

LEG. FINANCE - BILLS 1977 - 1978 / 48

CASHB 596 cont., thru SCSCASHB 596

748

Other costs seem to be appropriate given a total staff of 10 for HB 596, twice that of HB 298, due to the organizational bifurcation. The 18 part-time positions shown on the fiscal note summary appears to be a misprint given the personal service amount shown.

MBB:pw

Attachments

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 596  
 Title An Act relating to Nonrenewable Resource Revenues  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Legislative Finance  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Legislative Finance

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			65.4			
200 TRAVEL			22.5			
300 CONTRACTUAL			23.0			
400 COMMODITIES			.9			
500 EQUIPMENT			1.5			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>			<b>113.3</b>			

FUNDING (Thousands of Dollars)

GENERAL FUND			113.3			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			1			
PART TIME			2			
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

PERSONAL SERVICES:

1 Adm. Asst., Range 18A, 6 mos. seasonal position (salary & benefits \$11,898+\$1,254)	\$13,152
1 Secretary, Range 14A, 6 mos. seasonal position, (salary & benefits \$8,862+936)	9,798
1 Staff Assistant, Range 22C, full-time position (salary & benefits \$34,404+8,064)	42,468

- CONTINUED ON ATTACHED PAGE -

IV. DATE \_\_\_\_\_ PREPARED BY \_\_\_\_\_  
 AGENCY \_\_\_\_\_  
 Original: Legislative Finance PHONE \_\_\_\_\_  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

ATTACHMENT - Fiscal Note for HB 596

TRAVEL

6 interim two-day meetings, 8 members @175 airfare and \$50 per diem for 4 days which includes two days for travel =	\$ 18,000
Staff travel -	4,500

CONTRACTUAL

Consultant work	20,000
Memory Typewriter rental for 6 mos. during session @\$180/mo. =	1,080
Phone and Other	2,000

NOTE: It is assumed legislative office space  
will be assigned by the Rules Committee  
chairmen of each House.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 596 - "An Act relating to nonrenewable resource revenues;  
Title and providing for an effective date."  
Requested by Special Committee on the Alaska Permanent Fund Date 1/11/78

II. FISCAL DETAIL

Agency Affected Department of Revenue  
Program Category Affected General Government  
Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		338.6				
200 TRAVEL		155.4				
300 CONTRACTUAL		578.0				
400 COMMODITIES		10.0				
500 EQUIPMENT		30.0				
600 LAND & STRUCTURES		120.0				
700 GRANTS, CLAIMS, ETC.						
TOTAL		1,232.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		1,232.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		10				
PART TIME		18				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This note enumerates a portion of the fiscal impact of HB 596 upon Treasury Management. Costs of the following administrative structures are included above:

- Investment Oversight Committee - 8 members
- Board of Trustees - 3 members
- Policy Board - 7 members
- Alaska Permanent Fund - 1 Executive Director and staff
- Alaska Enterprise Investment Corporation - 1 President and staff

Fiscal years subsequent to FY 79 would properly be estimated by the emergent administrative body.

IV. DATE February 23, 1978 PREPARED BY Jin Edinger  
AGENCY Department of Revenue  
PHONE 465-2359  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

113 2197

2197

Notes on HB 596

HB 596 - Investment Oversight Committee

8 Member Committee of Legislature:

4 Trips per year	\$ 5,000
2 Days Per Diem per trip	1,000

Alaska Permanent Fund

3 Member Board of Trustees:

12 Trips per year (Alaska)	5,400
3 trips per year (out of State)	5,400

24 meeting days (Alaska)	
12 meeting days (out of State)	
36 meeting days at \$250/meeting days	27,000

1 Executive Director - Range 30	60,000
24 trips per year (Alaska)	3,600
6 trips per year (out of State)	3,600
90 days total travel plus per diem	4,500

1 Secretary II - Range 11	18,210
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1 Clerk III - Range 8	15,075
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1 Accountant IV - Range 18	29,745
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1 Investment Officer - Range 24	46,275
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Office Space	60,000
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Office Equipment	15,000
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Contractual:

Safekeeping	50,000
Consulting	100,000
Telephone	20,000
Postage	3,000
Printing/Advertising	10,000
Auditing	20,000
Equipment Rental	8,000
Miscellaneous	3,000

Commodities	5,000
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Alaska Enterprise Investment Corporation

Policy Board - 6 Public Members

1 State Administrator

7 Member Policy Board

12 Trips per year (Alaska)	\$12,600
3 Trips per year (out of State)	12,600
24 Meeting days (Alaska)	
12 Meeting days (out of State)	
36 Meeting Days at \$250/meeting day	63,000
1 President - Range 30	60,000
24 Trips per year (Alaska)	3,600
6 Trips per year (out of State)	3,600
90 days total Travel plus Per Diem	4,500
1 Secretary II - Range 11	18,210
1 Clerk III - Range 8	15,075
1 Accountant IV - Range 18	29,745
1 Investment Officer - Range 24	46,275
Office Space	60,000
Office Equipment	15,000
Contractual:	50,000
Safekeeping	250,000
Consulting	20,000
Telephone	3,000
Postage	10,000
Printing/Advertising	20,000
Auditing	8,000
Equipment Rental	3,000
Miscellaneous	
Commodities	5,000

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS for HB 596 providing for an effective date.  
Title An Act relating to nonrenewable resource revenues; to legislative oversight; and /  
Requested by Special Committee on the Alaska Permanent Fund Date 2/24/78

II. FISCAL DETAIL

Agency Affected Department of Revenue  
Program Category Affected General Government  
Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		338.6				
200 TRAVEL		155.4				
300 CONTRACTUAL		578.0				
400 COMMODITIES		10.0				
500 EQUIPMENT		30.0				
600 LAND & STRUCTURES		120.00				
700 GRANTS. CLAIMS. ETC.						
TOTAL		1,232.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		1,232.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		10				
PART TIME		18				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This note enumerates a portion of the fiscal impact of CSHB 596 upon Treasury Management. Costs of the following administrative structures are included above:

- Investment Oversight Committee - 8 members
- Board of Trustees - 3 members
- Policy Board - 7 members
- Alaska Permanent Fund - 1 Executive Director and staff
- Alaska Enterprise Investment Corporation - 1 President and staff

Fiscal years subsequent to FY 79 would properly be estimated by the emergent administrative body.

IV. DATE March 15, 1978 PREPARED BY Jim Edenso  
AGENCY Department of Revenue  
Original: Legislative Finance PHONE 465-2350  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

CSHB 596

March 8, 1978

The Honorable Steve Cowper  
Chairman, House Finance Committee  
State Capital  
Juneau, Alaska 99811

Dear Representative Cowper:

The attached amendments were submitted to the Special Committee on the Permanent Fund in the House in an effort to maximize the cooperation between the administration and the Special Committee in the House in drafting the enabling legislation for the Alaska Permanent Fund. Beginning in 1976 the Department of Revenue, the State Investment Advisory Committee, and the Governor's Office have made every effort to cooperate with the House of Representatives in a continuing process of investigations on the enabling legislation. Initially, the administration submitted a bill, HB 298, and had hoped that that bill would be considered by the legislature. It now appears that Committee Substitute for House Bill 596 is the bill which this committee will consider as the enabling legislation on the Permanent Fund.

To continue the cooperative efforts between the administration and the House these amendments reflect the concerns of the administration for the proposed bill.

Amendment #1 amends Section 010. This amendment includes the Alaska Enterprise Investment Corporation as the recipient of a portion of the principal to be allocated to the Permanent Fund. It should be considered in conjunction with amendments 2 and 3. Amendment 2 decreases the amount of principal to be contributed into the Alaska Permanent Fund Corporation to 50 per cent of the receipts and increases the amount contributed to the Alaska Enterprise Investment Corporation to 50 per cent of the receipts.

The first three amendments reflect in a positive manner the administration's concern first that the savings account concept be adopted (the trust fund) and, secondly, that there be a greater amount of funds available for investment through the Enterprise Investment Corporation in Alaska than the \$100 million limitation.

The fourth amendment under section 020 merely removes the limitation that only future generations of Alaskans benefit from the Permanent Fund. This administration has made it clear that the Permanent Fund should benefit present generations of Alaskans as well as future generations.

The fifth amendment under section 040 includes the Commissioner of Revenue as a non-voting member of the Board of Trustees. The Commissioner of Revenue is responsible for all of the State's funds and therefore should be included as a member of the Board of Trustees.

Amendment #6 under section 090 increases from two members to three members the Board of Trustees for quorum purposes.

Amendment #7 deals with a policy issue which requires that the Department of Revenue provide the management and staff for the trust fund corporation. It includes a provision that the Commissioner of Revenue or his designee shall serve as the executive director of the corporation.

Amendment #8 is a minor technical amendment in section 130, POWERS AND DUTIES, paragraph (a) which clarifies the wording for the prudent-man rule for investment.

Amendment #9 section 130 clarifies the reasonable diversification clause found in paragraph (c).

Amendment #10 section 130, paragraph (f) deals with prohibition of the corporation on working with existing State agencies or departments. The administration clearly thinks that it is desirable for the Permanent Fund to cooperate and coordinate with existing State programs.

Amendment #11 is two-fold and it deletes the section entitled GAINS AND LOSSES and replaces it with a new section entitled RESERVES. The establishment of reserve accounts for losses on investments is desirable as these accounts would help to preserve the principal of the Permanent Fund.

Amendment #12 deletes section 150 entitled INCOME. The moving average income current return is confusing and unnecessary as current accounting practices clearly allow for the identification of income through investments.

Amendment #13 excludes the officers and staff from the State's Hatch Act but includes the Board of Trustees in the Hatch Act.

Amendment #14 section 44.55.010(b) is amended to increase the amount of contributions to the Enterprise Investment Corporation from 1/6 to 50 per cent. This amendment is in keeping with the administration's desire to provide a greater amount of principal for investments in Alaska.

Amendments # 15 and 16 should be considered together and are intended to allow the payment of principal directly into the Enterprise Investment Corporation.

Amendment #17 changes the composition of the proposed Policy Board to include the Commissioners of Commerce and Economic Development and Revenue and five public members.

Amendment #18 is in conjunction with Amendment #17.

Amendment #19 is self-explanatory but includes the president of the Enterprise Investment Corporation as the Chairman of the Policy Board but a non-voting member.

Amendments 20, 21, 22, and 23 are in conjunction with the recomposition of the Policy Board.

Amendment #24 amends the sentence to include a majority of appointed members.

Amendment #25 deletes section 44.55.160 entitled BUDGET and replaces it. The new wording for this section allows the Enterprise Investment Corporation to retain income for administrative operating expenses of up to 1/2 of 1 percent of the corporation's paid-in capital and requires that expenditures in excess of 1/2 of 1 percent of paid-in capital be approved by the legislature.

Amendment #26 re-states the diversification rule to limit investments to 1 percent of the resources of the corporation from the 5 percent limit found in the bill. It does not change the \$5 million limitation.

Amendment #27 and Amendment #29 allow the corporation to make guarantees but require approval by the legislature and establishes reserves.

Amendment #28 prohibits the corporation from investing in participation with other entities when current participating investments are 2 per cent or greater in delinquencies.

Amendment # 30 is clarifying language.

Amendment # 31 section 44.55.170 entitled POLITICAL ACTIVITIES includes the Policy Board and Investment Committee in the Hatch Act for the State (AS 39.25.160) and deletes the language including the officers and staff of the corporation in the Hatch Act.

Amendment #32 is in conjunction with the administration's desire to put 50 percent of the principal paid to the trust corporation and 50 per cent to the Enterprise Investment Fund.

Amendment #33 section 7 TRANSITION. It is necessary to have 30 days to transfer all funds to the trust fund corporation and the enterprise investment fund corporation in order to comply with the existing contracts the Department of Revenue has for safekeeping the Alaska Permanent Fund portfolio securities.

Amendments 34, 35, and 36 all in the Transition section tie together the activities in the repealers of existing interim management legislation.

It is my hope that the House Finance Committee will thoroughly review, evaluate, and sincerely consider these proposed amendments. Thank you for the opportunity to appear here today.

S  
Sincerely,

Sterling Gallagher  
Commissioner

Suggested Amendments to House Bill 596

The following amendments should be considered:

1. page 6, line 8

Following the words "Alaska Permanent Fund Corporation." insert "and the Alaska Enterprise Investment Corporation".

2. page 6, line 9

Substitute "50 per cent" for "five-sixths".

3. page 6, line 11

Substitute "50 per cent" for "one-sixth"; place a period after "allocated"; and delete the remainder of this section.

4. page 6, line 23

Following the word "benefit" delete "of future generations".

5. page 7, line 15

Following "session." insert the following: "The commissioner of revenue is a non-voting member of the board of trustees."

6. page 9, line 1

Substitute "Three" for "Two".

7. page 9, line 8

Delete Sec. 37.13.110 and replace it with the following:  
"Sec. 37.13.110. PERSONNEL. The commissioner of revenue or designee shall serve as the executive director of the corporation and staff will be provided by the department of revenue. All staff members responsible for corporation investments are in the partially exempt service as under AS 39.25."

8. page 9, line 23

Substitute "in the" for "to the board in its".

9. Page 10, line 6

Put a period after "investments" and delete the remainder of the sentence.

10. page 10, line 13

Put a period after "corporation" and delete the remainder of the sentence.

11. page 11, line 11

Delete Sec. 37.13.140 and replace with the following:  
"Sec. 37.13.140. RESERVES. The corporation may establish, from income derived from its investments a loss reserve account to preserve the principal of the permanent fund, consistent with sound financial practices."

12. page 11, line 24

Delete Sec. 37.13.150. entitled "Income".

13. page 13, line 6

Following "trustees" delete "and officers and staff of the corporation may not engage in partisan political activities" and substitute "are subject to AS 39.25.160."

14. page 13, line 26

Substitute "Fifty percent" for "One-sixth".

15. page 13, line 28

Following "paid" delete "by the Alaska Permanent Fund Corporation directly".

16. page 14, line 1

Following "Corporation" insert "as specified in Sec. 37.13.010." and delete the remainder of the sentence.

17. page 14, line 22

Substitute "the commissioners of the departments of revenue and commerce and economic development" in place of "a person employed in the executive branch of state government appointed by the governor".

18. page 14, line 23

Substitute "five" in place of "six".

19. page 14, line 27

Following the period, insert the following sentence: "The President of the Alaska Enterprise Investment Corporation, appointed under Sec. 44.55.079 of this chapter, shall serve as the chairman of the Policy Board, but is not a voting member."

20. page 14, line 29

Delete the following words: "one of the"

21. page 15, line 1

Delete the following words: "public members as chairman and".

