

LEG. FINANCE - BILLS 1979 - 1980 1146

HB 661

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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February 1, 1980

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills relating to the Alaska Industrial Development Authority. The longer bill contains amendments to expand the authority's powers and functions, and would consolidate in the authority many of the existing loan programs. The second bill transfers from the Department of Revenue to the authority small business and veterans loans totaling \$500,000,000 in unpaid principal balance and which have been purchased over the years by the Department of Revenue from the Department of Commerce and Economic Development.

The primary bill expands the powers and functions of the Alaska Industrial Development Authority by:

- (a) permitting the financing of a much broader range of business projects than is presently authorized by law, including the financing of certain types of personal property;
- (b) establishing a loan insurance account to make funds available to the authority for insuring loans either made or purchased by the authority for an authorized project;
- (c) creating a direct loan revolving account to centralize a majority of existing state business loan programs; and
- (d) creating an interest reduction account, funded by legislative appropriations, to provide for a reduced rate of interest on loans made from the

direct loan revolving account, on loans insured by the loan insurance account, and on loans made from taxable bonds issued by the authority.

In detail, the bill provides as follows:

1. The existing legislative finding and policy section (AS 44.61.010) is expanded to include additional tax exempt financing purposes such as mass commuting facilities and parking facilities and to include business enterprises such as agriculture, fishing, and tourism generally within the authority's financing powers.

2. AS 44.61.050(c) is amended to make it clear that the executive director and authority employees are in the exempt service, under the state personnel Act.

3. The powers of the authority are expanded in AS 44.61.080 to allow it to make or insure loans for business enterprise projects as well as to assist private lenders in making loans for those purposes. In addition, the authority would be allowed to own and manage a project, but only if it were necessary to do so to protect the security of a loan.

4. AS 44.61.100 is amended to allow the authority to establish a capital reserve fund to secure bonds issued by the authority. In the event the authority determines that the marketability of bonds would be enhanced by the establishment of a capital reserve fund, such a fund could be created with amounts capitalized from bond proceeds, borrowed from the Department of Revenue or derived from other sources.

5. AS 44.61.155 establishes an overall enterprise development fund. Within this fund, there would be established a loan insurance account, a direct loan account and a loan interest reduction account. Other accounts within the fund could also be established by the authority.

6. The loan insurance account established in AS 44.61.157 would allow the authority to insure mortgage loans made by the authority or by commercial lenders for any defined project. The terms of eligibility for insurance include the limitation of principal amount to \$10,000,000 and 90 per cent of the cost or appraised value, whichever is less, of the project and the limitation of three-quarters of the useful life of the project or 25 years from the date of insurance,

whichever is earlier. The authority could collect fees and charges with respect to the loans insured and would annually calculate whether the amount in the fund is actuarially sufficient for its purposes.

7. AS 44.61.158 creates the direct loan account. Loans to a business enterprise for any project from the account may not exceed \$500,000. The interest rate on those loans is fixed as the then current yield on ten-year treasury bonds. The limitations on loans are the same as for the insurance account.

8. AS 44.61.159 creates the loan interest reduction account. Interest rate reductions would be available for loans made from the direct loan account, loans insured by the loan insurance account, and loans made by the authority from the proceeds of bonds, the interest on which is not exempt from federal income tax. The interest rate reduction is fixed at an amount which provides a loan rate to state veterans of nine and one-quarter per cent and to other borrowers a loan rate of nine and one-half per cent. The legislature would annually fix the total amount of interest rate reductions to be made from the account for loans made that year. When the amount of the interest reduction is determined by the authority, investments which would produce the necessary amount to pay the interest reductions are put in trust. The amount of interest reduction payable from the account would be fixed in each loan instrument for the term of the loan.

9. AS 44.61.160 retains the necessary local governmental findings with respect to projects financed directly by the authority and with respect to loans insured by the authority in excess of \$3,000,000.

10. The definition of "project" in AS 44.61.220 would now include additional tax exempt projects permitted under the Internal Revenue Code, as well as other business enterprises, excluding residential housing except for child care and residential care facilities. The definition of "plant" in paragraph (6) includes not only real property but tangible personal property (except for work in process or stock in trade) if the owner agrees not to remove the property for a period of time determined by the authority.

11. Section 9 repeals the lending authority of the various loan funds as of July 1, 1981 in order to

permit an effective transition between the new functions of the Alaska Industrial Development Authority and the existing loan fund structure.

12. Section 10 of the bill would repeal AS 44.61.030(b) and (c). These provisions currently allow local government participation in certain proposed projects to be financed by the authority under existing statutes. At the present time those statutes permit the financing for the most part only of major industrial projects in which local governments should be involved. However, because this bill proposes that the authority now undertake many smaller loans now handled through the Department of Commerce and Economic Development, it does not seem feasible or desirable to provide for local government participation in these loan decisions. Instead, local consent would be required only as provided under AS 44.61.160, and then only for projects involving funds of the authority in excess of \$3,000,000.

The interest reduction account created in AS 44.61.159 will require an appropriation from the legislature. An appropriation bill to fund this aspect of the authority's proposed program will be submitted separately and at a later date.

Sincerely,

Jay S. Hammond
Governor

Introduced: 2/1/80
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 661

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 39.25.110 is amended by adding a new paragraph to read:

10 (22) the executive director and other employees of the
11 Alaska Industrial Development Authority.

12 * Sec. 2. AS 44.61.010 is amended to read;

13 Sec. 44.61.010. LEGISLATIVE FINDING AND POLICY. (a) The legisla-
14 ture finds, determines and declares that

15 (1) there exist areas of the state in which seasonal and
16 nonseasonal unemployment exist;

17 (2) this unemployment is a serious menace to the health,
18 safety and general welfare, not only to the people in those areas, but
19 also to the people of the entire state;

20 (3) the state lacks the basic manufacturing, [AND] indus-
21 trial, and other business enterprises necessary to permit adequate
22 development of its natural resources and the balanced growth of its
23 economy;

24 (4) the establishment of industrial, [AND] manufacturing,
25 and other business enterprises [PLANTS] in Alaska, including facili-
26 ties for air and water transportation, mass commuting facilities,
27 parking facilities, pollution control and waste disposal facilities,
28 [AND] facilities for the local furnishing of electric energy or gas,
29 facilities for the furnishing of water, if available on demand to

1 members of the general public, industrial parks and commercial agri-
2 culture, tourism, mining, on-shore and off-shore fish harvesting and
3 processing, and other trade or service facilities is essential to the
4 development of the natural resources and the long term economic growth
5 of the state, and will directly and indirectly alleviate unemployment
6 in the state;

