

HB

457

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Act relating to the Alaska Sta-  
bilization Assistance Program  
 Sponsor: Perryjohn  
 Requestor: \_\_\_\_\_  
 Agency Affected: Alaska Industrial Development and Export Authority  
 BRU: \_\_\_\_\_  
 Components: \_\_\_\_\_

**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   |       | zero (0)   | zero (0) | zero (0) | zero (0) |       |
| CAPITAL           |       | \$15.0 Mil | zero (0) | zero(0)  | zero (0) |       |
| REVENUE           |       |            |          |          |          |       |

**FUNDING: (Thousands of Dollars)**

|               |  |            |  |  |  |  |
|---------------|--|------------|--|--|--|--|
| GENERAL FUND  |  |            |  |  |  |  |
| FEDERAL FUNDS |  |            |  |  |  |  |
| OTHER         |  | **         |  |  |  |  |
| TOTAL         |  | \$15.0 Mil |  |  |  |  |

**POSITIONS:**

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

**ANALYSIS : (Attach a separate page if necessary)**

\*\*Funds will be appropriated from the Railbelt energy fund to the Alaska Stabilization Assistance fund established in the Alaska Industrial Development and Export Authority per HB 457.

Costs of administering the Alaska Stabilization Assistance Program will be absorbed by the Alaska Industrial Development and Export Authority.

Prepared by: Bertram L. Wagon, Executive Director Phone: 274-1651  
 Division: Alaska Industrial Development & Export Authority Date: February 22, 1988

Approved by Commissioner: J. Anthony Smith Date: 2/29/88  
 Agency: Commerce and Economic Development

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

**A CONCEPTUAL PLAN FOR AN  
ALASKA STABILIZATION ASSISTANCE PROGRAM**

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**A FEDERAL, STATE, LOCAL GOVERNMENT  
AND PRIVATE SECTOR PARTNERSHIP**

**This paper expands, clarifies and combines some options set forth in a White Paper entitled "Options to Improve the Alaskan Economy" dated January 1988 and attached hereto.**

**DAR/FEB.88**

These agencies/entities own real estate as the result of foreclosure. They also hold defaulted and delinquent loans secured by real estate.

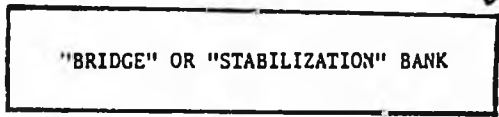


These agencies/entities contribute the above assets to "bridge" bank. They own an undivided interest (on a pro-rata basis in proportion to contribution) in this pool.



Responsible for:

Stabilization  
 Loan Reschedules  
 Loan Workouts  
 Liquification of Assets and Cash Return To Pool Contributors on a Pro-rata basis.



If Required. Provides working capital of about \$15,000,000



Receives return of above prior to payout to pool "owners".

Impose new supply moratoriums which can be subject to waiver upon request of local governments.

Restrict new supply:

- Platting
- Zoning
- Utility Expansion

May request waiver of moratoriums after public hearings.

1. This concept requires the combined efforts of federal, state, local and private entities.... A partnership to address mutual problems and solve them on a cooperative basis.
2. It does not "bail out" anybody. No purchases of assets occur, no checks are written. Those entities who "own" problems continue to own them through pro-rata interests in a common pool.
3. Valuation of assets does not present a problem because no purchase takes place. All assets are valued at municipal assessment levels as of a given date. Valuation is utilized only to determine pro-rata share of the common pool.
4. The pool holds assets to stabilize values, eventually liquifies these assets and returns proceeds to pool owners.
5. The State provides a loan (up to \$15,000,000) for working capital which is repaid prior to distributions to pool owners. This working capital may not be needed if there is adequate cash flow generated by pool assets but it is evidence of the State's interest and intent to help address and solve this problem.
6. State agencies such as AHFC and AIDEA place moratoriums on financing new supply. These can be waived if local governments so request. (General, statewide moratoria may not be in the best interests of those communities which do not have excess supply of all -- or certain types of -- real estate.)
7. Local governments cannot exacerbate the supply problem by encouraging new construction. Therefore they may consider local moratoria on rezones, replats and utility extensions in order to discourage new construction in those categories of real estate where there currently is excess supply.

NOTE: AHFC = Alaska Housing Finance Corporation is an instrumentality of the State.

AIDEA = Alaska Industrial Development and Export Authority is an instrumentality of the State.

## EXECUTION

The establishment of the "Bridge" or "Stabilization" bank is coordinated by a State agency which also serves as the recipient of the State appropriation.

The State agency, using the appropriation (and subsequent loan) as a lever, binds the parties together by contract. It does not operate the bridge bank but does insure that it is contractually obligated to hold assets for stabilization.