22. page 15, line 2

Substitute "five" in place of "six".

23. page 15, line 4

Substitute "one member serving for two years," in place of "two members serving for two years".

24. page 15, line 9

Following the word "vote" and before the period, insert: ", including not less than a majority of appointed members.."

25. page 18, line 6

Delete this section and replace it with the following:  
"Sec. 44.55.100. BUDGET. The corporation may retain income in the amount needed to pay the operating and administrative expenses of the corporation. The corporation is exempt from the provision of the Executive Budget Act (AS 37.07), except if these operating and administrative expenses shall exceed one-half of one percent of the corporation's paid-in capital, that budget of the corporation is subject to the Executive Budget Act."

26. page 20, line 11

Substitute "one percent of the resources of the corporation" in place of "five percent of the resources of the corporation or \$5,000,000, whichever is less,".

27. page 21, line 26

Insert a new section to read: "(o) All guarantees shall be presented to the Alaska State Legislature by the Policy Board for approval by law. A reserve for guarantees shall be established in accordance with Sec. 44.55.130(b) of this chapter."

28. page 21, line 26

Insert a new section as follows: "(p) the corporation may not make additional investments in participation with any other corporation or investment institution which is currently participating with the corporation in other investments if two percent of those investments are delinquent."

29. page 21, line 26

Insert a new section to read: "Sec. 44.55.130. RESERVES. (a) The corporation may establish from income derived from its investments, reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices.

(b) The corporation may establish from income from its investments, a reserve account for the purpose of paying loss on guaranteed debts. The amount credited to this reserve shall be a percentage of the total guaranteed debts as determined by the policy board, consistent with sound financial practices."

30. page 21, line 27

Substitute "prepare a detailed report of Alaskan investments which shall" in place of "render a detailed report to the legislature which shall".

31. page 23, line 1

Following the word "corporation" insert "are subject to AS 39.25.160." and delete the remainder of this sentence.

32. page 24, line 11

Following "tion" insert "and the Alaska Enterprise Investment Fund".

33. page 24, line 11

Substitute "30" in place of "10".

34. Page 24, line 17

Substitute "AS 37.13.130(g)" in place of "AS 44.55.120(b)(2) in Section 4 of this Act." and delete the remainder of the sentence.

35. page 24, line 19

Following "repealed" insert "at the time Sec. 7. Transition is completed."

36. page 24, line 20

Following "repealed" insert "at the time Sec. 7. Transition is completed."

It is further suggested that "small and medium scale" should be clearly defined in the bill, for example, defining that concept in terms of a 1 percent investment limitation.



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

2/14/90  
Date

**COMMITTEE REPORT**  
**SENATE**

FURTHER: \_\_\_\_\_

Date: 3-17-78

Mr. President:

The Committee on Administration has had CS HR 576 (Fin) nonrenewable resource revenues; to legislative oversight

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass  
 recommends it do pass with attached amendment(s)  
 recommends it be replaced with CS for CS HR 576

and \_\_\_\_\_  new title                       same title

- AND attaches a Letter of Intent                       New Fiscal Note  
 reports it back without <sup>individual</sup> recommendation  
 and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
Mr. Antoinette M. Rice  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Chairman

Original sponsor: Special Committee on the  
Alaska Permanent Fund

Offered: 5/19/78  
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska loan programs fund, the  
7 Alaska permanent fund, the renewable resources develop-  
8 ment fund, and other state revenues; and providing for  
9 an effective date."

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

11 \* Section 1. AS 45 is amended by adding a new chapter to read:

12 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

13 Sec. 45.96.010. PURPOSE. There exists within state government  
14 numerous loan funds serving specific, single purposes. Efficient use of  
15 the capital resources of the state will be promoted by creating a single  
16 loan fund which will provide a single source from which potential users  
17 could acquire a state loan and obtain information about existing federal  
18 or private loan programs which will better serve the needs of the user  
19 or which will complement a proposed state loan. A single state source  
20 of lending will provide strong assurance of repayment of its loans and  
21 thereby lower the cost of borrowing to the state. The purpose of the  
22 loan programs fund is to provide the lowest possible interest costs to  
23 Alaska borrowers consistent with sound financial practices and to make  
24 available to all sectors of the Alaska economy loans including long-term  
25 financing not presently available from existing Alaska financial insti-  
26 tutions. A strong, single loan source, by being available to secure  
27 interest rates and terms better than those available to loan funds  
28 limited in size for a specific purpose, will make a significant con-  
29 tribution to lowering costs of living for Alaska residents and costs of

1 operations in the private and public sector.

2 Sec. 45.96.020. CREATION OF FUND. (a) There is created within  
3 the Department of Commerce and Economic Development the Alaska loan  
4 programs fund.

5 (b) There is established within the Department of Commerce and  
6 Economic Development the division of Alaska loan programs. The director  
7 of the division is in the classified service under AS 39.25 and shall  
8 receive an annual salary within range 27 of the salary schedule estab-  
9 lished in AS 39.27.011 or within one range below that received by the  
10 highest paid deputy commissioner in the Department of Commerce and  
11 Economic Development if that is higher than Range 27. In order to  
12 qualify for the position of director, a person must be graduated from  
13 college and have at least eight years of supervisory or administrative  
14 experience in loan management.

15 (c) The division of Alaska loan programs shall manage the loan  
16 programs fund in accordance with secs. 10 - 490 of this chapter.

17 Sec. 45.96.030. REVENUE BONDING AUTHORITY. (a) The state bond  
18 committee may issue bonds and bond anticipation notes in order to pro-  
19 vide funds to carry out the fund's purposes.

20 (b) The principal and interest on these bonds or notes are payable  
21 from assets of the fund. Bond anticipation notes may be payable from  
22 the proceeds of the sale of bonds or from the proceeds of sale of other  
23 bond anticipation notes or, if bond or bond anticipation note proceeds  
24 are not available, the notes may be paid from other assets of the fund.  
25 Bonds or notes may be additionally secured by a pledge of a grant or  
26 contribution from the federal or state government, a corporation, asso-  
27 ciation, institution or person, or a pledge of money, income, or reve-  
28 nues of the fund from any source.

29 (c) Bonds or bond anticipation notes may be issued as provided by

1 the state bond committee, in one or more series and shall (1) be dated;  
2 (2) bear interest at the prescribed rate per year or within the maximum  
3 rate; (3) be in a certain denomination or form, either coupon or regis-  
4 tered; (4) carry the conversion or registration provisions; (5) have  
5 rank or priority; (6) be executed in a certain manner and form; (7) be  
6 payable from the sources in the medium of payment and place or places  
7 inside or outside the state; (8) be subject to authentication by a  
8 fiscal agent; and (9) be subject to terms of redemption, with or without  
9 premium as the resolution of the bond committee may provide. Bond  
10 anticipation notes mature at a time determined by the commissioner of  
11 revenue. Bonds mature at a time determined by the state bond committee.  
12 Before the preparation of definitive bonds or bond anticipation notes,  
13 the state bond committee may issue interim receipts or temporary bonds  
14 or bond anticipation notes, with or without coupons, exchangeable for  
15 bonds or bond anticipation notes when the definitive bonds or bond  
16 anticipation notes have been executed and are available for delivery.

17 (d) Bonds or bond anticipation notes may be sold in the manner, on  
18 the terms, and at the price the state bond committee determines.

19 (e) If an officer whose actual or facsimile signature appears on  
20 any bonds or notes or coupons attached to them ceases to be an officer  
21 before the delivery of the bond, note or coupon, his signature is valid  
22 as if he had remained in office until delivery.

23 (f) In authorizing or issuing bonds or bond anticipation notes,  
24 the state bond committee may, with holders of the bonds or bond antici-  
25 pation notes, make covenants as may be necessary or desirable, to better  
26 secure bonds or notes or which, in the discretion of the committee, will  
27 tend to make bonds or notes more marketable and shall, for each issue,  
28 create a principal and interest account for repayment of the principal  
29 and interest of that issue.

1           Sec. 45.96.040. VALIDITY OF PLEDGE. The pledge of assets or  
2 revenues of the fund to the payment of the principal or interest of  
3 obligations of the fund is valid and binding from the time the pledge is  
4 made, and assets or revenues pledged are immediately subject to the lien  
5 of the pledge without physical delivery or further action. The lien of  
6 a pledge is valid and binding against all parties having claims of any  
7 kind in tort, contract or otherwise against the fund, regardless of  
8 whether those parties have notice of the lien of the pledge. Nothing  
9 prohibits the fund from selling assets subject to a pledge, except that  
10 a sale may be restricted by the resolution providing for the issuance of  
11 the obligations.

12           Sec. 45.96.050. REMEDIES. A holder of obligations issued under  
13 the provisions of this chapter or coupons attached to them if not re-  
14 stricted by the resolution, either at law or in equity, may enforce all  
15 rights granted under the coupons or under any other contract executed by  
16 the fund under this chapter, and may enforce and compel the performance  
17 of all duties required by this chapter to be performed by the fund or by  
18 an officer of it.

19           Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations and  
20 interest coupons attached to the obligations are negotiable instruments  
21 under the laws of this state, subject only to applicable registration  
22 provisions.

23           Sec. 45.96.070. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations  
24 issued under the provisions of this chapter are securities in which all  
25 public officers and public bodies of the state and its political sub-  
26 divisions, all insurance companies, trust companies, banking associ-  
27 ations, investment companies, executors, administrators, trustees and  
28 other fiduciaries may properly and legally invest funds, including  
29 capital in their control or belonging to them. These obligations may be

1 deposited with the state or municipal officer of an agency or political  
2 subdivision of the state for any purpose for which the deposit of bonds,  
3 notes or obligations of the state is authorized by law.

4 Sec. 45.96.080. REFUNDING OBLIGATIONS. (a) The fund may provide  
5 for the issuance of refunding obligations for the purpose of refunding  
6 obligations then outstanding which have been issued under the provisions  
7 of this chapter, or bonds which have been issued by the state, political  
8 subdivisions of the state, or agencies or instrumentalities of the  
9 state, including the payment of redemption premium on them and interest  
10 accrued or to accrue to the date of redemption of the obligations. The  
11 issuance of the obligations, the maturities and other details of them,  
12 the rights of the holders of them, and the rights, duties and obliga-  
13 tions of the fund in respect of them are governed by the provisions of  
14 this chapter which relate to the issuance of appropriate obligations.

15 (b) Refunding obligations may be sold or exchanged for outstanding  
16 obligations issued under this chapter. If sold, the proceeds may be  
17 applied, in addition to other authorized purposes, to the purchase,  
18 redemption or payment of the outstanding obligations. Pending the  
19 application of the proceeds of any refunding obligations, with any other  
20 available funds, to the payment of the principal (accrued interest and  
21 any redemption premium on the obligations being refunded, and if so  
22 provided or permitted in the authorization for issuance of the refunding  
23 obligations, to the payment of any interest on the refunding obligations  
24 and any expenses in connection with the refunding), the proceeds may be  
25 invested in direct obligations of, or obligations the principal of and  
26 the interest on which are unconditionally guaranteed by, the United  
27 States of America which mature or which will be subject to redemption,  
28 at the option of the holders of them, not later than the respective  
29 dates when the proceeds, together with the interest accruing on them,

1 will be required for the purposes intended.

2 Sec. 45.96.090. CREDIT OF STATE NOT PLEDGED. Obligations issued  
3 under the provisions of this chapter are a debt, liability or obligation  
4 of the state but are payable solely from the revenues or assets of the  
5 fund. Each obligation issued under this chapter shall contain on its  
6 face a statement that the fund is not obligated to pay it nor the in-  
7 terest on it except from the revenues or assets pledged for it and that  
8 neither the faith and credit nor the taxing power of the state or of a  
9 political subdivision of the state is pledged to the payment of the  
10 principal of or interest on the obligation.

11 Sec. 45.96.100. TAX EXEMPTION. All property of the fund is public  
12 property devoted to an essential public and governmental function and  
13 purpose and is exempt from all taxes of the state or a political sub-  
14 division of the state. All bonds issued under this chapter are issued  
15 by a body corporate and public of this state and for an essential public  
16 and governmental purpose, and the bond and the interest and income on  
17 and from the bonds and all income of the fund are exempt from taxation  
18 except for transfer, inheritance and estate taxes.

19 Sec. 45.96.110. SALE OF BONDS. Before selling an issue or series  
20 of bonds, the state bond committee shall give notice inviting sealed  
21 bids in such manner as it may prescribe. If satisfactory bids are  
22 received, the bonds offered for sale shall be awarded to the highest  
23 responsible bidder. If the state bond committee determines that the  
24 bids received are not satisfactory as to price or responsibility of the  
25 bidders, it may reject all bids received.

26 Sec. 45.96.120. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose  
27 of securing obligations of the fund, a special account called the un-  
28 allocated reserve account is established. The income from the permanent  
29 fund shall be paid to the commissioner of revenue for the purposes of

1 the unallocated reserve account. Other money may be appropriated to the  
2 account. The amounts necessary to fund the capital reserve account  
3 established under sec. 140 of this chapter, the fire insurance and  
4 liability reserve account under sec. 160 of this chapter, and the loss  
5 reserve account under sec. 150 of this chapter are allocated to those  
6 accounts and the amount certified as necessary for these allocations by  
7 the commissioner of revenue is hereby appropriated to these accounts.  
8 All other expenditures from this account shall be in accordance with  
9 annual appropriations.

10 (b) There is established within the unallocated reserve account a  
11 special sub-account called the general fund contribution account. This  
12 sub-account consists of the lesser of (1) all revenue to the general  
13 fund from mineral lease rentals, royalties, royalty sale proceeds,  
14 federal mineral revenue sharing payments and bonuses received by the  
15 state or (2) any amounts remaining in the general fund at the end of a  
16 fiscal year which have not been obligated or for which the appropriation  
17 has not lapsed at the end of the fiscal year. The sub-account may be  
18 used for any purpose the unallocated reserve account may be used for  
19 subject to appropriation by the legislature; however, a separate ac-  
20 counting for the sub-account shall be maintained.

21 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of  
22 securing each issue of its obligations, the fund shall establish a  
23 special account called the debt service reserve account and shall pay  
24 into the account from the proceeds of the sale of that issue of its  
25 obligations the maximum amount permissible under federal law and regu-  
26 lations for tax exempt obligations which may be invested without limi-  
27 tation as to yield. All money held in a debt service reserve account  
28 may be used as required, when money is not available from the principal  
29 and interest account or the capital reserve account, solely for (1) the

1 payment of the principal of obligations, (2) the purchase or redemption  
2 of obligations, (3) the payment of interest on obligations, or (4) the  
3 payment of any redemption premium required to be paid when those obli-  
4 gations are redeemed before maturity. Any amount remaining in a debt  
5 service reserve account when the issue the account secures is fully  
6 retired shall be paid to the unallocated reserve account.