7 (5) the achievement of the goal of full employment, and of
8 establishment and continuing operation and development of industrial,
9 [AND] manufacturing, and other business enterprises [PLANTS] in the
10 state, including facilities for air and water transportation, mass
11 commuting facilities, parking facilities, pollution control and waste
12 disposal facilities, [AND] facilities for the local furnishing of
13 electric energy or gas, facilities for the furnishing of water, if
14 available on demand to members of the general public, industrial parks
15 and commercial agriculture, tourism, mining, on-shore and off-shore
16 fish harvesting and processing and other trade or service facilities
17 will be accelerated and facilitated by the creation of an instrumen-
18 tality of the state with powers to incur debt and to make and insure
19 loans to finance, and to assist private lenders to make loans to
20 finance, [FOR ACQUIRING OR CONSTRUCTING] industrial, [AND] manufactur-
21 ing, and other business enterprise projects [PLANTS], including facili-
22 ties for air and water transportation, mass commuting facilities,
23 parking facilities, pollution control and waste disposal facilities,
24 [AND] facilities for the local furnishing of electric energy or gas,
25 facilities for the furnishing of water, if available on demand to
26 members of the general public, industrial parks and commercial agri-
27 culture, tourism, mining, on-shore and off-shore fish harvesting and
28 processing, and other trade or service facilities for private operation
29 and thus provide financial assistance for the establishment, operation

1 and development of these projects [PLANTS ON A BASIS OFFSETTING IN
2 WHOLE OR IN PART THE CONSTRUCTION, MARKETING OR OTHER COSTS INVOLVED
3 IN THE PROJECTS].

4 (b) It is declared to be the policy of the state, in the in-
5 terests of promoting the health, security and general welfare of all
6 the people of the state, and a public purpose to increase job oppor-
7 tunities and otherwise to encourage the economic growth of the state,
8 including the development of its natural resources, through the
9 establishment of manufacturing, [AND] industrial, and other business
10 enterprises by creating the public corporation with power, duties and
11 functions as provided in this chapter.

12 * Sec. 3. AS 44.61.050(c) is amended to read:

13 (c) The authority may appoint persons as officers it considers
14 advisable, including an executive director [OR EXECUTIVE VICE-PRESI-
15 DENT], and may employ professional advisors, counsel, technical experts,
16 agents, and other employees it considers advisable. The executive
17 director and employees of the authority are in the exempt service
18 under AS 39.25.

19 * Sec. 4. AS 44.61.070 is amended to read;

20 Sec. 44.61.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity
22 and economic welfare of the people of Alaska, to relieve problems of
23 unemployment and to create additional employment by providing various
24 [A] means of financing or facilitating the financing of industrial,
25 [AND] manufacturing, and other business enterprises [PLANT] CONSTRUCTION,
26 CONVERSION OR EXPANSION] within the state [INCLUDING THE ACQUISITION
27 OF REAL PROPERTY, FOR LEASE OR SALE TO BUSINESS ENTERPRISES FOR INDUS-
28 TRIAL OR MANUFACTURING PURPOSES].

29 * Sec. 5. AS 44.61.080 is amended to read:

1 Sec. 44.61.080. POWERS OF THE AUTHORITY. In furtherance of its
2 corporate purposes, the authority has the following powers in addition
3 to its other powers:

4 (1) to sue and be sued;

5 (2) to have a seal and alter it at pleasure;

6 (3) to make and alter bylaws for its organization and
7 internal management;

8 (4) to adopt [MAKE RULES AND] regulations governing the
9 exercise of its corporate powers;

10 (5) to acquire interests for financing purposes in any pro-
11 ject, whether by [CONSTRUCTION,] purchase, gift or lease [, AND TO
12 IMPROVE AND EQUIP PROJECTS IN THE STATE];

13 (6) to lease to others a project acquired by it for the
14 rentals and upon the terms and conditions the authority may consider
15 advisable, including, without limitation, provisions for options to
16 purchase or renew;

17 (7) to issue bonds to pay the cost of [ACQUIRING BY CON-
18 STRUCTION, PURCHASE OR LEASE OR IMPROVING AND EQUIPPING] a project and
19 to secure payment of the bonds as provided in this chapter;

20 (8) to sell, by installment sale or otherwise, exchange,
21 donate, convey or encumber in any manner by mortgage or by creation of
22 any other security interest, real or personal property owned by it, or
23 in which it has an interest, including any project, when, in the
24 judgment of the authority, the action is in furtherance of its cor-
25 porate purposes;

26 (9) to make, purchase or insure loans to finance the costs
27 of manufacturing, industrial, or other business enterprise projects;

28 (10) to enter into loan agreements with others with respect
29 to one or more projects providing for payments and upon the terms and

1 conditions the authority considers advisable;

2 (11) to acquire, manage, and operate any project when it
3 becomes necessary or desirable to do so to safeguard the authority
4 from losses;

5 (12) to assist private lenders to make loans to finance the
6 costs of projects through loan commitments, short-term financing, or
7 otherwise;

8 (13) to accept gifts, grants, or loans from a federal
9 agency, from an agency or instrumentality of the state or a munici-
10 pality, or from any other source;

11 (14) to enter into contracts or other transactions with a
12 federal agency, with an agency or instrumentality of the state or a
13 municipality, or with a private organization or other entity regarding
14 the exercise of any power under this chapter;

15 [(9) TO ACCEPT GIFTS, GRANTS OR LOANS FROM, AND ENTER INTO
16 CONTRACTS OR OTHER TRANSACTIONS REGARDING THEM, WITH A FEDERAL AGENCY
17 OR AN AGENCY OR INSTRUMENTALITY OF THE STATE, A MUNICIPALITY, PRIVATE
18 ORGANIZATION OR OTHER SOURCE;]

19 (15) [(10)] to deposit or invest its funds, subject to
20 agreements with bondholders;

21 (16) [(11)] to enter into contracts or agreements with
22 respect to the exercise of any of its powers, and do all things neces-
23 sary or convenient to carry out its corporate purposes and exercise
24 the powers granted in this chapter.

25 * Sec. 6. AS 44.61.100 is amended by adding new subsections to read:

26 (b) For the purpose of securing one or more issues of its bonds,
27 the authority may establish one or more special funds, called "capital
28 reserve funds," and shall pay into those capital reserve funds the
29 proceeds of the sale of its bonds and any other money which may be

1 made available to the authority for the purposes of those funds from
2 any other source. A capital reserve fund may be established only if
3 the authority determines that the establishment would enhance the
4 marketability of the bonds. All money held in a capital reserve fund,
5 except as provided in this section, may be used as required, only for
6 (1) the payment of the principal of, and interest on, bonds or of the
7 sinking fund payments with respect to those bonds; (2) the purchase or
8 redemption of the bonds; or (3) the payment of a redemption premium
9 required to be paid when the bonds are redeemed before maturity.
10 However, money in a fund may not be withdrawn if the amount of the
11 withdrawal would reduce the amount in the fund to less than the capital
12 reserve requirement, except for the purpose of making, with respect to
13 the bonds, payment, when due, of principal, interest, redemption
14 premiums, and sinking fund payments when other money of the authority
15 is not available for making the payments. Income or interest earned
16 by, or increment to, a capital reserve fund, from the investment of
17 all or part of the fund, may be transferred by the authority to other
18 funds or accounts of the authority if the transfer does not reduce the
19 amount of the capital reserve fund below the capital reserve fund
20 requirement.