The bridge bank is operated by a Board of Directors who set policy and appoint officers who select and direct staff. The Board of Directors of the bridge bank are chosen by the pool participants who vote their pro-rata share of asset contribution.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 30, 1988

SUBJECT: Alaska stabilization assistance program  
(HB 457)

TO: Representative Fritz Pettyjohn

FROM: Tamara Brandt Cook *TBC*  
Director  
Division of Legal Services

RECEIVED  
MAR 30 1987

The Alaska stabilization assistance program is established in HB 457. An appropriation to that program from the Railbelt energy fund is made in HB 458. You have asked whether the legislature needs specific authority to make an appropriation from the Railbelt energy fund to the Alaska stabilization assistance fund.

I presume that your concern arises as a result of the last sentence in the statute establishing the Railbelt energy fund, AS 37.05.153, which provides, "The legislature may appropriate money from the fund to assist in meeting Railbelt energy needs." A statute, such as this, cannot bind the legislature by limiting its constitutional right to make appropriations. An appropriation from the Railbelt energy fund would, therefore, be valid regardless of whether it was used to meet Railbelt energy needs.

However, rather than simply ignoring the statement of legislative purpose to limit the uses made of the Railbelt energy fund, if you wish to provide specific authority to appropriate from the Railbelt energy fund to the Alaska stabilization assistance fund, that could be done in HB 457. It could not be done as an amendment to HB 458, because that bill must be confined to appropriations and the enabling language would be substantive in nature. The following new language could be inserted into HB 457 after line 14:

Notwithstanding AS 37.05.153, money may be appropriated from the Railbelt energy fund to the Alaska stabilization fund.

Representative Fritz Pettyjohn  
Page 2  
March 30, 1988

Please let me know if you would like an amendment prepared  
incorporating this change.

TBC:gc  
WKG2:088

House Labor and Commerce Committee Meeting

TUESDAY, MARCH 29

1. Open meeting - (Date, Time, Members Present, etc.)
2. AGENDA:

HB 457 - ALASKA STABILIZATION ASSISTANCE PROGRAM (enabling)  
HB 458 - ALASKA STABILIZATION ASSISTANCE PROGRAM (appropriation)

2:00 p.m.  
HB 458 appropriates \$15 million dollars from the Railbelt Energy Fund to AIDA to run the Alaska stabilization Assistance Fund. The appropriation and any money left in the fund lapses back into the fund it came from on July 1, 1992.

HB 457 creates the Alaska Stabilization Assistance Program under AIDA. The purpose of the fund is to promote stabilization of real property values in the state. To encourage lenders not to attempt to dispose of real property that has been acquired through foreclosure or default until the real estate market becomes more stable, the authority may enter into contracts to provide for the management of the property.

3:00 p.m.  
HB 542 - Employee protection during mergers/plant closures and "privatization" of public facilities - by L&C Committee

HB 542 extends certain protections to employees when an employer makes a substantial change in a business activity (mergers and/or plant closures) and when a governmental entity contracts operations of a public facility with a private entity. These protections include:

1. Severance pay - entitlement to severance pay at the rate of one month's pay for each year of service up to 24 months of base wages,
2. Continued Employment - an employment preference with the new employer at substantially similar benefits, wages and position (except for management level employees and where no work is available) with a provision that an employee cannot be discharged for one year except for misconduct connected with the employees work.
3. Civil Suits and Liens - employees may bring civil suit or liens against an employer for severance pay and DOL may prosecute these claims on behalf of an employee in the same manner that they assign and prosecute claims for unpaid wages.

There is a draft CS (or a draft to be filed as a new bill, whatever the Committee prefers) in members files. The new draft:

1. Notification - Requires employers to give employees 60 days notice of a substantial change in business activities that may affect the employees employment status.
2. Severence Pay - Failure to give timely notice entitles the employee to severence pay of no less than one month's pay, unless they have a severence pay arrangement in their employment contract, in which case this bill does not apply.

HB 368 - Licensing exemptions for occupational therapists - Yes, Dave, this one is still around to haunt us. Its ready to go as a CS (already adopted) and has a further referral to HESS and Finance in the House.



# Alaska State Legislature

HOUSE OF REPRESENTATIVES

*Office of the Minority Leader*

Official Business  
Room 24  
State Capitol


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State Capitol  
Juneau, Alaska 99811  
(907) 465-4841

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MAR 8 1988

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

TO: Rep. Dave Donley, Chair  
House Labor and Commerce Committee

FROM: Rep. Fritz Pettyjohn  
House Minority Leader 

DATE: March 4, 1988

RE: Bill scheduling

I would like to request that you schedule two of my bills, HB 457 and HB 458 for a hearing before the Labor and Commerce Committee as soon as possible.