7 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-  
8 curing each issue of its obligations, the fund shall establish a special  
9 account called the capital reserve account. The commissioner of revenue  
10 shall pay into that account from the unallocated reserve account upon  
11 establishment an amount equal to five per cent of the principal amount  
12 of the obligations issued and sold and upon subsequent sales, if any, of  
13 obligations of the issue secured an additional amount equal to five per  
14 cent of the principal amount of the obligations sold. At the end of  
15 each fiscal year the commissioner shall withdraw from each capital  
16 reserve account and pay to the unallocated reserve account any amount in  
17 the account in excess of five per cent of the remaining principal  
18 balance of the obligations secured or, if the amount in the account is  
19 less than five per cent of the remaining principal balance of the obli-  
20 gations secured, pay into the account from the unallocated reserve  
21 account the amount necessary to bring the reserve to five per cent. All  
22 money held in a capital reserve account may be used as required, when  
23 money is not available from the principal and interest account, solely  
24 for (1) the payment of the principal of obligations, (2) the purchase or  
25 redemption of obligations, (3) the payment of interest on obligations or  
26 (4) the payment of any redemption premium required to be paid when those  
27 obligations are redeemed before maturity. Any income or interest earned  
28 by a capital reserve account shall be paid to the unallocated reserve  
29 account established by sec. 120 of this chap. . Any amount remaining

1 in a capital reserve account when the issue the account secures is fully  
2 retired shall be paid to the unallocated reserve account.

3 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of  
4 protecting the financial integrity of the fund, a special account called  
5 the loss reserve account is established. The commissioner of revenue  
6 shall pay into that account from the unallocated reserve account estab-  
7 lished by sec. 120 of this chapter an amount equal to five per cent of  
8 the estimated total amount of all loans to be made by the fund during  
9 the first fiscal year of operation. At the first of the succeeding  
10 fiscal year and each fiscal year thereafter, the commissioner shall pay  
11 into the fund from the unallocated reserve account the amount necessary  
12 to bring the balance of this account to five per cent of the total  
13 amount of loans projected to be outstanding during that fiscal year.

14 (b) If during the fiscal year the total amount of loans outstand-  
15 ing exceeds the amount projected to be outstanding, the commissioner of  
16 revenue shall pay into this account from the unallocated reserve account  
17 the sum needed to bring the balance of this account to five per cent of  
18 the amount of loans outstanding.

19 (c) The one per cent difference between the rate of interest paid  
20 by a borrower and the rate of interest paid by the fund required by  
21 sec. 420 of this chapter shall be allocated to the loss reserve account.

22 (d) Money in the loss reserve account may only be used for losses  
23 realized from loans made under this chapter, except when, at the begin-  
24 ning of a fiscal year, the balance of this account exceeds five per cent  
25 of the remaining principal balance of the total amount of loans pro-  
26 jected to be outstanding during the fiscal year, the amount in excess of  
27 five per cent shall be paid to the unallocated reserve account until all  
28 amounts paid to the loss reserve account and the capital reserve account  
29 have been paid and then to the earned income account of the loan pro-

1 grams fund.

2 Sec. 45.96.160. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The  
3 fund may issue loans without requiring proof of insurance against fire  
4 and liability if an additional charge of six-tenths of one per cent per  
5 year is made. The receipts from this shall be deposited in the fire  
6 insurance and liability reserve account and may only be used to reim-  
7 burse the fund for losses which occur on property for which the charge  
8 provided by this section was in effect at the time of loss.

9 Sec. 45.96.170. INVESTMENT OF RESERVE ACCOUNTS. (a) The director  
10 of the division of treasury in the Department of Revenue shall invest  
11 money in the reserve accounts established by this chapter, other than  
12 funds in the debt service reserve account, only in

13 (1) obligations of, or obligations insured or guaranteed by  
14 the United States or agencies or instrumentalities of the United States;

15 (2) obligations secured by reserves paid in by the United  
16 States or agencies or instrumentalities of the United States or obliga-  
17 tions of corporations in which the United States is a shareholder or  
18 member; or

19 (3) corporate bonds rated "A" or better by a nationally  
20 recognized rating service.

21 (b) Funds in the debt service reserve account may only be invested  
22 in obligations described in (a)(1) or (2) of this section.

23 (c) In addition to the investments authorized in (a) of this  
24 section, the director of the division of treasury may invest money from  
25 the general fund contribution account, established in sec. 120(b) of  
26 this chapter, in obligations, instrumentalities, loans, or bonds of the  
27 loan programs fund.

28 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund  
29 cash balances and of reserves for specific bond issues or statutorily

1 required reserves are managed for the fund by the director of the divi-  
2 sion of treasury in the Department of Revenue. The director shall  
3 determine investment policy and manage the investments of the fund under  
4 the same criteria applicable to other state investments he manages.

5 (b) The director of the division of treasury shall provide monthly  
6 reports to the Legislative Budget and Audit Committee relating to the  
7 investment of funds described in (a) of this section, including

- 8 (1) a summary of long-range and short-term investment policy;
- 9 (2) a list of investments made during the previous month;
- 10 (3) an evaluation of the performance of investments made;
- 11 (4) other information requested by the budget and audit  
12 committee.

13 Sec. 45.96.190. BUDGET. The operating budget is from the general  
14 fund unless the legislature specifically appropriates from the unallo-  
15 cated reserve and is subject to the Executive Budget Act (AS 37.07).

16 Sec. 45.96.200. ACCOUNTING. Accounting for the fund shall be  
17 provided by the Department of Administration. Reports shall be made by  
18 that department to the Department of Revenue, the Department of Commerce  
19 and Economic Development, and the Legislative Budget and Audit Committee  
20 on at least a monthly basis. These reports shall include an itemization  
21 of each loan which has been in default for a period in excess of 30 days  
22 and the measures taken for each to insure compliance with terms and  
23 conditions of the loan. The Legislative Budget and Audit Committee  
24 shall provide quarterly reports to the legislature summarizing the  
25 information it receives under this section and under secs. 180(b) and  
26 240(b) of this chapter and including comments and suggestions the com-  
27 mittee determines to be of interest to the legislature relating to the  
28 administration of the loan program. Other reports shall be made as  
29 prescribed by the Department of Commerce and Economic Development.

1           Sec. 45.96.210. LOAN PROCEDURES. (a) The director of the divi-  
2 sion of Alaska loan programs shall establish district loan offices in  
3 Juneau, Fairbanks, and Anchorage and may establish other loan offices as  
4 necessary which shall be headed by district directors. The office shall  
5 provide information concerning the loan programs under this chapter,  
6 other state loan programs or grant programs, federal loan or grant  
7 programs, and, to the extent feasible, private loan information.

8           (b) For loans not exceeding \$350,000 exclusive of interest and  
9 charges a district loan committee consisting of the district director of  
10 the district loan office and two loan officers other than the loan  
11 officer processing the loan may approve the loan.

12           (c) For loans exceeding \$350,000 the loan must be approved by an  
13 executive loan committee consisting of the director of the division of  
14 Alaska loan programs, the commissioner of commerce and economic de-  
15 velopment or his designee, and, if the loan is other than a renewable  
16 resource loan, the director of the division of economic enterprise of  
17 the Department of Commerce and Economic Development or his designee, or,  
18 if the loan is a renewable resource loan, the director of the division  
19 of renewable resources within the Department of Commerce and Economic  
20 Development or his designee.

21           Sec. 45.96.220. ALASKA LOAN PROGRAMS EVALUATION COMMITTEE. (a)  
22 There is established in the Department of Commerce and Economic De-  
23 velopment the Alaska Loan Programs Evaluation Committee consisting of  
24 the directors, or their designees, of the following divisions: (1) the  
25 division of economic enterprises in the Department of Commerce and  
26 Economic Development, (2) the division of collections in the Department  
27 of Revenue, and (3) the division of Alaska loan programs in the De-  
28 partment of Commerce and Economic Development.

29           (b) With the exception of borrowers designated in sec. 230 of this

1 chapter, the committee shall notify recipients of loans under the pro-  
2 visions of this chapter who have been delinquent in their loan repay-  
3 ments for a period in excess of 30 days. Upon notification of delin-  
4 quency, the borrower may request reevaluation and technical assistance  
5 from the committee. If the borrower requests reevaluation, the com-  
6 mittee shall consider the terms and conditions of the loan as well as  
7 all other pertinent information to determine whether there are feasible  
8 alternative terms and conditions which will protect the interest of the  
9 state and prevent the default of the loan.

10 (c) In performing the duties described in (b) of this section, the  
11 committee shall have access to all nonconfidential records, data, in-  
12 formation, and statistics of all departments, boards, commissions,  
13 agencies, and institutions of the state. The committee shall also have  
14 access to any records or other information of the borrower which are  
15 pertinent to its investigation. Failure on the part of the borrower to  
16 provide the records or information shall be grounds for refusal to  
17 reevaluate.

18 (d) If the committee determines that alternative terms and con-  
19 ditions are available which will protect the interest of the state and  
20 prevent default of the loan, it may renegotiate the loan in accordance  
21 with those terms.

22 Sec. 45.96.230. RENEWABLE RESOURCES LOANS EVALUATION COMMITTEE.

23 (a) There is established in the Department of Commerce and Economic  
24 Development the Renewable Resources Loans Evaluation Committee con-  
25 sisting of the directors, or their designees, of the following divi-  
26 sions: (1) the division of Alaska loan programs in the Department of  
27 Commerce and Economic Development, (2) the division of collections in  
28 the Department of Revenue, and (3) the division of renewable resources  
29 development in the Department of Commerce and Economic Development.

1 (b) The committee shall notify recipients of renewable resources  
2 loans under the provisions of this chapter who have been delinquent in  
3 their loan repayments for a period in excess of 30 days. Upon notifi-  
4 cation of delinquency, the borrower may request reevaluation and tech-  
5 nical assistance from the committee.

6 (c) The committee has the same powers and duties in regard to  
7 delinquent renewable resource loan recipients as the loan programs  
8 evaluation committee has in regard to other borrowers under the pro-  
9 visions of this chapter.

10 Sec. 45.96.240. COLLECTIONS; DIVISION OF COLLECTIONS. (a) There  
11 is established within the Department of Revenue the division of col-  
12 lections. The director of the division is in the classified service  
13 under AS 39.25 and shall receive an annual salary within range 27 of the  
14 salary schedule established in AS 39.27.011 or within one range below  
15 the highest paid deputy commissioner in the department if that is higher  
16 than range 27. In order to qualify for the position of director, a  
17 person must be an attorney licensed to practice in this state with at  
18 least four years of practice in business law and business practices.

19 (b) If a borrower who has received notification of delinquency in  
20 accordance with sec. 220 or 230 of this chapter does not request re-  
21 evaluation, or if the appropriate evaluation committee determines that  
22 renegotiation of the existing terms and conditions is not feasible or  
23 justified, and the loan is not brought current within 30 days after the  
24 notification of delinquency is sent, the loan shall be transferred to  
25 the loss reserve account and transmitted for collection to the division  
26 of collections. A monthly report of the status of the collection effort  
27 shall be made to the Legislative Budget and Audit Committee. The total  
28 principal and interest due shall be transferred from the loss reserve  
29 account, established in sec. 150 of this chapter, to the fund upon

1 assignment of each loan.

2 Sec. 45.96.250. LOAN PURPOSES. The fund may make loans for resi-  
3 dential housing, commercial purposes, public purposes, and education.

4 Sec. 45.96.260. RESIDENTIAL HOUSING. In addition to other powers  
5 granted in this chapter, the fund may, for the purpose of providing  
6 housing for persons who meet the eligibility requirements of sec. 370 of  
7 this chapter,

8 (1) make or participate in the making of construction loans  
9 to sponsors, developers, and builders of land development or residential  
10 housing;

11 (2) make or participate in the making of mortgage loans to  
12 sponsors, developers, builders, and purchasers of residential housing;

13 (3) purchase or participate in the purchase of mortgage loans  
14 made to sponsors, developers, builders, owners, and purchasers of resi-  
15 dential housing;

16 (4) acquire real property, or any interest in real property,  
17 in its own name, by purchase, transfer or foreclosure, when the acqui-  
18 sition is necessary or appropriate to protect any loan in which the fund  
19 has an interest; sell, transfer and convey any such property to a buyer;  
20 and, if the sale, transfer or conveyance cannot be effected with rea-  
21 sonable promptness or at a reasonable price, rent or lease the property  
22 to a tenant pending the sale, transfer or conveyance;

23 (5) sell, at public or private sale, to any purchaser, in-  
24 cluding the Federal National Mortgage Association, all or any part of a  
25 mortgage or other instrument or document securing a construction, land  
26 development, mortgage or temporary loan of any type permitted by this  
27 section;

28 (6) purchase, in order to meet the requirements of the sale  
29 of its mortgages to the Federal National Mortgage Association, stock of

1 the Federal National Mortgage Association;

2 (7) sell all or any part of a mortgage or other instrument or  
3 document securing a construction, land development, mortgage or tempo-  
4 rary loan of any type permitted by this section to the teachers' re-  
5 tirement system (AS 14.25) if the borrower is a teacher subject to the  
6 provisions of AS 14.25 or to the public employees' retirement system  
7 (AS 39.35) if the borrower is a public employee included in the system;  
8 however, the security instrument shall be fully guaranteed as to payment  
9 of principal and interest by the fund.