21 (c) If the authority decides to issue bonds secured by a capital
22 reserve fund, the bonds may not be issued if the amount in the capital
23 reserve fund is less than the capital reserve fund requirement,
24 unless the authority, at the time of issuance of the bonds, deposits
25 in the capital reserve fund from the proceeds of the bonds to be
26 issued or from other sources, an amount which, together with the
27 amount then in the fund, will not be less than the capital reserve
28 fund requirement.

29 (d) In computing the amount of a capital reserve fund for the

1 purpose of this section, securities in which all or a portion of the
2 fund is invested must be valued by a reasonable method established by
3 the authority by resolution. Valuation on a particular date must
4 include the amount of any interest earned or accrued to that date.

5 (e) The chairman of the authority shall annually, no later than
6 January 2, certify in writing to the governor and the legislature the
7 amount, if any, required to restore any capital reserve fund to the
8 capital reserve fund requirement. The legislature may appropriate the
9 amount, and the authority shall deposit in the proper capital reserve
10 fund, all amounts appropriated during the then current fiscal year.
11 Nothing in this section creates a debt or liability of the state.

12 (f) When the authority has established a capital reserve fund,
13 the commissioner of revenue may lend surplus money in the general fund
14 to the authority for deposit in a capital reserve fund in an amount
15 equal to the capital reserve fund requirement. The loans may be made
16 on the terms and conditions agreed upon by the commissioner of revenue
17 and the authority, including, without limitation, terms and conditions
18 providing that the loans need not be repaid until the bonds of the
19 authority secured and to be secured by the capital reserve fund are no
20 longer outstanding.

21 (g) In this section, "capital reserve fund requirement" means
22 the amount required to be on deposit in the capital reserve fund as of
23 the date of computation as determined by resolution of the authority.

24 * Sec. 7. AS 44.61 is amended by adding new sections to read:

25 Sec. 44.61.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
26 established in the authority the "enterprise development fund." The
27 enterprise development fund must be completely segregated and set
28 apart from all other funds of the authority, and is a trust fund for
29 the uses and purposes of this section. Money may be paid into and out

1 of the enterprise development fund only as provided in this chapter.
2 The enterprise development fund may be composed of money or assets
3 appropriated or transferred to the authority, interest on investments,
4 and loans of the fund and any other money deposited in it by the
5 authority.

6 (b) The authority shall establish within the enterprise develop-
7 ment fund a loan insurance account, a direct loan account, a loan
8 interest reduction account and other accounts it considers appropriate.
9 All amounts within the enterprise development fund must be held and
10 invested by the authority in investments authorized under AS 37.10.-
11 070(a)(1)-(6) or as may be authorized in agreements with bondholders
12 respecting amounts in the loan insurance account, the direct loan
13 account, and other accounts the authority may establish.

14 Sec. 44.61.157. LOAN INSURANCE ACCOUNT. (a) The purpose of the
15 loan insurance account is to provide insurance of mortgage loans and
16 other loans made or purchased by the authority, or made by others and
17 approved for insurance by the authority, for any project. The author-
18 ity may enter into agreements as to the use of money in the loan
19 insurance account and may pledge, assign, or grant interests in the
20 loan insurance account as provided in this section. The authority may
21 adopt regulations and enter into agreements with respect to the exer-
22 cise of any power or approval relating to the loan insurance account
23 under this section, including, without limitation, agreements as to
24 the use of money in the loan insurance account, agreements with respect
25 to the terms and conditions upon which payments from the loan insurance
26 account must be made with respect to a loan insured under this section,
27 agreements as to separate subaccounts in the account for different
28 categories of loans or with respect to loans made by the authority or
29 any other person, and agreements regarding the payment of and security

1 for bonds issued by the authority. Any agreement, any of the rights
2 of the authority under an agreement, or any payments received or to be
3 received under the agreement may be pledged or assigned by the author-
4 ity for the benefit of the holders of bonds issued by the authority.

5 (b) The authority may, upon application of a proposed borrower,
6 insure and make advance commitments to insure loan repayments required
7 under the terms of any loan made by it or by another lender with
8 respect to a project, upon the terms and conditions the authority pre-
9 scribes. To be eligible for insurance under this chapter, a loan for
10 a project must:

11 (1) be one which is held by the authority or by a lender
12 approved by the authority as responsible and able to service the loan;

13 (2) involve principal not to exceed \$10,000,000 for any one
14 project and not to exceed 90 percent of the cost or appraised value of
15 the project, whichever is less;

16 (3) have a maturity satisfactory to the authority but in no
17 case later than three-quarters of the authority's estimate of the life
18 of the project or 25 years from the date of issuance of the insurance,
19 whichever is earlier;

20 (4) contain complete amortization provisions satisfactory
21 to the authority requiring periodic payments by the borrower; and

22 (5) be in the form and contain the terms and provisions
23 with respect to insurance, repairs, alterations, payment of taxes and
24 assessments, default reserves, delinquency charges, default remedies,
25 acceleration of maturity, additional and secondary liens, and other
26 matters that the authority prescribes.

27 (c) In addition to any other fees and charges which the authority
28 may charge on loans, the authority may collect or cause to be collected
29 on all loans insured under this section, either a loan insurance

1 commitment fee or a loan insurance premium or both. The loan insurance
2 fee and loan insurance premium need not be uniform among the various
3 loans insured. The loan insurance commitment fees and loan insurance
4 premiums when received must be deposited in the insurance account by
5 the loan servicer, trustee, or agent designated by the authority to
6 receive them.

7 (d) If, at any time after receipt by the authority of a payment
8 from the loan insurance account with respect to a loan, a portion of
9 the principal and interest, or other amounts payable on a loan, the
10 authority recovers an amount on the loan or portion of it from any
11 source other than the loan insurance account, the authority shall
12 apply the amount recovered in the following order: first to repay the
13 general fund of the state to the extent of any appropriations made
14 under (g) of this section, and second, to repay the loan insurance
15 account.

