

CSHB

4402

SENATE COMMITTEE REPORT

FURTHER

5/5/88

DATE TURNED INTO OFFICE 5/9/88

Mr. President:

Finance Committee considered CSHB 402 (FIN)

See bill (AIDA)

and recommended

replace with 5 CS CSHB 402 (FIN) same title
 or adopt _____ CS _____ new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous

SFC zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
Carl [Signature]
[Signature]
[Signature]
W. Henry [Signature]

[Signature]
Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Act relating to the Alaska
Ind. Dev. and Export Authority
Sponsor: Governor
Requestor: Senate Finance Committee

Agency Affected: Ak. Industrial Dev.
BRU: & Export Authority
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		0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: *Rick Halford* Phone: 465-3753
Division: Senator Rick Halford, Co-chairman Date: May 9, 1988
Senate Finance Committee

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):

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

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 402 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act increasing the maximum size of loans entered
7 into by the Alaska Industrial Development and Export
8 Authority from the authority's enterprise development
9 account; amending the manner of determining the
10 interest rate on loans guaranteed by the federal
11 government; permitting the authority to describe the
12 circumstances under which it will discontinue pur-
13 chasing loans from a financial institution because of
14 delinquencies; directing the authority to complete a
15 feasibility study for a development project relating
16 to development of certain state park land; and pro-
17 viding for an effective date."

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

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

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

25 (1) may not exceed

26 (A) \$12,000,000 [\$10,000,000]; or

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

28 under AS 44.88.158;

29 (2) may not exceed the cost of the project or 75 percent of

1 the appraised value of the project, whichever is less, unless the
2 amount of the loan in excess of this limit is federally insured or
3 guaranteed or is insured by a qualified mortgage insurance company;

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

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

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

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

18 (7) may not be made unless

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

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

24 (8) must be

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

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

29 (C) expected by the authority to be financed from the

1 proceeds of bonds.

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

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

7 (1) may be either floating or fixed;

8 (2) is the lesser of

9 (A) the prevailing prime rate adopted by the United
10 States Small Business Administration; or

11 (B) Moody's Investors Service [IS EQUAL TO THE MOST
12 RECENT INDEX OF] Aa corporate bond yield index [AVERAGES AS
13 PUBLISHED BY MOODY'S INVESTORS SERVICE].

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

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

25 * Sec. 4. FEASIBILITY STUDY. (a) The legislature finds that it is in
26 the best interests of the state to promptly determine the feasibility of
27 the development project proposed for the Eagle River Valley portion of
28 Chugach State Park. The legislature further finds that it is contrary to
29 the public interest to incur the delay associated with soliciting

1 competitive sealed bids or competitive sealed proposals.

2 (b) The Alaska Industrial Development and Export Authority shall
3 contract for the preparation of a feasibility study of the development
4 project proposed for the Eagle River Valley portion of Chugach State Park.
5 The feasibility study must

6 (1) satisfy the requirements of AS 44.85.173(a);

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

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

11 (c) The authority shall pay 50 percent of the cost of the study
12 required by this section, but may not pay more than \$150,000.

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

15 * Sec. 5. This Act takes effect ^{July 1, 1988} ~~immediately under AS 01.10.070(c).~~

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 402 (L&C)
PUBLISH DATE: HOUSE 4/21/88

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
EAU: Same as above

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:

FULLTIME					
PARTTIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED PAGE



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

Approved by Commissioner: Anthony J. Peltzer 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)

CSHB 402(L&C)
HOUSE 4/21/88State of Alaska
1988 Legislative Session
FISCAL NOTE
Page 2 of 2ANALYSIS:

- 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.

01486D-4
042088a

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 402 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
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7 into by the Alaska Industrial Development and Export
8 Authority from the authority's enterprise development
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11 government; permitting the authority to describe the
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29 (2) may not exceed the cost of the project or 75 percent of

1 the appraised value of the project, whichever is less, unless the
2 amount of the loan in excess of this limit is federally insured or
3 guaranteed or is insured by a qualified mortgage insurance company;

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

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

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

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15 security instrument in the manner the authority determines is feasible
16 to assure timely repayment under a loan agreement entered into with
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23 alternatives to the discontinuance of purchasing loans from the finan-
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28 Chugach State Park. The legislature further finds that it is contrary to
29 the public interest to incur the delay associated with soliciting

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8 developer by the Department of Natural Resources, division of parks; and

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10 necessary for the authority to provide financing for the project.

11 (c) The authority shall pay 50 percent of the cost of the study
12 required by this section, but may not pay more than \$150,000.

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

15 * Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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.

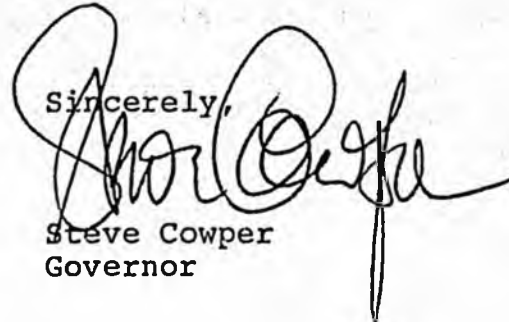
Section 1 also increases from \$500,000 to \$1,000,000 the loan limit on federally guaranteed loans that the authority may purchase. The current limit, enacted with the original AIDEA statutes, is too restrictive, especially in light of current federal loan guaranty levels. These guaranteed loans provide 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