

SCOMM

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Original sponsor(s): REP. FINKELSTEIN, Ulmer

1 IN THE HOUSE BY THE HOUSE SPECIAL COMMITTEE ON TOURISM
2 CS FOR HOUSE BILL NO. 388 (Tour)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the tourism revolving fund, and
7 deleting a prohibition against making loans from that
8 fund; and providing for an effective date."

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

10 * Section 1. AS 45.90.030(a) is amended to read:

11 (a) State participation in a loan to a business may not be more
12 than \$50,000 [\$3,000,000].

13 * Sec. 2. AS 45.90.030(b) is amended to read:

14 (b) The loan shall be secured by acceptable collateral and may
15 not exceed 90 [75] percent of the appraised value of the collateral
16 offered as security.

17 * Sec. 3. AS 45.90.030(c) is repealed and reenacted to read:

18 (c) [For a loan bearing a fixed rate of interest,] the rate of
19 interest charged by the department on a loan that is participated in
20 under this chapter may ~~not exceed a rate that is two percent higher~~
21 than the prime rate of interest charged by the participating financial
22 institution on other loans made at the time when the loan was made.

23 * Sec. 4. AS 45.90.030(d) is repealed and reenacted to read:

24 (d) A loan in which the department participates under this
25 chapter must be participated in by a financial institution in an
26 amount of not less than 25 percent of the amount of the loan.

27 * Sec. 5. AS 45.90 is amended by adding a new section to read:

28 Sec. 45.90.035. RESTRUCTURING OF DEBT. With the concurrence of
29 the participating financial institution, the commissioner may

1 restructure a loan made under this chapter. The restructuring may
2 only include an extension of the term of the loan. The maximum term
3 of a loan modified under this section is _____ years from the date
4 of restructuring.

5 * Sec. 6. AS 45.90 is amended by adding a new section to read:

6 Sec. 45.90.900. DEFINITIONS. In this chapter

7 (1) "commissioner" means the commissioner of commerce and
8 economic development;

9 (2) "department" means the Department of Commerce and
10 Economic Development;

11 (3) "fund" means the tourism revolving fund established by
12 AS 45.90.010;

13 (4) "loan" means a loan to a person from the tourism re-
14 volving fund.

15 * Sec. 7. Section 71, ch. 106, SLA 1980 is amended to read:

16 Sec. 71. After July 1, 1981,

17 (1) a loan [NO FURTHER LOANS] may not be made under AS 16.-
18 10.310 and 16.10.320(a) except for a loan [LOANS] authorized under
19 AS 16.10.333 in accordance with [pursuant to] AS 16.10.310 and 16.-
20 10.320(a); and

21 (2) a loan [NO FURTHER LOANS] may not be made under
22 [AS 45.90.020,] AS 45.95.020 or [, AND] AS 26.15.040(3).

23 * Sec. 8. This Act takes effect July 1, 1990.
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payments were out

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

MEMORANDUM

January 29, 1990

SUBJECT: Draft CSHB 388 (Tourism)

TO: Representative David Finkelstein, Chair
House Special Committee on Tourism
ATTN: Anne Garrett

FROM: Jack Chenoweth
Legislative Counsel 

A revised committee substitute is attached. In the matter of debt restructuring, I think it wiser to treat the matter as I have rather than as Mr. Winegar suggested. I have related in the provision that a debt may only be extended. This would omit other possible alternatives including, significantly, interest rate adjustments (though, perhaps the department would claim some "wiggle room" under existing AS 45.90.020(a)(4) with its reference to "amortization plans.") If you think, as I do, that it is important to include a maximum repayment extension period, please fill in the blank (page 2, line 3).

Look carefully at the first section of the draft. Given the ten percent mandatory minimum bank participation and that bill section 1 is drafted as a limitation on state participation, under the program revision a borrower could request a total loan equal to as much as \$55,555, with 90% to come from the state (\$50,000) and the balance from the participating financial institution. In other words, as this committee substitute is drafted, \$50,000 is not the effective loan ceiling.

not a problem for state

JBC:lmb
L9/078

Enclosure



SPECIAL COMMITTEE ON TOURISM

House of Representatives
Alaska State Legislature

P.O. Box V, Juneau, Alaska 99811
465-2435 • FAX (907) 465-2718

Rep. David Finkelstein, Chair
Rep. Johnny Ellis
Rep. Richard Foster
Rep. Curt Menard
Rep. Richard Shultz
Rep. Fran Ulmer
Rep. Jim Zawacki