16 (e) Loans may be insured only when the amount either in the
17 loan insurance account insuring the loans or a subaccount in the loan
18 insurance account insuring the loans, as a percentage of the sum of
19 all loans to be insured and all unpaid principal on loans insured by
20 the loan insurance account or the subaccount, equals or exceeds the
21 fund requirement. The fund requirement is calculated as a percentage
22 which the authority determines is actuarially sound for operation of
23 the loan account or a subaccount.

24 (f) When the authority determines what is "actuarially sound"
25 with respect to the operation of the loan insurance account or a sub-
26 account in the loan insurance account, it shall consider means of pro-
27 viding sufficient revenue for the operation of the account or sub-
28 account, without regard to amounts which may have been or may, after
29 the date of determination of actuarial soundness, be appropriated

1 under (g) of this section. It shall also consider factors which must
2 include, without limitation, estimates of future defaults and losses
3 of loans insured under this section based on actual default and loss
4 experience on those loans or on similar loans in Alaska or elsewhere,
5 estimates of recoveries on defaulted or foreclosed loans based on that
6 experience, the terms and conditions of the loans insured under this
7 section, estimates of earnings and income of amounts on deposit in the
8 loan insurance account, and other appropriate factors.

9 (g) On December 1 of each year the authority shall ascertain the
10 amount on deposit in the loan insurance account and in each subaccount
11 in the loan insurance account. If the amount in the loan insurance
12 account or the amount in any subaccount in the account is less than
13 the fund requirement for the account or for the subaccount, the author-
14 ity shall transfer the amount necessary to restore the subaccount or
15 the loan insurance account to the fund requirement from any available
16 funds which are not encumbered or restricted for other use under the
17 terms of contracts with bondholders or others. If sufficient money is
18 not available for transfer, the chairman of the authority shall, no
19 later than January 2 of the following year, certify in writing to the
20 governor and to the legislature the amount, if any, required to
21 restore the account or a subaccount to the fund requirement. The
22 legislature may appropriate the amount and the authority shall deposit
23 in the account or proper subaccount all amounts appropriated by the
24 legislature during the then current state fiscal year. Nothing in
25 this subsection creates a debt or liability of the state.

26 (h) A contract of insurance executed by the authority under this
27 section is conclusive evidence of eligibility for the insurance. The
28 validity of a contract of insurance executed by the authority or of an
29 advance commitment to insure is incontestable from the date of the

1 execution of the contract or commitment, except for fraud or misrepresenta-
2 tion on the part of the insured or, as to commitments to insure,
3 noncompliance with the terms of the advance commitment or authority
4 regulations in force at the time of issuance of the advance commitment.

5 (i) In this section:

6 (1) "loan insurance commitment fee" means a fee of such
7 percent of the principal amount of a loan to be insured under this
8 section as the authority determines is actuarially sound for the
9 operation of the loan insurance account;

10 (2) "loan insurance premium" means an annual insurance
11 premium of such percent of the portion of the unpaid principal amount
12 of a loan insured under this section as the authority determines is
13 actuarially sound for the operation of the loan insurance account or
14 any subaccount.

15 Sec. 44.61.158. DIRECT LOAN ACCOUNT. (a) The purpose of the
16 direct loan account is to provide money for making loans, or pur-
17 chasing loans made by others, to a business enterprise to pay the cost
18 of a project as defined in AS 44.61.220 which is not eligible to be
19 funded with the proceeds of bonds of the authority the interest on
20 which is exempt from federal income tax. No loan made or purchased
21 with amounts in the account to a business enterprise for a single
22 project may exceed \$500,000.

23 (b) The interest rate on loans made or purchased from amounts in
24 the direct loan account must be equal to (1) the yield on 10-year
25 United States Treasury bonds rounded to the nearest one-eighth of one
26 percent, as reported as of the last day of the month immediately
27 preceding the date of commitment to make or purchase the loan, or (2)
28 the interest rate which the authority estimates would be payable on
29 bonds issued to provide amounts to make the loans.

1 (c) A loan for a project made or purchased from amounts in the
2 direct loan account must:

3 (1) involve principal which does not exceed 90 per cent of
4 the cost or 90 per cent of the appraised value of the project, which-
5 ever is less;

6 (2) have a maturity satisfactory to the authority but in no
7 case later than three-quarters of the authority's estimate of the life
8 of the project or 25 years from the date of the loan, whichever is
9 earlier;

10 (3) contain complete amortization provisions satisfactory
11 to the authority requiring periodic payments by the borrower;

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

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

21 (d) The authority may adopt regulations for the administration
22 of the direct loan account which may include, without limitation, pro-
23 visions for fees and agreements relating to application, loan commit-
24 ment, servicing, and origination of loans directly or by other lenders.

25 (e) The authority may enter into agreements as to the use of the
26 money in the direct loan account, including without limitation, trust
27 or custody arrangements with banks or trust companies. It may also
28 pledge, assign, or grant the agreement, interests under an agreement,
29 or interests in the direct loan account as may be necessary or appro-

1 priate to provide for payment and security for bonds of the authority.

2 Sec. 44.61.159. LOAN INTEREST REDUCTION ACCOUNT. (a) The pur-
3 pose of the loan interest reduction account is to provide for interest
4 rate reductions to borrowers on loans made or purchased from amounts
5 in the direct loan account, loans made by others and insured under AS
6 44.61.157. and loans made by the authority from the proceeds of bonds
7 of the authority the interest on which is not exempt from federal
8 income tax.

9 (b) The authority shall fix an interest rate reduction from time
10 to time in an amount such that the interest rate on a loan to a state
11 veteran does not exceed nine and one-quarter per cent a year and the
12 interest rate on a loan to any other borrower does not exceed nine and
13 one-half per cent a year, or another amount or percentage the legisla-
14 ture may fix. The interest rate reduction account may be funded only
15 from appropriations by the legislature. In this section, "state
16 veteran" means a veteran eligible for a loan under AS 26.15.

17 (c) When the authority determines the amount of the interest
18 reduction on a loan eligible for interest rate reduction under this
19 section, it shall calculate the total amount of the interest reduction
20 over the scheduled term of the loan, together with the total amount of
21 servicing fees estimated to be payable over the scheduled term of the
22 loan. To the extent investments are available, the authority shall
23 invest an amount held in the interest reduction account in investments
24 earning interest payable or yielding amounts at the times and in the
25 amounts which together with the principal of the investments and cash
26 held will be sufficient to pay the interest reduction and servicing
27 fees as they become due. The authority shall set aside the investments
28 and cash held irrevocably in trust or otherwise for the purpose of
29 paying the interest reduction and servicing fees. The statement of

1 the authority on the instrument evidencing the loan that the amount of
2 the interest reduction is payable from the interest reduction account
3 constitutes the obligation of the authority to pay that amount accord-
4 ing to the terms of the statement from the interest reduction account
5 and is conclusive evidence that the amount of the interest reduction
6 is so payable. Interest reductions may be paid only from the interest
7 reduction account. The authority may enter into agreements as to the
8 use of money in the interest reduction account, including, without
9 limitation, trust or custody agreements with banks or trust companies,
10 and may pledge, assign, or grant the agreement, interests under the
11 agreement, and interests in the interest reduction account to provide
12 for timely payments of the amounts of the interest reduction and ser-
13 vicing fees as may be necessary or appropriate to provide for the
14 payment of and security for bonds of the authority.