10 Sec. 45.96.270. COMMERCIAL LOANS. In addition to other powers  
11 granted in this chapter, the fund may make loans to

12 (1) individual farmers, homesteaders, and partnerships or  
13 corporations composed of farmers and homesteaders, for development of  
14 farms, storage and processing of farm produce, livestock, machinery and  
15 equipment, farm irrigation and working capital for farm operations;

16 (2) individual commercial fishermen who have had a commercial  
17 fishing license for three years for the repair, restoration or upgrading  
18 of existing vessels and gear and for the purchase of entry permits and  
19 gear and the construction and purchase of vessels;

20 (3) holders of hatchery permits under AS 16.10.400 - 16.10.-  
21 470, including those holders issued permits before June 24, 1977, for  
22 the planning, construction, and operation of hatchery facilities;

23 (4) regional associations qualified in accordance with AS  
24 16.10.380 which have formed a nonprofit corporation or a local nonprofit  
25 corporation approved by a qualified regional association, for precon-  
26 struction activities necessary to obtain a permit under AS 16.10.400 -  
27 16.10.470;

28 (5) local development companies to assist the new financing  
29 of industrial and manufacturing plant construction, conversion or ex-

1           pansion, including the acquisition of land, to the extent necessary to  
2           secure a loan for a portion of the cost by the Small Business Adminis-  
3           tration under 15 U.S.C. sec. 696 (Section 502 of the Act of Congress  
4           entitled "Small Business Investment Company Act of 1958" as amended);

5           (6) develop, rehabilitate, and expand business activities in  
6           the state;

7           (7) child care facilities in the state to comply with the  
8           appropriate licensing standards for child care facilities or to comply  
9           with the requirements for certification by the Department of Education  
10          subject to the following conditions:

11           (A) the applicant shall submit to the fund a plan for  
12          the use of the loan funds which is approved by the commissioner of  
13          commerce and economic development;

14           (B) the applicant shall demonstrate that the proposed  
15          loan will enable the child care facility to obtain a license from  
16          the Department of Health and Social Services or a certificate from  
17          the Department of Education;

18           (C) the applicant shall apply to the Department of  
19          Community and Regional Affairs for and receive a certificate of  
20          need;

21          (8) public utilities other than publicly owned or nonprofit,  
22          as defined in AS 42.05.701(2)(A) and (C), for the following purposes and  
23          under the following conditions:

24           (A) loans may be used for capital construction projects,  
25          for hydroelectric generation and potable water supply including  
26          surface storage and groundwater sources and transmission of water  
27          from surface storage to the existing distribution system, and  
28          development of hydroelectric generating facilities including trans-  
29          mission of power to the load center;

1 (B) loans may be made to applicants for new or existing  
2 projects including expenses incurred in securing necessary permits  
3 and licenses, design of the project and construction of capital  
4 improvements;

5 (C) existing hydroelectric and water supply projects may  
6 be expanded or rehabilitated with loan funds under this paragraph  
7 if the rehabilitation and expansion is a capital improvement pro-  
8 ject;

9 (D) loans shall be repaid to the fund by the borrower  
10 from revenue derived from the sale of electric power or water;

11 (E) the utility shall demonstrate in its loan applica-  
12 tion that the project is economically and technically feasible and,  
13 taking into account the low interest on loans under this chapter,  
14 is the most economical means of furnishing the proposed service;

15 (9) small businesses to acquire, finance or refinance or  
16 equip businesses;

17 (10) loggers and forest products manufacturers and processors  
18 for logging operations and equipment, forest products manufacturing or  
19 processing plants, and for working capital for logging operations and  
20 forest products manufacturing or processing;

21 (11) other businesses for equipment and operations related to  
22 harvesting, manufacturing and processing other renewable or nonrenewable  
23 resources in the state.

24 Sec. 45.96.280. CERTIFICATE OF NEED FOR CHILD CARE FACILITIES.

25 (a) The Department of Community and Regional Affairs shall determine  
26 whether to award a certificate of need to child care facilities applying  
27 for a loan under sec. 270(7) of this chapter on the basis of the fol-  
28 lowing criteria:

29 (1) the number of existing slots in licensed child care

1 facilities in the geographic area of the applicant;

2 (2) the number of children in the geographic area who need  
3 child care;

4 (3) the proposed capacity of the applicant facility;

5 (4) other factors which are determined to be relevant by the  
6 department and are set out in regulations adopted by the Department of  
7 Community and Regional Affairs.

8 (b) The Department of Community and Regional Affairs shall submit  
9 its decision and the reasons for it to the applicant within 60 days of  
10 receipt of the application.

11 Sec. 45.96.290. VOLUNTARY ASSESSMENT ON SALF. OF SALMON. (a) In  
12 place of or in addition to an assessment levied under AS 16.10.530, an  
13 association of persons licensed under AS 16.05.540 - 16.05.600, which  
14 consists of at least 51 per cent of the persons so licensed and actively  
15 participating in a fishery to be benefited by a hatchery program, may  
16 levy and collect an assessment from among its members for the purpose of  
17 securing and repaying a loan made under sec. 270(3) or (4) of this  
18 chapter.

19 (b) Upon satisfactory demonstration to the director of the divi-  
20 sion of Alaska loan programs that an assessment levied under this sec-  
21 tion may reasonably be relied upon to secure and repay a loan to be made  
22 under sec. 270(3) or (4) of this chapter, the director may make the loan  
23 without requiring an assessment under AS 16.10.530.

24 (c) If an assessment made under this section fails to satisfy the  
25 payments required on the principal and interest due on the loan, the  
26 director may negotiate with the regional association to levy an assess-  
27 ment under AS 16.10.530.

28 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-  
29 sion of Alaska loan programs shall lend money to municipalities with

1 populations of less than 5,000 according to the most recent survey  
2 conducted by the United States Census Bureau and to those corporations  
3 eligible under (d) of this section. Loans to municipalities shall be  
4 made through the purchase by the fund of municipal bonds. Loans to  
5 nonprofit corporations shall be made through revenue bonds issued on  
6 behalf of the corporation by the municipality in which the project is  
7 constructed. If the construction takes place outside a municipality,  
8 the revenue bonds shall be issued by the state bond committee on behalf  
9 of the nonprofit corporation. The cost of a loan made under this sec-  
10 tion shall be the same as the cost of borrowing to the fund. Loans made  
11 under this subsection are subject to the following conditions:

12 (1) When the amount of the issuance is \$5,000,000 or less,  
13 the loan shall be made through the purchase of general obligation or  
14 revenue bonds.

15 (2) The borough or city attorney shall certify that all legal  
16 requirements relating to required elections, if necessary, and issuance  
17 have been met, or if the bonds are issued outside a municipality, cer-  
18 tification shall be made by the Department of Law.

19 (3) The bonds shall be prepared by the municipality's attor-  
20 ney, approved by the attorney general and need not be in definitive  
21 form.

22 (4) The bonds shall be for a term commensurate with purpose,  
23 but in no event for more than 30 years average life.

24 (b) The director of the division of Alaska loan programs shall  
25 submit a bid for all general obligation bonds offered on a competitive  
26 basis by a home rule borough or city or general law borough or city of  
27 any class incorporated under the laws of the state if the borough or  
28 city provides its bid form to the director at least 10 days before the  
29 opening of the bid. The request for bids and the bid proposal shall

1 provide for issuing all or a portion of the bonds based upon the best  
2 combination of bids. The bid shall be determined on the basis of the  
3 Daily Bond Buyer 20 bond average as follows:

4 (1) For general obligation bonds with a rating of "A" or  
5 higher, the bid shall be

6 (A) 100 points under the average for the first five  
7 years maturity;

8 (B) 75 Points under the average for the next five years  
9 maturity;

10 (C) 50 points under the average for the next five years  
11 maturity;

12 (D) 25 points under the average for the next five years  
13 maturity;

14 (E) 0 points under the average for the next five years  
15 maturity;

16 (F) 25 points above the average for the next five years  
17 maturity.

18 (2) For general obligation bonds with a rating of "Baa" or  
19 lower or which are unrated, the bid shall be

20 (A) 50 points under the average for the first five years  
21 maturity;

22 (B) 25 points under the average for the next five years  
23 maturity;

24 (C) 0 points under the average for the next five years  
25 maturity;

26 (D) 25 points above the average for the next five years  
27 maturity;

28 (E) 50 points above the average for the next five years  
29 maturity;

1 (F) 75 points above the average for the next five years  
2 maturity.

3 (3) If there are no bids, the director shall purchase the  
4 bonds at a six per cent interest rate for all maturities.

5 (c) The director of the division of Alaska loan programs shall  
6 submit a bid for all revenue bonds offered on a competitive basis by a  
7 home rule borough or city or general law borough or city of any class  
8 incorporated under the laws of the state or on behalf of a nonprofit  
9 corporation performing any of the functions described in AS 29.48 for  
10 which revenue sharing is received directly or indirectly by the cor-  
11 poration or on behalf of those nonprofit corporations described in (d)  
12 of this section if the borough, city, or nonprofit corporation provides  
13 its bid form to the director at least 10 days before the opening of the  
14 bid. The request for bids and the bid proposal shall provide for issu-  
15 ing all or a portion of the bonds based upon the best combination of  
16 bids. The bid shall be determined on the basis of the Daily Bond Buyer  
17 20 bond average as follows:

18 (1) 50 points under the average for the first five years  
19 maturity;

20 (2) 25 points under the average for the next five years  
21 maturity;

22 (3) 0 points under the average for the next five years  
23 maturity;

24 (4) 25 points above the average for the next five years  
25 maturity;

26 (5) 50 points above the average for the next five years  
27 maturity;

28 (6) 75 points above the average for the next five years  
29 maturity;

1 (d) A nonprofit corporation is eligible for a loan under this  
2 section if

3 (1) it is designated as tax exempt under sec. 501(c)(3) and  
4 (4) of the Internal Revenue Code of 1954;

5 (2) it is a public corporation or other municipal instru-  
6 mentality under AS 29.59.010; or

7 (3) it is statutorily created and performs a state function.

8 (e) The major part of the proceeds of any bond issue shall be used  
9 for purposes which are tax exempt under federal law and regulation in  
10 effect at the time the bonds are issued.

11 Sec. 45.96.310. DEFAULT ON MUNICIPAL BONDS. (a) Notwithstanding  
12 any provision of law, to the extent that any department or agency of the  
13 state is the custodian of money payable to a municipality, at any time  
14 after written notice to the department or agency head from the commis-  
15 sioner of revenue that the municipality is in default on the payment of  
16 principal or interest on municipal bonds of the municipality then held  
17 or owned by the fund, the department or agency shall withhold the pay-  
18 ment of that money from that municipality and pay over the money to the  
19 fund for the purpose of paying principal of and interest on bonds of the  
20 fund.

21 (b) If money is not available to make any payment of principal and  
22 interest when due on a bond issue, the chief executive officer of the  
23 municipality which issued the bonds shall notify the commissioner of  
24 revenue at least 20 days in advance of the pending default that a de-  
25 fault is pending. Failure to give the notice of pending default is  
26 grounds for removal of the chief executive officer from office and, if  
27 default occurs, the office is forfeited and is filled as provided by law  
28 for filling vacancies.

29 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the

1 purpose of securing each tax exempt bond issue of municipalities of the  
2 state and those bonds on behalf of nonprofit corporations guaranteed or  
3 issued under this chapter there is established a special account called  
4 the municipal bond capital reserve account. The commissioner of revenue  
5 shall pay into that account from the unallocated reserve account upon  
6 establishment an amount equal to five per cent of the obligations issued  
7 and sold after July 1, 1978 and upon subsequent sales, if any, of obli-  
8 gations of the issue secured an additional amount equal to five per cent  
9 of the obligations sold. At the end of each fiscal year the commis-  
10 sioner shall withdraw from the municipal bond capital reserve account  
11 and pay to the unallocated reserve account any amount in the account in  
12 excess of five per cent of the obligations secured or, if the amount in  
13 the account is less than five per cent of the obligations secured, pay  
14 into the account from the unallocated reserve account the amount neces-  
15 sary to bring the reserve to five per cent. All money held in a muni-  
16 cipal bond capital reserve account shall be used as required, when money  
17 is not available from the principal and interest account, solely for (1)  
18 the payment of the principal of obligations, (2) the purchase or re-  
19 demption of obligations, (3) the payment of interest on obligations, or  
20 (4) the payment of any redemption premium required to be paid when those  
21 obligations are redeemed before maturity. Any income or interest earned  
22 by the account shall be paid to the unallocated reserve account. Any  
23 amount remaining in a municipal bond capital reserve account when the  
24 issue the account secures is fully retired shall be paid to the unal-  
25 located reserve account.

26 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director  
27 of the division of Alaska loan programs may lend money to businesses  
28 conducting exempt activities under sec. 103(b)(4) and (5) of the Inter-  
29 nal Revenue Code of 1954 for those activities either directly or through

1 purchase by the fund of industrial development bonds issued on behalf of  
2 the business by the state bond committee.

3 (b) A loan may be made under this section only if upon payment of  
4 the loan the project shall be the property of

5 (1) the municipality in which the activity is conducted,  
6 unless the municipality has provided otherwise by a resolution adopted  
7 before approval of the loan; or

8 (2) the state if the activity is not conducted within a  
9 municipality.

10 (c) Any corporation, partnership, or firm doing business in the  
11 state is eligible for a loan under this section if

12 (1) the governing body of the municipality in which the  
13 activity is performed has been given notice of the project and the  
14 application for loan or purchase and has approved the project and ap-  
15 plication, or has not within 60 days of receipt of notice notified the  
16 director in writing that it disapproves the loan; or

17 (2) when the activity is not performed within a municipality,  
18 the commissioner of community and regional affairs approves the project.

19 (d) A corporation, partnership, or firm which requests a loan of  
20 greater than \$5,000,000 for a project under this section may request a  
21 special series of bonds for its project. The director of the division  
22 of Alaska loan programs may request the state bond committee to issue  
23 the special series of bonds on behalf of the corporation, partnership,  
24 or firm in place of making a direct loan. A corporation, partnership,  
25 or firm is eligible for a special bond series for its project if it has  
26 a credit rating of "A" or better.

27 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition  
28 to costs directly related to a project, the sum total of all costs of  
29 financing and carrying out a project are eligible for bonding under

1 secs. 300 - 330 of this chapter. These include, but are not limited to,  
2 the costs of all necessary studies, surveys, plans and specifications,  
3 architectural, engineering or other special services, acquisition of  
4 real property, site preparation and development, purchase, construction,  
5 reconstruction and improvement of real property and the acquisition of  
6 machinery and equipment as may be necessary in connection with a pro-  
7 ject; an allocable portion of the administrative and operating expenses  
8 of the issuer; the cost of financing the project, including interest on  
9 bonds issued to finance the project; and the cost of other items, in-  
10 cluding any indemnity and surety bonds and premiums on insurance, legal  
11 fees, fees and expenses of trustees, depositaries, financial advisors,  
12 and paying agents for the bonds issued as the issuer considers neces-  
13 sary.

14 Sec. 45.96.350. EDUCATION. (a) In addition to other powers  
15 granted in this chapter, the fund may be used to make scholarship loans  
16 to students selected under (b) - (g) of this section.

17 (b) Proceeds from scholarship loans may only be used for trans-  
18 portation, books, tuition and required fees, and for room and board.  
19 The loans may only be used to attend a career education program approved  
20 by the Alaska Commission on Postsecondary Education or a college or  
21 university accredited by the accreditation association for the region in  
22 which the college or university is located.

23 (c) To maintain a loan the student must continue to be enrolled as  
24 a full-time student in good standing in a work study program approved by  
25 the Department of Education, in a career education program, or in a  
26 college or university designated under (b) of this section.

