government guaranty larger loans and this would accommodate these. The purchase of the guaranteed portion of these loans provides a secure investment of the Authority's funds and at the same time assists the Alaskan economy.

Section two of the bill changes the method of calculating the interest on loans purchased by the Authority that are guaranteed by an instrumentality of the U.S. Government. Current law provides that the interest rate received by the Authority will equal the Moody's Aa composite bond yield.

The SBA sets limits on the interest rates it allows banks to charge at 2 1/4% over New York prime for a loan under seven years, and 2 3/4% over New York prime for a loan over seven years. Recently these rates have gotten out of sync with the Moody's rate and makes it impossible for the Authority to participate in this program (i.e. the Moody's rate exceeds the SBA limits). It should be noted that at times during the period of high rates in 1980, '81, and '82, the Moody's rate was as much as 7 1/2% below the SBA limits.

This legislation corrects this problem by setting the rate at the lesser of (1) the prevailing prime rate adopted by SBA, or (2) Moody's Aa index or such other index as set by regulation of the Authority. Additionally the Authority is given the ability to utilize either of these indexes as fixed rates or floating rates providing greater latitude to borrowers and banks. This language will provide the flexibility to once again make the program attractive.

Section three of the bill addresses a problem in that existing statutes prohibits a bank from participating in any of the Authority's programs if over 2% of its loans sold to the Authority are 90 days or more delinquent. The new language provides that the Authority will adopt regulations to describe the circumstances under which it will discontinue purchasing loans which will provide much needed flexibility to allow banks access to the Authority's programs.

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An act relating to the Alaska
Indust. Devel. and Export Authority
 Sponsor: Governor
 Requestor: Authority Board of Directors
 Agency Affected: AK Industrial Development
and Export Authority
 BRU: Same as above
 Components: N/A

EXPENDITURES/REVENUES: (Thousands of Dollars) (All dollars in millions)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

NO INCREASE IN OPERATING FUNDS

CAPITAL		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil
TOTAL		\$25.0 Mil	\$35.0 Mil	\$40.0 Mil	\$40.0 Mil	\$40.0 Mil

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY		NONE				

ANALYSIS : (Attach a separate page if necessary)

SEE ATTACHED SEPARATE PAGE

Prepared by: Bertram L. Wagon, Executive Director Phone: 274-1651
 Division: AK Industrial Development & Export Authority Date: January 18, 1988

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

ANALYSIS:

Section 1 This bill increases the loan limits of the Authority from \$10.0 million to \$25.0 million. The funding source is bond proceeds derived from the sale of the Authority's general obligation bonds.

Section 2 Changes 44.88.165 to allow the Authority to provide by regulation when a bank will be restricted from submitting credits to the Authority. Currently it provides that when over 2% of a bank's loans sold to the Authority are delinquent 90 days or more, they cease being eligible.