15 * Sec. 8. AS 44.61.160 is amended to read:

16 Sec. 44.61.160. FINDINGS OF THE AUTHORITY. Before entering into
17 a lease or other agreement as provided in AS 44.61.090(e) regarding a
18 project for which bonds are agreed to be issued by the authority in an
19 amount in excess of \$3,000,000, or before approving insurance or a
20 commitment to insure a loan as provided in AS 44.61.157(b) with a
21 principal amount in excess of \$3,000,000, [AS MENTIONED IN SEC. 90(e)
22 OF THIS CHAPTER] there must have been filed with the authority a
23 certified copy of a resolution of the governing body of the political
24 subdivision of the state, if any, in which the project is to be located,
25 consenting to the location (which consent need only refer to the
26 general nature of the project ultimately to be acquired as set out in
27 a request of the proposed project occupant), and the authority must
28 find, on the basis of all information reasonably available to it, that

29 (1) the project and its development under this chapter will

1 be economically advantageous to the state and the general public
2 welfare and will contribute to the economic growth of the state;

3 (2) the project occupant is financially responsible; and

4 (3) provision to meet increased demand upon public facili-
5 ties that might result from the project is reasonably assured.

6 * Sec. 9. AS 44.61.220 is amended to read:

7 Sec. 44.61.220. DEFINITIONS. In this chapter

8 (1) "authority" means the Alaska Industrial Development
9 Authority created by this chapter;

10 (2) "business enterprise" means a corporation, firm, partner-
11 ship or other association of persons organized in any manner, or a
12 single proprietorship;

13 (3) "federal agency" means the United States and any officer,
14 department, agency or instrumentality of the United States;

15 (4) "governing body of a political subdivision" means, when
16 used with respect to the location of a project, the council of a city
17 if the project is to be located in a city in the unorganized borough,
18 or the [BOROUGH] assembly if the project is to be located in an
19 organized borough or a unified municipality;

20 (5) "project" ["INDUSTRIAL PLANT" OR "MANUFACTURING PLANT"]
21 means a plant or facility used or intended for use in connection with
22 making, processing, preparing or producing in any manner, goods,
23 products or substances of any kind or nature or in connection with
24 developing or utilizing a natural resource, or extracting, smelting,
25 transporting, converting, assembling or producing in any manner,
26 minerals, raw materials, chemicals, compounds, alloys, fibers, commodi-
27 ties and materials, products or substances of any kind or nature, any
28 plant or facility used or intended for use in connection with air and
29 water transportation, mass commuting facilities and parking facilities.

1 or any plant or facility for the prevention, limitation or control of
2 air or water pollution, for the disposal of sewage or solid waste,
3 [OR] for the local furnishing of electric energy or gas, or for fur-
4 nishing water, if available on demand to members of the general public,
5 industrial parks and any other business or commercial plant or facility
6 including, but not limited to, a plant or facility used in connection
7 with commercial agriculture, on-shore and off-shore fish harvesting
8 and processing, mining, tourism, warehouse, transportation, and
9 research and development enterprises; "project" does not mean residen-
10 tial housing but includes child care facilities and residential care
11 facilities;

12 (6) "plant" or "facility" means real property, whether
13 above or below mean high water, or an interest in it, and the buildings,
14 improvements and structures constructed or to be constructed on or in
15 it, [WHETHER ABOVE, AT OR BELOW GROUND OR WATER LEVEL,] and may include
16 fixtures, machinery, and equipment on it, and any tangible personal
17 property, whether or not the tangible personal property is attached to
18 or connected with real property, except work in process or stock in
19 trade, if the owner has agreed not to remove the tangible personal
20 property permanently from the state for the period the authority sets;
21 "plant" or "facility" does not include work in process or stock in
22 trade;

23 [(7) "PROJECT" MEANS A MANUFACTURING OR INDUSTRIAL PLANT OR
24 PLANTS, THE CONSTRUCTION OR ACQUISITION OF WHICH IS TO BE FINANCED IN
25 WHOLE OR IN PART BY THE AUTHORITY UNDER THIS CHAPTER;]

26 (8) "project cost" or "cost of a project" means all or any
27 part of the aggregate costs determined by the authority to be necessary
28 to finance the construction or acquisition of a project, including
29 without limitation the cost of acquiring real or tangible personal

1 property, and, in connection with real property, the cost of construc-
2 ting buildings and improvements, the cost of constructing means of
3 access to and from the project, the cost of constructing extensions of
4 utility systems to the site of the project; the cost of a project
5 includes, without limitation, the cost of financing the project,
6 [INCLUDING, WITHOUT LIMITATION,] interest charges before, during or
7 after construction or acquisition of the project, costs related to the
8 determination of the feasibility, planning, design or engineering of
9 the project and, to the extent determined necessary by the authority,
10 administrative expenses, the cost of machinery or equipment to be used
11 in the operation of the project and expenses of installation, replace-
12 ment or rehabilitation, and all other costs, charges, fees and expenses
13 which may be determined by the authority to be necessary to finance
14 the construction or acquisition;

15 (9) "project occupant" means a business enterprise or
16 enterprises proposing to use or [AND] occupy a project;

17 (10) "real property" means land and rights and interests in
18 land, including, without limitation, interests less than full title
19 such as easements, uses, leases, and licenses;

20 (11) "lease" includes, when used as a noun, an interest in,
21 or when used as a verb, the transfer of an interest in, [REAL] property
22 less than fee simple title, including, without limitation, when used
23 as a noun, agreements to use or occupy [REAL] property.

24 * Sec. 10. After July 1, 1981

25 (1) no further loans may be made under AS 16.10.310 and
26 320(a) except for loans authorized under AS 16.10.333 pursuant to AS 16.10.-
27 310 and 320(a); and

28 (2) no further loans may be made under AS 44.33.245, AS
29 45.90.020, AS 45.95.020 and AS 26.15.040(3).

1 * Sec. 11. AS 44.61.030(b) and (c) are repealed.

2 * Sec. 12. This Act takes effect July 1, 1980.