27 (d) Loans are noninterest bearing while a student is enrolled  
28 under (c) of this section or is receiving a deferment of payments under  
29 (g) of this section.

1 (e) The repayment period for student loans is 10 years. Unless a  
2 deferment of payments has been granted under (g) of this section, re-  
3 payment shall commence when the student terminates his studies. In case  
4 of hardship, the Alaska Loan Programs Evaluation Committee may extend  
5 repayment of a loan for an additional period of up to five years.

6 (f) If, upon completion of the course of study for which the loan  
7 was granted, the borrower repays 60 per cent of the principal amount of  
8 the loan with interest with no delinquency, the remaining 40 per cent  
9 owing shall be forgiven.

10 (g) The Alaska Loan Programs Evaluation Committee shall defer  
11 repayment of a loan during any of the following:

12 (1) the first year after a student terminates his studies;

13 (2) return by the student to student status as provided in  
14 (c) of this section;

15 (3) performance by the student of military or required alter-  
16 native service; or

17 (4) 50 per cent or greater disability of the student, as  
18 certified by competent medical authority.

19 Sec. 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a) In  
20 addition to other powers granted in this chapter, the fund may make  
21 loans to a business directly involved in the tourist industry.

22 (b) Upon endorsement and plan approval by a local historical  
23 district commission established under AS 29.48.108 and the recommend-  
24 ation of a majority of the members of the Historic Sites Advisory Com-  
25 mittee, the fund may make loans to a person, firm, business or munici-  
26 pality subject to applicable laws for the restoration, improvement,  
27 rehabilitation, or maintenance of a structure which is

28 (1) within the boundaries of an historical district estab-  
29 lished under AS 29.48.110;

1 (2) identified as important in state or national history as  
2 provided for in AS 29.48.110(b); or

3 (3) another building or structure within an historical dis-  
4 trict, and suitable for superficial modification so that it can conform  
5 to the period or motif of the surrounding buildings or structures that  
6 are the reason for the area's designation as an historical district.

7 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan  
8 under this chapter a person must have been a resident of the state for  
9 at least five years on the date of application for the loan and must be  
10 18 years of age or older. Except for loans made under sec. 330 of this  
11 chapter, a corporation is eligible for a loan if more than 60 per cent  
12 of its shareholders have been residents of the state for at least five  
13 years on the date of the application for the loan, the chief executive  
14 officer and all members of the governing board of the corporation have  
15 been residents of the state for at least five years on the date of  
16 application for the loan, and the chief executive officer and members of  
17 the governing board assume full individual liability for repayment of  
18 the loan. A loan to a corporation is immediately due and payable if it  
19 ceases to meet these eligibility criteria. An individual is ineligible  
20 if

21 (1) he is 60 days or more delinquent on a loan from the state  
22 or an agency of the state outstanding on the effective date of this Act  
23 or on a loan made under this chapter, but if the delinquency is cured  
24 eligibility is restored after expiration of 10 years from curing the  
25 delinquency; or

26 (2) a loan from the state or an agency of the state has been  
27 discharged in bankruptcy unless the loan is repaid in full and 10 years  
28 from the date of full payment has expired.

29 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the

1 authority of sec. 260 of this chapter for the purchase or construction  
2 of residential housing may not exceed the following limitations: (1)  
3 \$90,000 for a single family dwelling; (2) \$130,000 for a duplex; (3)  
4 \$170,000 for a triplex; (4) \$210,000 for a fourplex. Any loan made for  
5 the purchase or construction of residential facilities in excess of four  
6 units shall be treated as a commercial buildings loan subject to the  
7 limitations placed on such loans in (b)(1) of this section.

8 (b) Commercial loans made under the authority of sec. 270 of this  
9 chapter may not exceed the following limitations:

10 (1) \$500,000 per individual for business activities; farm  
11 development; agricultural irrigation systems; purchase, construction,  
12 renovation, or repair of commercial buildings; fish manufacturing and  
13 processing; fishing vessels and gear; logging operations and equipment;  
14 timber manufacturing and processing; nonrenewable resource extraction;  
15 or any other activity not otherwise specifically provided for in this  
16 section;

17 (2) \$350,000 per individual for farm chattel other than for  
18 irrigation systems;

19 (3) 10 per cent of the farm's gross receipts for the previous  
20 fiscal year up to a maximum of \$250,000 for farm working capital;

21 (4) 10 per cent of the fisherman's gross receipts for the  
22 previous fiscal year up to a maximum of \$250,000 for working capital for  
23 fishing.

24 (c) Loans for a single project under (b)(1) and (2) of this sec-  
25 tion may be made in excess of the maximum limits but not to exceed  
26 \$5,000,000 for loans under (b)(1) or \$1,100,000 for loans under (b)(2)  
27 if

28 (1) the loan is made to more than one but not more than 10  
29 individuals participating in the project and the loan to each individual

1 does not exceed the applicable maximum limit; or

2 (2) the loan is made to a corporation and no more than 10  
3 individuals owning stock in that corporation assume personal liability  
4 for the loan in an amount which as to each individual does not exceed  
5 the applicable maximum limit.

6 (d) Educational loans made under the authority of sec. 350 of this  
7 chapter may not exceed the following limitations:

8 (1) \$4,000 per individual per year for undergraduate studies;

9 (2) \$8,000 per individual per year for graduate studies;

10 (3) \$4,000 per individual per year for vocational studies;

11 (4) \$4,000 per individual per year for work studies;

12 (5) \$16,000 maximum outstanding loan balance per individual.

13 (e) No more than three loans may be made to any person for other  
14 than educational purposes under this chapter. A loan to an associate of  
15 the borrower is considered to be a loan to the borrower. For the pur-  
16 poses of this section, "associate of the borrower" means

17 (1) a corporation or other organization of which the borrower  
18 is an officer, director or partner, or is, directly or indirectly, the  
19 beneficial owner of 10 per cent or more of any class of equity securi-  
20 ties;

21 (2) a person who is, directly or indirectly, the beneficial  
22 owner of 10 per cent or more of any class of equity securities of the  
23 borrower;

24 (3) a trust or other estate in which the borrower has a  
25 substantial beneficial interest or as to which the borrower serves as  
26 trustee or in a similar fiduciary capacity;

27 (4) a relative or spouse of the borrower or a relative of the  
28 spouse, who has the same home as the borrower;

29 (5) a person directly or indirectly controlling, controlled

1 by, or under common control with, the borrower.

2 (f) The maximum loan amounts established in (a) - (d) of this  
3 section shall increase in proportion to increases in the consumer price  
4 index for Anchorage. The consumer price index for Anchorage for July 1,  
5 1978 shall be the basis for determining percentage increases in the  
6 maximum loan amounts.

7 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan  
8 amounts established in sec. 380(a) and (b) of this chapter shall be  
9 increased by the area cost differential as determined by the formula  
10  $LCC/BCC \times LCOL/BCOL$  where

11 (1) LCC is the cost of construction in the area in which the  
12 facility is located;

13 (2) BCC is the cost of construction in the city or borough  
14 having the lowest cost of construction in the state;

15 (3) LCOL is the cost of living in the area in which the  
16 facility is located;

17 (4) BCOL is the cost of living in the city or borough having  
18 the lowest cost of living in the state.

19 (b) For purposes of this section the Department of Transportation  
20 and Public Facilities shall annually determine the cost of construction  
21 and the cost of living in each area of the state under regulations  
22 promulgated by the department establishing standards for the determi-  
23 nation.

24 Sec. 45.96.400. ADDITIONAL LOAN LIMITATIONS. The maximum loan  
25 amounts established in secs. 380(b) and 390 of this chapter shall be  
26 further limited, based upon the actual technical and managerial experi-  
27 ence of the borrower relating to the project or activity for which the  
28 loan is made, as follows:

29 (1) if the borrower's experience is less than two years, he

1 may receive up to 50 per cent of the maximum amount;

2 (2) if the borrower's experience is two to three years, he  
3 may receive up to 70 per cent of the maximum amount;

4 (3) if the borrower's experience is three to four years, he  
5 may receive up to 80 per cent of the maximum amount;

6 (4) if the borrower's experience is four to five years, he  
7 may receive up to 90 per cent of the maximum amount;

8 (5) if the borrower's experience is five years or more, he  
9 may receive 100 per cent of the maximum amount.

10 Sec. 45.96.410. VALUE LIMITATION. The provisions of secs. 380 -  
11 400 of this chapter notwithstanding, no loan made under this chapter  
12 may exceed

13 (1) 90 per cent of the appraised value of real property  
14 pledged as security for the loan;

15 (2) 95 per cent of the appraised value of real property  
16 pledged as security for the loan if the loan is for residential housing  
17 and is made in an area where Federal Housing Administration mortgage  
18 insurance is not available; or

19 (3) 80 per cent of equipment pledged as security for the  
20 loan.

21 Sec. 45.96.420. MAXIMUM TERMS OF LOANS. The term of a loan made  
22 under this chapter may not exceed the useful life of the property  
23 pledged as security for the loan nor

24 (1) 30 years on a loan secured by real property;

25 (2) 15 years or the life of the equipment on a loan secured  
26 by equipment used for production of income;

27 (3) seven years or the life of the chattel on a loan secured  
28 by other chattels;

29 (4) one year on a loan for working capital.

1           Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest  
2 charged to borrowers under this chapter shall be the amount determined  
3 by the commissioner of revenue to be sufficient to cover anticipated  
4 cost of money to the fund and is, for borrowers other than municipali-  
5 ties, one per cent over the anticipated cost plus the amount required  
6 for any necessary insurance. The determination of the anticipated cost  
7 by the commissioner is conclusive. Rates of interest less than that,  
8 except as provided in (b) of this section, may be charged if the renew-  
9 able resource development fund or another state fund agrees to pay the  
10 difference between cost and the interest rate to be charged or if  
11 appropriation for the purpose of paying the difference has been made.

12           (b) The rate of interest determined in accordance with (a) of this  
13 section shall be reduced by one per cent if the loan is made to a  
14 veteran or is made for agricultural purposes. If the loan is made to a  
15 veteran, the World War II veterans' revolving fund, created in AS 26.-  
16 15.090, shall pay the difference between the rate determined in (a) of  
17 this section and the rate charged to the borrower. If the loan is made  
18 for agricultural purposes, the agricultural revolving loan fund, created  
19 in AS 03.10.040, shall pay the the difference between the rate deter-  
20 mined in (a) of this section and the rate charged to the borrower. If  
21 the loan is made to a veteran and for agricultural purposes, the rate of  
22 interest shall be reduced by two per cent and each fund shall pay one-  
23 half the difference.

24           (c) When the World War II veterans' revolving fund's assets become  
25 depleted so that it can no longer pay the difference, the provisions of  
26 (b) of this section relating to loans made to veterans apply only if  
27 appropriation is made for the purpose of paying the difference. When  
28 the agricultural revolving loan fund's assets become depleted so that it  
29 can no longer pay the difference, the renewable resources development

1 fund shall pay a portion of the interest determined by the division of  
2 renewable resources to be appropriate.

3 Sec. 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE. (a) The  
4 following persons are eligible for special interest rates for veterans  
5 established in sec. 430(b) of this chapter:

6 (1) any person who served in the armed forces of the United  
7 States for 90 days or more, or whose service was for less than 90 days  
8 because of injury or disability incurred in the line of duty, between  
9 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to  
10 six months after termination of hostilities involving United States  
11 forces in Indo-China, or in a combat zone during any period of armed  
12 conflict, who was separated from the armed forces with a discharge other  
13 than dishonorable, and

14 (A) who at the time of induction into the service was a  
15 resident of the territory, who had been a resident for not less  
16 than one year immediately before his induction, and who returned to  
17 the territory or state after discharge as a resident with the  
18 intention of remaining in the territory or state; or

19 (B) who, not being a bona fide resident of the territory  
20 before his entry into the service, has been a resident of the  
21 territory or state for five or more years;

22 (2) any person who was dependent on a member of the armed  
23 forces or a veteran of World War II at the time of the member's or  
24 veteran's death if

25 (A) the member or veteran was a resident of the terri-  
26 tory for one year before induction into the service;

27 (B) he served in the armed forces for at least 90 days  
28 between September 16, 1940, and July 25, 1947, but no benefits for  
29 loans accrue to dependents of an enlistee or reenlistee for time

1 served after November 1, 1945, regardless of whether the enlistment  
2 or reenlistment was before or after November 1, 1945;

3 (C) he died before the official date of the termination  
4 of that war; and

5 (D) his discharge was not dishonorable;

6 (3) any person who has served in the Alaska Army National  
7 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for  
8 not less than six years and who has not received a discharge other than  
9 honorable.

10 (b) The provisions of sec. 430(b) of this chapter are extended to  
11 persons who served other than dishonorably on active duty between  
12 June 25, 1950, and January 31, 1955, who served other than dishonorably  
13 on active duty between August 4, 1964, and six months after termination  
14 of hostilities involving forces of the United States, and to dependents  
15 of those persons, subject to the following provisions and eligibility  
16 qualifications:

17 (1) a discharge other than dishonorable from the armed forces  
18 of the United States or release to a reserve component;

19 (2) at the time of entry into the service residency in the  
20 territory or state for not less than one year before entry into the  
21 service, and return to the territory or state within a reasonable length  
22 of time after discharge or separation with the intention of remaining in  
23 the territory or state; or lacking residency before entry into the  
24 service, residency in the territory or state for at least five years  
25 following release from active military service; and

26 (3) service in the armed forces of the United States for  
27 90 days or more, or service for a lesser period because of injury or  
28 disability incurred in line of duty, between June 25, 1950, and  
29 January 31, 1955, or service in the armed forces of the United States

1 for 90 days or more or service for a lesser period because of injury or  
2 disability incurred in line of duty, between August 4, 1964, and July 1,  
3 1977.

4 (c) A person who is eligible under more than one of the qualifi-  
5 cation provisions of (a) and (b) of this section shall have the rate of  
6 interest on his loan reduced by one and one-half per cent.

7 Sec. 45.96.450. EMPLOYMENT PRACTICES. (a) In the performance of  
8 contracts let by a recipient of a loan under this chapter for construc-  
9 tion, repair, preliminary surveys, engineering studies, consulting,  
10 maintenance work or any other retention of services necessary to com-  
11 plete any project for which the loan was made, 95 per cent residents  
12 shall be employed where they are available and qualified. If 10 or  
13 fewer persons are employed under the contract, then 90 per cent resi-  
14 dents shall be employed where they are available and qualified.

15 (b) The commissioner of commerce and economic development shall  
16 incorporate into all lending instruments issued under this chapter the  
17 provisions of (a) of this section and a provision calling for immediate  
18 foreclosure of the loan for violation of the provisions of (a) of this  
19 section.