January 31, 1990

To: Members of the Tourism Committee

From: David Finkelstein *DF*

Re: CS for HB 388 Relating to the Tourism Revolving Fund

This bill revives the Tourism Revolving Fund, and makes the following changes to the program:

- a. the state is authorized to make loans to businesses that directly provide goods or services, including tours, accommodations, transportation, and gifts, to tourists visiting the state
- b. bank participation in the loan is required in an amount of not less than 25 percent of the amount of the loan
- c. state participation in each loan may not exceed \$50,000
- d. the loan shall be secured by acceptable collateral and may not exceed 90 percent of the appraised value of the collateral offered as security
- e. the interest rate for the state's portion of the loan may not exceed the prime interest rate plus two percent
- f. the loan must be repaid within a maximum period of 20 years

DURING INTERIM:

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STATE OF ALASKA THE LEGISLATURE

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LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 19, 1990

SUBJECT: House Bill 388 - tourism loan amendments:
comparison to AHFC loan practices

TO: Representative David Finkelstein
ATTN: Anne Garrett

FROM: Jack Chenoweth
Legislative Counsel 

The critical and significant differences in approach between the revised tourism loan fund and the current loan practices of the Alaska Housing Finance Corporation appear to be as follows:

I

House Bill 388 authorizes the commissioner of commerce and economic development to purchase tourism-related loans made by commercial lending institutions. The legislation would require the initiating lender to retain at least 10 percent of the loan in its portfolio: the loan program would purchase the balance. The borrower's payments of principal and interest would be proportionally split. Loan collection and servicing would presumably remain with the lending institution originating the loan.

Alaska Housing Finance Corporation purchases residence-related loans made by commercial lending institutions. There is nothing to require the lending institution to retain a percentage of the loan in its portfolio, so my understanding is that AHFC may purchase the entire loan. Loan collection and servicing may be assigned.

II

The revised tourism loan program sheds the "revolving fund" language. Money repaid to the department to retire tourism-related loans would be deposited into the general fund.

Representative David Finkelstein
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January 19, 1990

Payments to AHFC are typically used to retire the revenue bonds initially issued to support the lending activity. Money surplus to the needs of the debt retirement obligations and not required for AHFC's reserves is presumably retained by the corporation in the housing finance revolving fund (AS 18.56.082) for other uses of the corporation.

JC;lmb
L9/063

Meeting with Pete Jeans on Tourism Revolving Loan Fund
(TRLF) on November 22, 1989

The most important question to decide is who will the
program serve?

one of the problems with the TRLF was that it
was set up to help people who had a good idea
but needed a little extra help financially;

after a few years TRLF mainly helped
people like Sheffield and Hickel expand their
business: we need to set the amount of the loan and the
purpose maybe, so that we help smaller people
instead of major companies who can expand w/o
state help

we discussed programs at \$100k max. loan amt. and
at \$25k max.; the clients would be very
different at each amount and I'm not sure where
the real need is; we might want to start smaller
than larger since it's easier to sell a smaller
program and easier to increase a program than reduce it

TRLF started out at \$100k and ended up at \$3 million;
it existed for 8 years and according to Pete would
still exist if they had wanted it to (despite what
others say about AIDA and recreational loans)

--this is one way to go with a new program--

loans applied for, serviced and administered through any
bank (Tom Pargeter at NBA may be another useful contact
since Pete used to work closely with him)

loan guidelines, financial criteria and other eligibility
factors would be assessed at the bank and then forwarded to
the state for final determination and overview; state would
purchase loan at closing

state could staff program with one staff person who
Pete felt would logically be within the Div. of
Investments since their function is to administer loan
programs

interest rate tied to current rate

this staff person would report to a 3-member board
composed of the Director of the Division of
Investments, the Director of the Division of
Tourism, and perhaps a member of the ATMC

this 3-member board would review applications to make sure all statutory guidelines were met, to make regulations as necessary, and to remove any pressure from staff regarding who receives and who doesn't receive loans (this was a major problem for TRLF since legislators whose friends were turned down got the staff and the program's life and budget in hot water)

Pete strongly felt that state should set a minimum level of bank participation in the loan (say 10, 20 or 25 percent)

banks should participate in the loan so that banks make only good loans (don't loan to friends, poor risks, etc.)

since the majority of the money loaned would be state money it would however be easier to qualify for loans

The program would be funded by an annual appropriation from the Legislature

loans would be granted on a first-come, first-serve basis and when money runs out, if it does, then applicants would have to wait until next year

there needs to be a limit on the amount of money that is loanable; Pete said he could have loaned the state Treasury if he wanted to; an annual appropriation would be such a limit (of course this makes the program vulnerable to politics)