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STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S - JUNEAU 99811

March 11, 1980

The Honorable Russ Meekins
Chairman
House Finance Committee
Room 507 - Capitol Building
Juneau, Alaska 99811

Dear Mr. Meekins:

Re: CS for House Bill No. 561

CS for House Bill No. 561, an Act providing for the issuance of general obligation bonds in the amount of \$60,035,900 for the purpose of paying the cost of capital improvements for educational and library facilities, was referred on February 22, 1980 by the House Health, Education and Social Services Committee to the House Finance Committee.

The State's Bond Counsel has advised that general obligation bonds of the State and nearly all other states and local government bonds are issued in the denomination of \$5,000, the standard unit.

Using CS for House Bill No. 561 as an example, according to the Bond Counsel, this would result in issuing less than the total amount of bonds authorized or in issuing one odd bond in the denomination of \$900 along with 12,007 bonds in the usual denomination of \$5,000. Issuing a bond in an odd denomination requires the printing of one bond with all of its special interest coupons and causes problems in closing and in sales by bond buyers.

Consequently, it is respectfully recommended that your Committee round off the principle amount of the proposed bond issue to the nearest \$5,000 and make an adjustment of one of the projects enumerated in the bill to conform with new total authorization.

Sincerely,



R. D. Stevenson
Special Assistant

cc: Thomas K. Williams
Commissioner of Revenue
Secretary, State Bond Committee

Eric E. Wohlforth, Attorney
Wohlforth and Flint
Anchorage, Alaska

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Hon. Russ Meekins
Chairman
House Finance Committee

DATE: February 4, 1980

FROM: Milt Barker
Fiscal Analyst

SUBJ: HB 661, Fiscal Note

The current fiscal note for HB 661 leaves the existing Division of Business Loans in the Department of Commerce and Economic Development intact for FY 81 because of non-business loans (historical district, child care, etc.) remaining with the division and the delay in repeal of their business loan authority until July 1, 1981 for transitional purposes.

Yet, the fiscal note for AIDA staffing is for a full year. AIDA staff are modeled on state classified service but will not be classified service the way the bill now stands.

MB:kw

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 661

Title An act relating to the Alaska Industrial Development Authority

Requested by Governor Hammond Date 2-1-80

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development

Program Category Affected Development

BRU, Program, or Subprogram(s) Affected Alaska Industrial Development Authority

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		736.5	810.2	891.3	980.3	1,078.3
200 TRAVEL		40.0	44.0	48.4	53.2	58.5
300 CONTRACTUAL		234.5	257.9	283.7	312.1	343.3
400 COMMODITIES		10.0	11.0	12.1	13.3	14.6
500 EQUIPMENT		34.0	2.0	2.0	3.0	3.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Capitalization (3)						
TOTAL		1,055.0	1,125.1	1,237.5	1,361.9	1,497.7

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Program Receipts		1,055.0	1,125.1	1,237.5	1,361.9	1,497.7
(Revolving Loan Program)						

POSITIONS

		23	25	27	29	32
FULL TIME						
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

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

Assumptions:

1. 10% inflation rate applied through FY85
2. Located in Anchorage.
3. Assumes appropriation of current portfolio.

IV. DATE 2-1-80

PREPARED BY Bert Wagon, Deputy Commissioner

AGENCY Commerce & Economic Development

PHONE 465-2500

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

CATEGORY: DEVELOPMENT

AGENCY: COMMERCE AND ECONOMIC DEVELOPMENT

PROGRAM: ECONOMIC DEVELOPMENT

BRU (s): BUSINESS LOANS

The Business Loans BRU provides Alaskan businesses and residents with long term, low interest financing which is usually not available from private lending institutions. Specific loan programs include:

Small Business Loans These loans are generally too risky or too small to interest private lending institutions.

Commercial Fishing Loans provide commercial fishermen with capital for purchase or upgrade of vessels needed to remain competitive. Due to high risk and unpredictable fish seasons, local banks have been reluctant to make these loans.

Tourism Loans provide capital for the expansion of tourist facilities.

Fisheries Enhancement Loans provide long-term, low interest loans for hatchery planning and construction, in support of private ownership of hatcheries by qualified nonprofit corporations.

Child Care Facilities Loans provide financing for the development of licensed child care facilities which helps stabilize that portion of the work force dependent on these services.

Water Resources Loans provide funds for hydroelectric and water supply projects. With the exception of certain previously conceived projects, this program has been replaced by the Power Project Loan Fund.

Historical Districts The intent of these loans is to foster an awareness of the need to preserve our historical past.

Residential Care Facilities provides residential care facilities with financing needed for renovation or equipment needed to comply with licensing standards. Loans are often not available from private lending institutions.

Alternative Technology and Power Resource Loans This loan fund assists in the development of energy production utilizing sources other than fossil fuel.

The Division has decentralized it's operations with the opening of offices in Anchorage and Fairbanks. As a result, the number of applicants has doubled. This outreach effort will continue in FY 81.

COMPONENT DESCRIPTION	79 AUTH	79 FINAL	79 ACT	80 AUTH	80 SUPL	80 RP	GOVERNOR
LOAN FUND ADM	882.6	916.8	836.6	860.4			916.5
** TOTAL	882.6	916.8	836.6	860.4			916.5
** CHANGE VERSUS 80 AUTH							6.5%
OBJECT DESCRIPTION							
PERS. SERV.	646.9	675.2	652.9	675.7			712.8
TRAVEL	121.0	121.0	42.5	90.8			70.9
CONTRACTUAL	71.0	76.9	90.7	60.4			90.7
COMMODITIES	7.0	7.0	6.9	6.0			7.5
EQUIPMENT	13.3	13.3	10.2				
LANDS/BLDGS	23.4	23.4	33.4	27.5			34.6
FUNDING SOURCE							
GENERAL FUND	882.6	916.8	836.6	860.4			916.5
** GENERAL FUND CHANGE VS. 80 AUTH							6.5%
POSITIONS							
FULL-TIME	23.0	23.0	23.0	23.0			23.0
STAFF MONTHS	276.0	276.0	276.0	276.0			276.0

Personal Services

Gross Salary (23 positions)		\$541,272	661
Benefits			
Standard	\$82,760		
FICA	35,995		
Health Insurance	35,052	<u>153,807</u>	
total		\$695,079	
Salary Increases		\$411,400	<u>\$736.5</u>