20 (c) In addition to immediate foreclosure of his loan, as provided  
21 in (b) of this section, a borrower who violates the provisions of (a) of  
22 this section is ineligible for any loan under this chapter for 10 years  
23 following the violation.

24 (d) Municipalities and state agencies and departments when con-  
25 tracting for services concerning any aspects of administration and  
26 financing of the fund shall comply with AS 36.10.

27 Sec. 45.96.460. COOPERATION WITH OTHER AGENCIES. All departments,  
28 agencies and public corporations of the state shall provide information,  
29 services and facilities to the fund on its request. The fund shall

1 reimburse the department, agency or corporation for expenses reasonably  
2 incurred on the fund's behalf.

3 Sec. 45.96.470. BANK PARTICIPATION. (a) Loans made under the  
4 authority of this chapter may be made in participation with financial  
5 institutions. The participating financial institution may act as agent  
6 for the division of Alaska loan programs in the initial processing of  
7 applications for loans. Fees for such services shall be mutually agreed  
8 upon.

9 (b) If a financial institution participates in a loan, the fund  
10 and the participating institution shall share the same ratable interest  
11 in the collateral securing the loan. Loan payments made by the borrower  
12 shall be distributed between the financial institution and the fund on a  
13 pro rata basis.

14 (c) The participating financial institution shall fix the rate of  
15 interest charged by it but may not exceed the legal contract rate of  
16 interest prescribed by law.

17 (d) The maximum service fee for administering a loan which may be  
18 charged by a participating financial institution is one-eighth of one  
19 per cent.

20 Sec. 45.96.480. ASSURANCE REQUIRED. In each loan made from the  
21 fund the loan agreement shall contain a contractual assurance by the  
22 borrower that no person who provides services to the borrower in pre-  
23 liminary phases of a project, including all studies made in connection  
24 with the project, may participate in the implementation stages of that  
25 project or may represent more than one interest in connection with the  
26 project. A list of all persons performing preliminary services shall be  
27 furnished to the division of Alaska loan programs as part of the loan  
28 application, and a list of all persons with whom the borrower has con-  
29 tractual relations in respect to the project after the application for

1 loan shall be submitted to the division at intervals the division re-  
2 quires.

3 Sec. 45.96.490. DEFINITIONS. For purposes of this chapter, "the  
4 fund" and "the loan programs fund" mean the Alaska loans program fund  
5 created in sec. 20 of this chapter.

6 \* Sec. 2. AS 37 is amended by adding a new chapter to read:

7 CHAPTER 13. ALASKA PERMANENT FUND.

8 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art. IX, sec. 15 of  
9 the state constitution there is established within the Department of  
10 Revenue as a separate fund the Alaska Permanent Fund. The permanent  
11 fund consists of 25 per cent of all mineral lease rentals, royalties,  
12 royalty sale proceeds, federal mineral revenue sharing payments and  
13 bonuses received by the state. The commissioner of revenue shall de-  
14 posit in the permanent fund 25 per cent of the receipts from these  
15 sources at least once each month.

16 Sec. 37.13.020. INVESTMENT OF THE PERMANENT FUND. (a) The Alaska  
17 Permanent Fund may be invested only in any of the following:

18 (1) obligations of, or obligations insured or guaranteed by,  
19 the United States or agencies or instrumentalities of the United States;

20 (2) obligations secured by reserves paid in by the United  
21 States or agencies or instrumentalities of the United States or obliga-  
22 tions of corporations in which the United States is a shareholder or  
23 member;

24 (3) notes issued by the Farmers Home Administration;

25 (4) bank certificates of deposit which are secured as to the  
26 payment of principal and interest in accordance with Alaska law;

27 (5) corporate obligations rated "A" or better by a nationally  
28 recognized rating service or of equivalent quality;

29 (6) other securities, including corporate securities;

- 1 (7) Federal Housing Administration mortgages;
- 2 (8) Federal Veterans Administration mortgages;
- 3 (9) conventional residential mortgages if the offering fi-
- 4 nancial institution retains at least 25 per cent of the mortgage;
- 5 (10) other secured loans, if the offering financial insti-
- 6 tution retains at least 33 1/3 per cent of the mortgage;
- 7 (11) bankers acceptances drawn on and accepted by banks with a
- 8 combined capital and surplus aggregating at least \$200,000,000.

9 (b) To qualify as a mortgage or secured loan which may be pur-  
10 chased by the state under (a)(9) or (10) of this section, the mortgage  
11 or secured loan shall

12 (1) be secured by real estate in the state or other col-  
13 lateral allowed under (a)(10) of this section;

14 (2) have as a mortgagor an Alaskan resident or a corporation  
15 in which at least 60 per cent of the stock is owned by Alaska residents;

16 (3) be certified by the originating financial institution  
17 that the loan being sold has been made in compliance with law and that  
18 liens supporting the loan have been perfected;

19 (4) have no initial closing fees or service fees which exceed  
20 one-half of one per cent, excluding closing costs.

21 (c) When more than one-half of one per cent of the aggregate of  
22 all loans purchased from a financial institution becomes delinquent for  
23 a period of 60 days or more, the state shall discontinue purchasing  
24 loans from that financial institution until the delinquency is reduced  
25 to less than one-half per cent.

26 (d) The permanent fund may purchase loans provided for in (a)(9)  
27 or (10) of this section only from financial institutions which are  
28 operating under the national banking laws, federal savings and loan  
29 laws, or under the provisions of AS 06.05, 06.15, 06.25 and 06.30.

1 (e) The permanent fund may purchase loans provided for in (a)(7),  
2 (8), (9), or (10), if the security for the loan is located in the state,  
3 only with the approval of each purchase by the division of Alaska loan  
4 programs of the Department of Commerce and Economic Development.

5 (f) Investment policy shall be formulated by the director of the  
6 division of treasury of the Department of Revenue subject to the ap-  
7 proval of the commissioner of revenue. In formulating investment policy  
8 the director shall consider maximum income and safety as governed by the  
9 prudent-man rule. The investment policy shall be proposed to the legis-  
10 lature during the first 10 days of any regular session and only becomes  
11 effective 60 days after presentation or at the end of the session,  
12 whichever is earlier, unless disapproved by a resolution concurred in by  
13 a majority of the members of each house.

14 (g) The commissioner of revenue may enter into contracts for  
15 services providing investment advice, custody of securities, and execu-  
16 tion of transactions, in or outside the state.

17 (h) In this section

18 (1) "closing costs" means appraisal costs, legal costs, title  
19 insurance, and any other out-of-pocket expenses approved by the com-  
20 missioner of revenue;

21 (2) "mortgage" means a pledge or security of particular  
22 property for the payment of a debt or the performance of some other  
23 obligation, whatever form the transaction may take;

24 (3) "resident" means a person domiciled i the state;

25 (4) "securities" means bonds, notes, debentures and all other  
26 forms of indebtedness but does not include common stock, preferred  
27 stock, and all other forms of equity capital.

28 \* Sec. 3. AS 37.11 is amended by adding new sections to read:

29 Sec. 37.11.085. MANAGEMENT AND INVESTMENT POLICY. The management

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

1 (e) The permanent fund may purchase loans provided for in (a)(7),  
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26 forms of indebtedness but does not include common stock, preferred  
27 stock, and all other forms of equity capital.

28 \* Sec. 3. AS 37.11 is amended by adding new sections to read:

29 Sec. 37.11.085. MANAGEMENT AND INVESTMENT POLICY. The management

1 and investment policy of the renewable resources development fund and  
2 renewable resources permanent fund shall be formulated by the director  
3 of the division of treasury of the Department of Revenue subject to the  
4 approval of the commissioner of revenue. In formulating investment  
5 policy the director of the division of treasury shall consider maximum  
6 income and safety as governed by the prudent-man rule. The investment  
7 policy shall be proposed to the legislature during the first 10 days of  
8 any regular session and only becomes effective 60 days after presenta-  
9 tion or at the end of the session, whichever is earlier, unless dis-  
10 approved by a resolution concurred in by a majority of the members of  
11 each house.

12 ARTICLE 4. ALASKA RENEWABLE RESOURCES DEVELOPMENT  
13 FINANCIAL ASSISTANCE PROGRAM.

14 Sec. 37.11.110. DECLARATION OF POLICY. (a) It is the policy of  
15 the state in the development of its renewable resources to seek to  
16 accomplish the development of its human resources by providing maximum  
17 opportunities for employment and a higher standard of living for its  
18 residents in conjunction with renewable resource management.

19 (b) It is the policy of the stat. to utilize the resources of the  
20 renewable resources funds to further the development of self-sustaining  
21 renewable resource industries to contribute to a stable state economy,  
22 employment opportunities, and life-style choices of its citizenry; and  
23 to further the most appropriate uses of the state's renewable resources  
24 for commercial, subsistence, and common use.

25 Sec. 37.11.120. FINDINGS. (1) The legislature finds that the  
26 state has vast quantities of unutilized, underutilized, or inefficiently  
27 utilized renewable resources and that great opportunities for expanding  
28 the wealth of the state and its residents rests in the expanded use of  
29 these resources. Many problems which confront the state today, includ-

1 ing the lack of full employment opportunities and the lack of self-  
2 sustaining renewable resource industry sectors, could be mitigated by  
3 development of private renewable resource industries.

4 (b) It is further found that several key factors have influenced  
5 the slow development of renewable resources. Contributing factors  
6 include the recent sharp reduction nationally and internationally in  
7 research and development financing, and lack of new venture capital, the  
8 lack of opportunity for Alaskan entrepreneurs to develop concepts or  
9 ideas or to achieve adequate financing, the general lack of knowledge  
10 within the financial community about conditions and factors extant to  
11 renewable resource development, the often severe lack of information  
12 about the state's renewable resources necessary to evaluate development  
13 opportunities, and resource management problems which have discouraged  
14 investment and the development of appropriate technologies to economi-  
15 cally utilize Alaska's renewable resources in a unique and often harsh  
16 environment.

17 (c) It is further found that the state policy of assisting the  
18 development of viable industries is best accomplished by providing  
19 assistance to private industry and to aid private industry, in whatever  
20 ways necessary and feasible, to most efficiently identify and develop  
21 new industries which will make the most appropriate commercial use of  
22 the state's renewable resources.

23 (d) It is further found to be a valid public purpose for public  
24 expenditures and investments to promote the prosperity and general  
25 welfare of citizens of the state and to expand economic and employment  
26 opportunities and tax revenue in the state by providing financial and  
27 technical assistance to renewable resource product, market and tech-  
28 nological research and development.

29 (e) It is further found that some of the state's resources will be

1 most appropriately utilized by reserving their use to noncommercial  
2 activities for purposes of sustaining lifestyles such as subsistence  
3 lifestyles and for environmental protection, both of which are histori-  
4 cally and culturally important to the people of the state, and for  
5 recreational or other noncommercial purposes.

6 Sec. 37.11.130. DIVISION OF RENEWABLE RESOURCES CREATED. There is  
7 created the division of renewable resources within the Department of  
8 Commerce and Economic Development to carry out the purposes of this  
9 chapter.

10 Sec. 37.11.140. PURPOSES. The purposes of the division are to  
11 facilitate the long-range rehabilitation, enhancement, and development  
12 of Alaska's renewable resources so as to further the creation of a  
13 self-sustaining Alaskan economy based on renewable resources.

14 (1) Within the purview of rehabilitation and enhancement the  
15 resources of the division shall be used to demonstrate technologies and  
16 innovations for rehabilitation and enhancement or maintenance of re-  
17 source systems in order to achieve and sustain their most appropriate  
18 uses for the benefit of present and future generations of Alaskans.

19 (2) Within the purview of development the division shall,  
20 through financial assistance and participation, (A) identify products,  
21 markets, and technologies for renewable resource industries in Alaska;  
22 (B) stimulate the research and development of the products, markets, and  
23 technologies; and (C) assist in the demonstration in the application and  
24 economic viability of the products, markets, and technologies.

25 (3) The division shall disseminate information on the acti-  
26 vities, products, and ventures of the division so as to assist all  
27 interested Alaskans in renewable resource use, research, and develop-  
28 ment.

29 Sec. 37.11.150. APPROPRIATION. The receipts of the renewable

1 resources development fund (AS 37.11.020) shall be appropriated to the  
2 division for the purposes of this chapter.

3 Sec. 37.11.160. DIRECTOR, DIVISION OF RENEWABLE RESOURCES. In  
4 order to qualify for the position of director of the division a person  
5 must

6 (1) be graduated from an accredited college with a major in  
7 business administration, economics, or a related field; and

8 (2) have eight years of administrative or management experi-  
9 ence in resource planning or development, industrial engineering,  
10 management consultation, economic planning, commercial sales, promotion  
11 activity involving contact with major management and governmental offi-  
12 cials, or related fields.

13 Sec. 37.11.170. COMPENSATION OF DIRECTOR. The director is in the  
14 classified service under AS 39.25 and shall receive an annual salary  
15 within range 27 in the salary schedule for state employees established  
16 in AS 39.27.011 or within one range below that received by the highest  
17 paid deputy commissioner in the Department of Commerce and Economic  
18 Development if that is higher than range 27.

19 Sec. 37.11.180. CONFLICTS OF INTEREST. No employee of the divi-  
20 sion may acquire an interest, direct or indirect, in a corporation,  
21 association, project, or other business enterprise to which the division  
22 is providing financial assistance in any form. If an employee owns or  
23 controls an interest, he shall immediately disclose the interest in  
24 writing to the director and refrain from participating in any manner in  
25 any division activity relating to that interest.

26 Sec. 37.11.190. POWERS AND DUTIES OF DIRECTOR. (a) The director

27 (1) may hire the staff necessary to carry out the purposes of  
28 this chapter;

29 (2) shall seek to optimize

1 (A) the number of residents of the state who benefit  
2 from a renewable resource through compatible or complementary use;

3 (B) the number of different interests which benefit from  
4 a renewable resource through compatible or complementary use;

5 (C) the proportion of the total income derivable from a  
6 renewable resource which accrues to the state and its citizens;

7 (D) the preservation of future options for renewable  
8 resource use;

9 (3) shall consider investment proposals only after an appli-  
10 cant for an investment has submitted a detailed proposal to the divi-  
11 sion's staff and the staff has prepared a written report recommending  
12 the investment and after an analysis of the short-term and long-term  
13 effects of the proposal and the extent of the Alaska loan programs fund  
14 financing;

15 (4) may approve applications for financial assistance only if  
16 they meet established criteria for financial assistance;

17 (5) shall establish and periodically review and revise cri-  
18 teria relating to the suitability of projects for financial assistance  
19 under this chapter;

20 (6) shall consider regional and local preferences or pri-  
21 orities in fund allocation decisions;

22 (7) shall monitor and provide for operational and performance  
23 evaluations of projects for which the division provides financial assis-  
24 tance;

25 (8) shall identify potential opportunities for rehabilita-  
26 tion, enhancement, and development of renewable resources;

27 (9) shall adopt regulations to implement this chapter in  
28 accordance with the Administrative Procedure Act (AS 44.62);

29 (10) shall advise the director of the division of Alaska loan

1 programs of the Department of Commerce and Economic Development regard-  
2 ing the most appropriate financial mechanisms for projects involving  
3 renewable resources.