Travel

40.0

Contractual Services

Telephone, telegraph, postage		52.0	
Printing of application packets, foreclosure notices, ads for sales of repossessed property, printing of document forms, central duplicating		6.0	
Anchorage office space, 3,500 sq. ft. @ \$1.25 @ 1,456/mo. including janitorial, utilities		65.0	
Office machine service contracts and un- scheduled maintenance		1.8	
Xerox photocopier, Anchorage @\$250/mo. rent		3.4	
Attorney's fees on foreclosure; credit reports, Coast Guard fees		20.0	
Postage meter, \$40.25 per quarter		.2	
Car lease, Anchorage, \$195/mo.		2.3	
Mag Card		4.8	
Mini Computer		4.0	
Computer Programming		50.0	
Computer Monthly Processing		<u>25.0</u>	<u>\$234.5</u>

PERSONAL SERVICES

DIVISION DIRECTOR	26-A	3,617	43,404
DEPUTY DIRECTOR BUSINESS LOANS	22-A	2,794	33,528
REGIONAL LOAN MANAGER	20-D	2,695	32,340
REGIONAL LOAN MANAGER	20-C	2,598	31,176
LOAN EXAMINER III	19-C	2,532	30,384
LOAN EXAMINER III	19-B	2,325	27,900
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LOAN EXAMINER III	19-A	2,355	28,260
LOAN EXAMINER III	19-B	2,830	33,960
LOAN EXAMINER I	17-A	1,820	21,840
ACCOUNTING TECH III	16-A	1,888	22,656
LOAN EXAMINER I	15-A	1,751	21,012
ACCOUNTING TECH I	12-B	1,471	17,652
LOAN CLOSER II	12-E	1,629	19,548
DOCUMENTS PROCESSING CLERK III	10-B	1,297	15,564
ADMINISTRATIVE SP. TEC III	10-F	1,471	17,652
LOAN CLOSER I	10-B	1,297	15,564
LOAN CLOSER I	10-B	1,297	15,564
ACCOUNTING CLERK II	09-D	1,297	15,564
CLERK TYPIST III	08-A	1,108	13,296
CLERK TYPIST III	08-C	1,339	16,068
ADMINISTRATIVE SP TEC I	06-A	985	11,820

Commodities

Office Supplies

10.0

Equipment

34.0

Desks 23 x	387.70	\$8,917.10	
Chairs 15 x	118.22	1,773.30	
Chairs x	155.11	1,240.88	
Typewriter 6 x	902.48	5,414.88	
Calculators 18 x	240.32	4,325.76	
File Cabinet 10 x	222.02	2,220.20	
Credenas	309.80	4,956.80	
Dictation 4 x	511.35	2,045.40	
Transcriber	511.35	1,022.70	
Conference table 1 x	173.55	173.55	
Side Chair 10 x	76.46	764.60	
book cases 10 x	90.04	900.40	
Misc. 23 x	100.00	100.00	
Storage cabinet	162.03	162.03	
			<u>\$34,017.60</u>

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

TO: Hon. Russ Meekins
Chairman
House Finance Committee

DATE: February 4, 1980

FROM: Milt Barker
Fiscal Analyst

SUBJ: HB 661, Fiscal Note

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MB: kw

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 661
 Title An act relating to the Alaska Industrial Development Authority
 Requested by Governor Hammond Date 2-1-80

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Alaska Industrial Development Authority
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

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(Revolving Loan Program)						

POSITIONS

FULL TIME		23	25	27	29	32
PART TIME		0	0	0	0	0
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III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Assumptions:

1. 10% inflation rate applied through FY85
2. Located in Anchorage.
3. Assumes appropriation of current portfolio.

IV. DATE 2-1-80 PREPARED BY Bert Wagoner, Deputy Commissioner
 AGENCY Commerce & Economic Development
 Original: Legislative Finance PHONE 465-2500
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

CATEGORY: DEVELOPMENT

AGENCY: COMMERCE AND ECONOMIC DEVELOPMENT

PROGRAM: ECONOMIC DEVELOPMENT

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ACCOUNTING CLERK II	09-D	1,297	15,564
CLERK TYPIST III	08-A	1,108	13,296
CLERK TYPIST III	08-C	1,339	16,068
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Commodities

Office Supplies

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Equipment

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Misc. 23 x	100.00	100.00	
Storage cabinet	162.03	162.03	
			<u>\$34,017.60</u>

letter
9 note

Introduced: 2/1/80
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 661

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 39.25.110 is amended by adding a new paragraph to read:

10 (22) the executive director and other employees of the
11 Alaska Industrial Development Authority.

12 * Sec. 2. AS 44.61.010 is amended to read;

13 Sec. 44.61.010. LEGISLATIVE FINDING AND POLICY. (a) The legisla-
14 ture finds, determines and declares that

15 (1) there exist areas of the state in which seasonal and
16 nonseasonal unemployment exist;

17 (2) this unemployment is a serious menace to the health,
18 safety and general welfare, not only to the people in those areas, but
19 also to the people of the entire state;

20 (3) the state lacks the basic manufacturing, [AND] indus-
21 trial, and other business enterprises necessary to permit adequate
22 development of its natural resources and the balanced growth of its
23 economy;

24 (4) the establishment of industrial, [AND] manufacturing,
25 and other business enterprises [PLANTS] in Alaska, including facili-
26 ties for air and water transportation, mass commuting facilities,
27 parking facilities, pollution control and waste disposal facilities,
28 [AND] facilities for the local furnishing of electric energy or gas,
29 facilities for the furnishing of water, if available on demand to

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1 members of the general public, industrial parks and commercial agri-
2 culture, tourism, mining, on-shore and off-shore fish harvesting and
3 processing, and other trade or service facilities is essential to the
4 development of the natural resources and the long term economic growth
5 of the state, and will directly and indirectly alleviate unemployment
6 in the state;

7 (5) the achievement of the goal of full employment, and of
8 establishment and continuing operation and development of industrial,
9 [AND] manufacturing, and other business enterprises [PLANTS] in the
10 state, including facilities for air and water transportation, mass
11 commuting facilities, parking facilities, pollution control and waste
12 disposal facilities, [AND] facilities for the local furnishing of
13 electric energy or gas, facilities for the furnishing of water, if
14 available on demand to members of the general public, industrial parks
15 and commercial agriculture, tourism, mining, on-shore and off-shore
16 fish harvesting and processing and other trade or service facilities
17 will be accelerated and facilitated by the creation of an instrumen-
18 tality of the state with powers to incur debt and to make and insure
19 loans to finance, and to assist private lenders to make loans to
20 finance, [FOR ACQUIRING OR CONSTRUCTING] industrial, [AND] manufactur-
21 ing, and other business enterprise projects [PLANTS], including facili-
22 ties for air and water transportation, mass commuting facilities,
23 parking facilities, pollution control and waste disposal facilities,
24 [AND] facilities for the local furnishing of electric energy or gas,
25 facilities for the furnishing of water, if available on demand to
26 members of the general public, industrial parks and commercial agri-
27 culture, tourism, mining, on-shore and off-shore fish harvesting and
28 processing, and other trade or service facilities for private operation
29 and thus provide financial assistance for the establishment, operation

1 and development of these projects [PLANTS ON A BASIS OFFSETTING IN
2 WHOLE OR IN PART THE CONSTRUCTION, MARKETING OR OTHER COSTS INVOLVED
3 IN THE PROJECTS].