4 (b) The division may not assume responsibility for managing any  
5 enterprise or project in which it has invested, but it may exercise  
6 voting rights for any purpose affecting the repayment of financial  
7 assistance provided under the Alaska loan programs fund or this chapter.

8 (c) Nothing in this section prevents the division from taking such  
9 action and exercising such rights as it may consider necessary for the  
10 protection of its interests in the event of actual or threatened default  
11 on any of its investments, actual or threatened insolvency of the enter-  
12 prise or project in which the investment has been made, or other situa-  
13 tions which, in the opinion of the director, threaten to jeopardize the  
14 investment.

15 Sec. 37.11.200. ELIGIBILITY. (a) No financial assistance may be  
16 made unless the division finds that

17 (1) the project, if successful, will further the purposes of  
18 this chapter;

19 (2) the project, if successful, is likely to be technologi-  
20 cally and economically feasible;

21 (3) the applicant for financial assistance has entered into  
22 an agreement that any new renewable resource activity shall be primarily  
23 established and remain in the state for a minimum period of time estab-  
24 lished by the division;

25 (4) the applicant for financial assistance meets the eligi-  
26 bility requirements for the Alaska loan programs fund;

27 (5) the corporate officers, directors, and equity holders  
28 have agreed to a reasonable salary and benefit scale which reflects  
29 current business standards.

1 (b) The division may not invest in a combination of equity pur-  
2 chases and interest incentives of more than five per cent of the annual  
3 receipts of the renewable resources development fund or \$1,500,000,  
4 whichever is less, in a single project unless the legislature has ap-  
5 proved the investment by concurrent resolution.

6 (c) The renewable resources development fund may not be used for  
7 direct grants made to the private sector or for loans which contain a  
8 forgiveness of indebtedness provision.

9 (d) No loan may be guaranteed or participated in with the Alaska  
10 loan programs fund for a period in excess of 30 years unless the legis-  
11 lature has approved the loan by concurrent resolution.

12 Sec. 37.11.210. FINANCIAL ASSISTANCE. (a) In carrying out the  
13 purposes of this chapter the director may approve financial assistance  
14 only to projects for the rehabilitation, enhancement, and development of  
15 the state's renewable resources and which have been approved by the  
16 division of Alaska loan programs.

17 (b) The division's financial assistance to projects is limited to

18 (1) investment in not more than 50 per cent of the capital  
19 stock or other ownership interest in a project; no investment under this  
20 paragraph is permitted until the applicant has borrowed the maximum  
21 amount allowable from the Alaska loan programs fund (AS 45.96);

22 (2) interest incentives under which the division pays part or  
23 all of the interest on the loans made from the Alaska loan programs fund  
24 to the project when the project involves a high financial risk, has  
25 significant employment opportunity potential, or has potentially broad  
26 application to the public; interest incentives are only in addition to  
27 investments made under (1) of this subsection; payments of interest  
28 assumed by the division under this paragraph shall be made to the divi-  
29 sion of Alaska loan programs when the loans to the project are closed

1 and shall consist of the total amount of interest due on the affected  
2 loans;

3 (3) grants for public purposes as defined in AS 45.96.300  
4 only when the amount of the grant has been included in the general  
5 budget of the state for the next fiscal year.

6 (c) All financial assistance provided by the division shall be  
7 paid from the renewable resources development fund. All repayments of  
8 financial assistance provided by the division shall be deposited into  
9 the renewable resources development fund.

10 (d) Before a project is approved for financial assistance, the  
11 division shall perform a study to determine its economic and technical  
12 feasibility. If the project is subsequently approved for financial  
13 assistance, the division shall provide such technical assistance as is  
14 considered necessary and desirable by the director. The cost of the  
15 study and assistance provided under this subsection shall be borne by  
16 the division.

17 (e) Processing and closing of all financial assistance provided  
18 under this section shall be conducted by the division of Alaska loan  
19 programs at the same time as that division processes and closes the  
20 financial assistance that it is providing to the applicant.

21 Sec. 37.11.220. LOAN GUARANTEES. (a) The division shall guaran-  
22 tee all loans made to a renewable resources project from the Alaska loan  
23 programs fund.

24 (b) If payment of a loan guarantee becomes necessary, that payment  
25 shall be made from the loss reserve account established in sec. 240 of  
26 this chapter.

27 Sec. 37.11.230. REPAYMENT OF INTEREST INCENTIVES. (a) An appli-  
28 cant for whose project the director has approved an interest incentive  
29 shall repay the amount of the incentive without interest.

1 (b) Repayment shall begin at the end of the year following the  
2 first year that the project shows a net profit and shall be by annual  
3 remittance to the division of a percentage of the project's annual net  
4 profit after taxes for the preceding year. The percentage of the pro-  
5 ject's net profit to be the basis of repayment shall be negotiated  
6 between the director and the recipient of the interest incentive before  
7 approving the interest incentive. For purposes of this subsection "net  
8 profit" means adjusted gross income as defined in sec. 62 of the Inter-  
9 nal Revenue Code of 1954, as amended. The director may reduce the net  
10 profit of a project in order to allow for extraordinary items including,  
11 but not limited to, changes in inventory valuation, changes in account-  
12 ing methods, or gains or losses on the sale of depreciated property.

13 (c) The director may investigate the management of a project re-  
14 ceiving an interest incentive or the business enterprise responsible for  
15 the project, including, but not limited to, staffing patterns, wage and  
16 salary scales and agreements, investment policies and practices, pur-  
17 chasing, and payment arrangements with affiliated interests for the  
18 purpose of determining unreasonable practices which adversely affect the  
19 project's net profit. If the director finds unreasonable management  
20 practices which adversely affect the project's net profit, he shall  
21 order the cessation of those practices. If the unreasonable practices  
22 are not halted within a reasonable period of time, the director may  
23 declare the project in default under sec. 190(c) of this chapter.

24 (d) As a condition to receiving an interest incentive under this  
25 chapter, an applicant shall agree to submit to the director copies of  
26 his annual state and federal income tax returns that cover the project.

27 Sec. 37.11.240. LOSS RESERVE ACCOUNT. (a) For the purpose of  
28 protecting the financial integrity of the Alaska loan programs fund when  
29 used to make loans to renewable resources projects, a special account

1 called the loss reserve account of the renewable resources development  
2 fund is established. The commissioner of revenue shall pay into the  
3 account from the development fund an amount equal to 10 per cent of the  
4 estimated total amount of all loans guaranteed by the development fund  
5 during the first fiscal year of operation. At the first of the suc-  
6 ceeding fiscal year and each fiscal year thereafter, the commissioner  
7 shall pay into the account from the development fund the amount neces-  
8 sary to bring the balance of this account to 10 per cent of the total  
9 amount of loans projected to be outstanding during that fiscal year.

10 (b) If during the fiscal year the total amount of loans outstand-  
11 ing exceeds the amount projected to be outstanding, the commissioner of  
12 revenue shall pay into the account from the development fund the sum  
13 needed to bring the balance of this account to 10 per cent of the amount  
14 of loans outstanding.

15 (c) Money in the loss reserve account may only be used for losses  
16 realized from loan guarantees made under sec. 220 of this chapter, ex-  
17 cept when, at the beginning of a fiscal year, the balance of this ac-  
18 count exceeds 10 per cent of the total amount of loans projected to be  
19 outstanding during the fiscal year, the amount in excess of 10 per cent  
20 shall be paid to the development fund.

21 Sec. 37.11.250. INVESTMENTS. (a) Investment of the loss reserve  
22 account and the renewable resources development fund established under  
23 sec. 20 of this chapter is managed by the director of the division of  
24 treasury in the Department of Revenue. The director of the division of  
25 treasury shall determine investment policy and manage the investments of  
26 the fund under the same criteria applicable to other state investments  
27 he manages.

28 (b) The director of the division of treasury shall provide monthly  
29 reports to the Legislative Budget and Audit Committee relating to the

1 investment of funds described in (a) of this section, including

- 2 (1) a summary of long-range and short-term investment policy;  
3 (2) a list of investments made during the previous month;  
4 (3) an evaluation of the performance of investments made;  
5 (4) other information requested by the budget and audit com-  
6 mittee.

7 Sec. 37.11.260. ACCOUNTING. Accounting for the renewable re-  
8 sources development fund shall be provided by the Department of Admin-  
9 istration. Reports shall be made by that department to the Department  
10 of Revenue, the Department of Commerce and Economic Development, and the  
11 Legislative Budget and Audit Committee on at least a monthly basis.  
12 These reports shall include an itemization of each loan which has been  
13 in default for a period in excess of 30 days and the measures taken for  
14 each to insure compliance with terms and conditions of the loan. The  
15 Legislative Budget and Audit Committee shall provide quarterly reports  
16 to the legislature summarizing the information it receives under this  
17 section, under sec. 250 of this chapter and under AS 45.96.240(b) and  
18 including comments and suggestions the committee determines to be of  
19 interest to the legislature relating to the administration of the de-  
20 velopment fund. Other reports shall be made as prescribed by the De-  
21 partment of Commerce and Economic Development.

22 Sec. 37.11.270. BUDGET. The division is subject to the provisions  
23 of the Executive Budget Act (AS 37.07) for all funds, whether received  
24 through allocations by this chapter or otherwise. The operational  
25 budget shall be a separate budget category from the remainder of the  
26 budget.

27 Sec. 37.11.280. DEFINITIONS. In this chapter

- 28 (1) "director" means the director of the division of re-  
29 newable resources;

1 (2) "division" means the division of renewable resources in  
2 the Department of Commerce and Economic Development;

3 (3) "rehabilitation, enhancement, and development" means any  
4 activity or program which improves the health and well-being of a re-  
5 newable resource or renewable resource population leading to an increase  
6 in the quality or productivity of this resource and to an increase in  
7 the benefits derivable from this resource accruing to the state and its  
8 citizens;

9 (4) "renewable resource" means non-human living organisms;  
10 natural components of the environment, including the air, land, and  
11 water; and energy systems which are naturally recurring or replenished.

12 \* Sec. 4. AS 37.11.060 is amended to read:

13 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-  
14 encumbered balances remaining in the Alaska renewable resources de-  
15 velopment fund at the close of each fiscal year shall be deposited in  
16 the Alaska renewable resources fund. These deposits shall be considered  
17 fund principal and shall be invested in perpetuity in accordance with AS  
18 37.13.020 (investment of Alaska permanent fund) [AS 37.10.070 (INVEST-  
19 MENT OF SURPLUS STATE FUNDS)].

20 \* Sec. 5. AS 03.10.050 is repealed and re-enacted to read:

21 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall  
22 administer the loan fund.

23 \* Sec. 6. AS 14.40.751(a) is amended to read:

24 (a) There is created a scholarship revolving loan fund. [THE FUND  
25 SHALL BE USED TO MAKE SCHOLARSHIP LOANS TO STUDENTS SELECTED UNDER SECS.  
26 751 - 806 OF THIS CHAPTER. ALL REPAYMENTS OF PRINCIPAL AND INTEREST ON  
27 SCHOLARSHIP LOANS SHALL BE PAID INTO THE SCHOLARSHIP REVOLVING LOAN FUND  
28 AND SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS. IF ESTIMATED FUNDS  
29 AVAILABLE FROM SCHOLARSHIP LOAN REPAYMENTS ARE INADEQUATE TO FULLY FUND

1 ESTIMATED SCHOLARSHIP LOANS FOR ANY FISCAL YEAR, ADDITIONAL FUNDING FROM  
2 THE GENERAL FUND MAY BE REQUESTED AND APPROPRIATED FOR THAT YEAR.]

3 \* Sec. 7. AS 14.40.755(b) is amended to read:

4 (b) A person whose [LOAN OR] grant application is not recommended  
5 or presented to the committee by the executive secretary may appeal to  
6 the committee through the chairman of the committee and the committee  
7 shall consider the application.

8 \* Sec. 8. AS 18.56.090 is repealed and re-enacted to read:

9 Sec. 18.56.090. GENERAL POWERS. The corporation may

10 (1) collect and pay reasonable fees and charges in connection  
11 with making, purchasing and servicing its loans, notes, bonds, commit-  
12 ments and other evidences of indebtedness;

13 (2) sell, at public or private sale, to any purchaser, in-  
14 cluding the Federal National Mortgage Association, all or any part of a  
15 mortgage or other instrument or document securing a construction, land  
16 development, mortgage or temporary loan of any type in the possession of  
17 the corporation.

18 \* Sec. 9. AS 18.100.050 is amended to read:

19 Sec. 18.100.050. ELIGIBILITY FOR GRANTS [LOANS]. Only public or  
20 nonprofit private corporations are eligible for grants [LOANS] under  
21 this chapter. The nonprofit corporations must be designated as tax  
22 exempt under sec. 501(c)(3) and (4) [501(e)(3) AND (4)] of the Internal  
23 Revenue Code of 1954.

24 \* Sec. 10. AS 18.100.070(a) is amended to read:

25 (a) There is created within the Department of Community and Re-  
26 gional Affairs a senior citizens housing development fund. Subject to  
27 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-  
28 partment shall make grants [OR LOANS] to municipalities or to corpora-  
29 tions designated as tax exempt under sec. 501(c)(3) and (4) of the

1 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER SEC. 50 OF THIS  
2 CHAPTER] for the purpose of developing senior citizen housing. [A GRANT  
3 FROM THE PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

4 \* Sec. 11. AS 18.100.070(b) is amended to read:

5 (b) Application for a grant [OR LOAN] under (a) of this section  
6 shall be in the form prescribed by the department. The application  
7 shall demonstrate the need for senior citizen housing in the area to be  
8 served, the feasibility of the proposed project, and an adequate manage-  
9 ment plan which shall demonstrate the ability of the eligible recipient  
10 to sustain the proposed project.

11 \* Sec. 12. AS 29.13.100 is amended by adding a new paragraph to read:

12 (38) AS 29.58.290 (industrial development bonds)

13 \* Sec. 13. AS 29.58 is amended by adding a new section to read:

14 Sec. 29.58.290. INDUSTRIAL DEVELOPMENT BONDS. No municipality,  
15 whether home rule or otherwise, may issue any revenue bond which is an  
16 industrial development bond under the provisions of the Internal Revenue  
17 Code of 1954 (26 U.S.C. 103).

18 \* Sec. 14. AS 37.10.050 is amended to read:

19 Sec. 37.10.050. ACCOUNTING FOR STATE MONEY AND PAYMENT TO DIVISION  
20 OF TREASURY [DEPARTMENT OF REVENUE] FOR DEPOSIT IN PROPER FUND. (a)  
21 Each office, board, commission, or bureau authorized to collect or  
22 receive fees, licenses, taxes or other money belonging to the state  
23 shall account for and pay the fees, licenses, taxes or other money, less  
24 fees to which he is entitled by law to the division of treasury of the  
25 Department of Revenue at least once each month.

26 (b) Money collected for the state shall be deposited by the col-  
27 lector in the nearest bank to the account of the division [DEPARTMENT OF  
28 REVENUE] when the division [DEPARTMENT OF REVENUE] directs this to be  
29 done.

1 (c) The division [DEPARTMENT OF REVENUE] in June and December of  
2 each year shall publish in at least one newspaper of general circulation  
3 in each of the four judicial districts a detailed report in display  
4 advertising form of the amount of state money deposited in each named  
5 bank or other financial institution. A copy of the semiannual report on  
6 bank deposits shall also be sent to the Legislative Affairs Agency for  
7 distribution of copies to the members of the legislature. The terms of  
8 the deposit may be obtained upon a written request.

9 \* Sec. 15. AS 37.10.070(a) is amended to read:

10 (a) When the commissioner of revenue determines that there is in  
11 the state treasury a surplus above an amount sufficient to meet current  
12 cash expenditure needs, he shall direct the director of the division of  
13 treasury to invest the surplus. a director may invest the surplus  
14 [THE SURPLUS SHALL BE INVESTED] in any of the following:

15 (1) obligations of, or obligations insured or guaranteed by,  
16 the United States or agencies or instrumentalities of the United States;

17 (2) obligations secured by reserves paid in by the United  
18 States or agencies or instrumentalities of the United States or obli-  
19 gations of corporations in which the United States is a shareholder or  
20 member;

21 (3) notes issued by Farmer's Home Administration;

22 (4) bank certificates of deposit which are secured as to the  
23 payment of principal and interest in accordance with Alaska law;

24 (5) corporate obligations of prime or equivalent quality, as  
25 rated by a nationally recognized rating organization;

26 (6) other securities, including corporate securities;

27 (7) Federal Housing Administration mortgages;

28 (8) Federal Veterans Administration mortgages;

29 (9) loans made under the provisions of the Alaska loan pro-

1 grams fund (AS 45.96) [AS 03.10 AND AS 26.15];

2 (10) conventional residential mortgages if the offering fin-  
3 ancial institution retains at least 25 per cent of the mortgage;

4 (11) other secured loans, if the offering financial insti-  
5 tution retains at least 33 1/3 per cent of the mortgage;

6 (12) mortgages of the Alaska Rural Rehabilitation Corporation  
7 which secure agricultural loans, agricultural bus. ess loans and agri-  
8 cultural processing loans;

9 (13) bankers acceptances drawn on and accepted by banks with a  
10 combined capital and surplus aggregating at least \$200,000,000;

11 (14) repurchase agreements, reverse repurchase agreements, or  
12 any trading practice or instrumentalities that may evolve in investment  
13 management.

14 \* Sec. 16. AS 37.10.070(f) is repealed and re-enacted to read:

15 (f) Investment policy shall be formulated by the director of the  
16 division of treasury of the Department of Revenue subject to the ap-  
17 proval of the commissioner of revenue. In formulating investment policy  
18 the director shall consider maximum income and safety as governed by the  
19 prudent-man rule. The investment policy shall be proposed to the legis-  
20 lature during the first ten days of any regular session and only becomes  
21 effective 60 days after presentation or at the end of the session,  
22 whichever is earlier, unless disapproved by a resolution concurred in by  
23 a majority of the members of each house.

24 \* Sec. 17. AS 37.10.070(g) is amended to read:

25 (g) The director of the division of treasury [COMMISSIONER OF  
26 REVENUE, WITH THE CONSENT OF THE COMMITTEE,] may enter into contracts  
27 for services providing investment advice, custody of securities, and  
28 execution of transactions, in or out of Alaska.

29 \* Sec. 18. AS 37.10.070(i) is amended to read:

1 (i) The director [COMMISSIONER] shall purchase notes and mortgages  
2 under (a) of this section at a rate conducive to develop and benefit  
3 Alaska and Alaska residents and this rate may be less than the market  
4 rate.

5 \* Sec. 19. AS 37.10.070 is amended by adding a new subsection to read:

6 (k) In making investments under (a) of this section, the director  
7 may pool the surplus assets of the state funds but shall maintain  
8 separate accounts for each fund.

9 \* Sec. 20. AS 37.10.075(a) is amended to read:

10 (a) When the commissioner of revenue determines that there are  
11 funds in the state treasury which are not being used for the purposes  
12 provided for in sec. 70 of this chapter, he may direct the director of  
13 the division of treasury to deposit the funds [THEY MAY BE DEPOSITED] in  
14 financial institutions in the state which offer the highest bid for the  
15 state funds. Collateral may be required by the commissioner to secure  
16 state deposits provided for under this section.

17 \* Sec. 21. AS 39.25.120(2) is amended to read:

18 (2) the directors, division of personnel, division of public  
19 health, division of medical assistance, and those other directors of the  
20 major divisions of the principal departments of the executive branch as  
21 are specifically designated by the governor, except the directors of the  
22 divisions of Alaska loan programs, renewable resources development,  
23 treasury and collections are in the classified service and may not be  
24 designated as partially exempt;

25 \* Sec. 22. AS 41.22.020(a) is amended to read:

26 (a) In addition to uses of fund money authorized in sec. 10 of  
27 this chapter, money of the fund shall be utilized to make grants to  
28 municipalities, of up to one-half the nonfederal share of costs of pro-  
29 jects described in sec. 10 of this chapter which are initiated by a

1 municipality [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES  
2 . TO MAKE OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION  
3 OF WHICH FEDERAL FUNDS ARE ANTICIPATED].

4 \* Sec. 23. AS 41.35.180(5) is repealed and re-enacted to read:

5 (5) consult with local historical district commissions re-  
6 garding the establishment of historical districts under AS 29.48.108 -  
7 29.48.110 and recommend, if appropriate, the formulation of additional  
8 criteria for the designation of historical districts under AS 29.48.-  
9 110(b).

10 \* Sec. 24. AS 44.21.020 is amended by adding new paragraphs to read:

11 (13) provide accounting services for the permanent fund (AS  
12 37.23.010), the Alaska loan programs fund (AS 45.96), the renewable re-  
13 sources development fund (AS 37.11), and all other state funds;

14 (14) provide detailed accounting of state loans outstanding and  
15 securities held by the state.

16 \* Sec. 25. AS 44.25 is amended by adding a new section to read:

17 Sec. 44.25.025. DIVISION OF TREASURY. (a) There is established  
18 within the Department of Revenue the division of treasury. The director  
19 of the division is in the classified service under AS 39.25 and shall  
20 receive an annual salary within range 27 of the salary schedule estab-  
21 lished in AS 39.27.011 or within one range below that received by the  
22 highest paid deputy commissioner in the Department of Revenue if that is  
23 higher than range 27.

24 (b) In order to qualify for the position of director, a person  
25 must

26 (1) be graduated from an accredited college with major course  
27 work in business administration, accounting, finance, banking, econ-  
28 omics, or another closely related field;

29 (2) have 10 years of experience in banking or investment

1 management involving review, analysis, purchase and sell recommenda-  
2 tions, and responsibility for performance with at least four of these  
3 years in a managerial capacity.

4 (c) The director of the division of treasury shall collect, ac-  
5 count for, have custody of, invest, and manage all state funds and all  
6 revenues of the state except revenues incidental to a program of licen-  
7 sing and regulation carried on by another state department, except that  
8 the division shall issue fish and game licenses, collect fish and game  
9 license revenues, and do all other acts incidental to the performance of  
10 these functions.

11 \* Sec. 26. AS 44.33.020 is amended by adding a new paragraph to read:

12 (22) administer the Alaska loan programs fund (AS 45.96) and  
13 the renewable resources development fund (AS 37.11).

14 \* Sec. 27. The following laws are repealed: AS 03.10.010; 03.10.020(1),  
15 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;  
16 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; 16.10.500; 16.10.510(1),  
17 (2), (5), (6), (9); 16.10.520; 16.10.540; AS 18.56.010, 18.56.085, 18.56.-  
18 092 - 18.56.095, 18.56.100(b) - (k), 18.56.115 - 18.56.210; AS 18.100.030(1),  
19 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060, 26.-  
20 15.110 - 26.15.160; AS 37.10.065, 37.10.075(b) - (d), 37.10.079; AS 37.-  
21 11.030; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.25.020(2);  
22 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.265; AS  
23 44.58.005 - 44.58.010, 44.58.080(6) - (20), 44.58.090, 44.58.130 - 44.58.220,  
24 44.58.240 - 44.58.260, 44.58.270(c), (f), 44.58.300, 44.58.390; AS 44.59.-  
25 140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS 44.60.010,  
26 44.60.130(7) - (13), 44.60.160 - 44.60.260, 44.60.310 - 44.60.320; AS 44.61.-  
27 010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c), 45.86.050 -  
28 45.86.060; AS 45.90.020(a)(1), (4), 45.90.030; AS 45.95.020 - 45.95.030,  
29 45.95.070; AS 45.98.020 - 45.98.040, 45.98.060.

1 \* Sec. 28. Sec. 45.96.120(b) in sec. 1 of this Act is retroactive to June  
2 30, 1977. For the fiscal year ending June 30, 1978, the amount transferred  
3 is the amount remaining in the general fund at the end of the fiscal year.

4 \* Sec. 29. This Act takes effect immediately in accordance with AS 01.-  
5 10.070(c).

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## STATE OF ALASKA

AUDIT DIVISION  
POUCH W-ALASKA OFFICE BUILDING

THE LEGISLATURE

FINANCE DIVISION  
POUCH W-STATE CAPITOL

BUDGET AND AUDIT COMMITTEE / JUNEAU 99801

March 15, 1978

MEMORANDUM

TO: Rep. Clark Gruening, Chairman  
House Permanent Fund Committee

FROM: Milton B. Barker, Fiscal Analyst *MB*  
Legislative Finance Division

SUBJECT: HB 596 Fiscal Note

At your request, I have reviewed the fiscal note for HB 596, comparing it to the fiscal note for HB 298 and also to similar items of expenditure contained in the FY 79 budget submissions for the Alaska Power Authority and Treasury Management. I would note the following:

1. The note for HB 298 contains \$150,000 for contracts and \$50,000 for miscellaneous contracts while HB 596 contains \$100,000 for Permanent Fund consulting and \$250,000 for Enterprise Corp. consulting.
2. Office rent is budgeted in HB 596 at \$60,000 apiece for the Permanent Fund and Enterprise Corp., both with staff of five. The same size staff, five, of the Alaska Power Authority has budgeted \$30,000 for rent and janitorial for FY 79. The HB 298 fiscal note had \$54,000 for rent for six, based on 3,000 sq. ft. @\$1.50/month.
3. HB 596 calls for at least one meeting per year of the Enterprise Corp. policy board and no apparent minimum for the Permanent Fund board of trustees. The fiscal note for HB 596 assumes 12 meetings in-state and 3 meetings out-of-state per year for both the trustees and policy board. In-state meetings last 2 days, out-of-state 4 days. HB 298 anticipated only the 12 in-state meetings for its board. Full attendance is assumed at all meetings. Travel and per diem is apparently included in the fiscal note for the one state official on the Enterprise Corp. policy board.

Rep. Clark Gruening

-2-

March 15, 1978

Other costs seem to be appropriate given a total staff of 10 for HB 596, twice that of HB 298, due to the organizational bifurcation. The 18 part-time positions shown on the fiscal note summary appears to be a misprint given the personal service amount shown.

MBB:pw

Attachments

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 596 - "An Act relating to nonrenewable resource revenues  
Title and providing for an effective date."  
 Requested by Special Committee on the Alaska Permanent Fund Date 1/11/78

II. FISCAL DETAIL

Agency Affected Department of Revenue  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		338.6				
200 TRAVEL		155.4				
300 CONTRACTUAL		578.0				
400 COMMODITIES		10.0				
500 EQUIPMENT		30.0				
600 LAND & STRUCTURES		120.0				
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>		<b>1,232.0</b>				

FUNDING (Thousands of Dollars)

GENERAL FUND		1,232.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		10				
PART TIME		18				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This note enumerates a portion of the fiscal impact of HB 596 upon Treasury Management Costs of the following administrative structures are included above:

- Investment Oversight Committee - 8 members
- Board of Trustees - 3 members
- Policy Board - 7 members
- Alaska Permanent Fund - 1 Executive Director and staff
- Alaska Enterprise Investment Corporation - 1 President and staff

Fiscal years subsequent to FY 79 would properly be estimated by the emergent administrative body.

IV. DATE February 23, 1978 PREPARED BY Jin Egan

AGENCY Department of Revenue

Original: Legislative Finance PHONE 465-2329

cc: Budget and Management

Prime Sponsor (First Legislator Named)

112 211

Notes on HB 596

HB 596 - Investment Oversight Committee

8 Member Committee of Legislature:

4 Trips per year	\$ 5,000
2 Days Per Diem per trip	1,000

Alaska Permanent Fund

3 Member Board of Trustees:

12 Trips per year (Alaska)	5,400
3 trips per year (out of State)	5,400

24 meeting days (Alaska)	
12 meeting days (out of State)	
36 meeting days at \$250/meeting days	27,000

1 Executive Director - Range 30	60,000
24 trips per year (Alaska)	3,600
6 trips per year (out of State)	3,600
90 days total travel plus per diem	4,500

1 Secretary II - Range 11	18,210
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1 Clerk III - Range 8	15,075
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1 Accountant IV - Range 18	29,745
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1 Investment Officer - Range 24	46,275
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Office Space	60,000
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Office Equipment	15,000
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Contractual:

Safekeeping	50,000
Consulting	100,000
Telephone	20,000
Postage	3,000
Printing/Advertising	10,000
Auditing	20,000
Equipment Rental	8,000
Miscellaneous	3,000

Commodities	5,000
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