4 (b) It is declared to be the policy of the state, in the in-
5 terests of promoting the health, security and general welfare of all
6 the people of the state, and a public purpose to increase job oppor-
7 tunities and otherwise to encourage the economic growth of the state,
8 including the development of its natural resources, through the
9 establishment of manufacturing, [AND] industrial, and other business
10 enterprises by creating the public corporation with power, duties and
11 functions as provided in this chapter.

12 * Sec. 3. AS 44.61.050(c) is amended to read:

13 (c) The authority may appoint persons as officers it considers
14 advisable, including an executive director [OR EXECUTIVE VICE-PRESI-
15 DENT], and may employ professional advisors, counsel, technical experts,
16 agents, and other employees it considers advisable. The executive
17 director and employees of the authority are in the exempt service
18 under AS 39.25.

19 * Sec. 4. AS 44.61.070 is amended to read;

20 Sec. 44.61.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity
22 and economic welfare of the people of Alaska, to relieve problems of
23 unemployment and to create additional employment by providing various
24 [A] means of financing or facilitating the financing of industrial,
25 [AND] manufacturing, and other business enterprises [PLANT] CONSTRUCTION,
26 CONVERSION OR EXPANSION] within the state [INCLUDING THE ACQUISITION
27 OF REAL PROPERTY, FOR LEASE OR SALE TO BUSINESS ENTERPRISES FOR INDUS-
28 TRIAL OR MANUFACTURING PURPOSES].

29 * Sec. 5. AS 44.61.080 is amended to read:

1 Sec. 44.61.080. POWERS OF THE AUTHORITY. In furtherance of its
2 corporate purposes, the authority has the following powers in addition
3 to its other powers:

4 (1) to sue and be sued;

5 (2) to have a seal and alter it at pleasure;

6 (3) to make and alter bylaws for its organization and
7 internal management;

8 (4) to adopt [MAKE RULES AND] regulations governing the
9 exercise of its corporate powers;

10 (5) to acquire interests for financing purposes in any pro-
11 ject, whether by [CONSTRUCTION,] purchase, gift or lease [, AND TO
12 IMPROVE AND EQUIP PROJECTS IN THE STATE];

13 (6) to lease to others a project acquired by it for the
14 rentals and upon the terms and conditions the authority may consider
15 advisable, including, without limitation, provisions for options to
16 purchase or renew;

17 (7) to issue bonds to pay the cost of [ACQUIRING BY CON-
18 STRUCTION, PURCHASE OR LEASE OR IMPROVING AND EQUIPPING] a project and
19 to secure payment of the bonds as provided in this chapter;

20 (8) to sell, by installment sale or otherwise, exchange,
21 donate, convey or encumber in any manner by mortgage or by creation of
22 any other security interest, real or personal property owned by it, or
23 in which it has an interest, including any project, when, in the
24 judgment of the authority, the action is in furtherance of its cor-
25 porate purposes;

26 (9) to make, purchase or insure loans to finance the costs
27 of manufacturing, industrial, or other business enterprise projects;

28 (10) to enter into loan agreements with others with respect
29 to one or more projects providing for payments and upon the terms and

1 conditions the authority considers advisable;

2 (11) to acquire, manage, and operate any project when it
3 becomes necessary or desirable to do so to safeguard the authority
4 from losses;

5 (12) to assist private lenders to make loans to finance the
6 costs of projects through loan commitments, short-term financing, or
7 otherwise;

8 (13) to accept gifts, grants, or loans from a federal
9 agency, from an agency or instrumentality of the state or a municipi-
10 pality, or from any other source;

11 (14) to enter into contracts or other transactions with a
12 federal agency, with an agency or instrumentality of the state or a
13 municipality, or with a private organization or other entity regarding
14 the exercise of any power under this chapter;

15 [(9) TO ACCEPT GIFTS, GRANTS OR LOANS FROM, AND ENTER INTO
16 CONTRACTS OR OTHER TRANSACTIONS REGARDING THEM, WITH A FEDERAL AGENCY
17 OR AN AGENCY OR INSTRUMENTALITY OF THE STATE, A MUNICIPALITY, PRIVATE
18 ORGANIZATION OR OTHER SOURCE;]

19 (15) [(10)] to deposit or invest its funds, subject to
20 agreements with bondholders;

21 (16) [(11)] to enter into contracts or agreements with
22 respect to the exercise of any of its powers, and do all things neces-
23 sary or convenient to carry out its corporate purposes and exercise
24 the powers granted in this chapter.

25 * Sec. 6. AS 44.61.100 is amended by adding new subsections to read:

26 (b) For the purpose of securing one or more issues of its bonds,
27 the authority may establish one or more special funds, called "capital
28 reserve funds," and shall pay into those capital reserve funds the
29 proceeds of the sale of its bonds and any other money which may be

1 made available to the authority for the purposes of those funds from
2 any other source. A capital reserve fund may be established only if
3 the authority determines that the establishment would enhance the
4 marketability of the bonds. All money held in a capital reserve fund,
5 except as provided in this section, may be used as required, only for
6 (1) the payment of the principal of, and interest on, bonds or of the
7 sinking fund payments with respect to those bonds; (2) the purchase or
8 redemption of the bonds; or (3) the payment of a redemption premium
9 required to be paid when the bonds are redeemed before maturity.
10 However, money in a fund may not be withdrawn if the amount of the
11 withdrawal would reduce the amount in the fund to less than the capital
12 reserve requirement, except for the purpose of making, with respect to
13 the bonds, payment, when due, of principal, interest, redemption
14 premiums, and sinking fund payments when other money of the authority
15 is not available for making the payments. Income or interest earned
16 by, or increment to, a capital reserve fund, from the investment of
17 all or part of the fund, may be transferred by the authority to other
18 funds or accounts of the authority if the transfer does not reduce the
19 amount of the capital reserve fund below the capital reserve fund
20 requirement.

21 (c) If the authority decides to issue bonds secured by a capital
22 reserve fund, the bonds may not be issued if the amount in the capital
23 reserve fund is less than the capital reserve fund requirement,
24 unless the authority, at the time of issuance of the bonds, deposits
25 in the capital reserve fund from the proceeds of the bonds to be
26 issued or from other sources, an amount which, together with the
27 amount then in the fund, will not be less than the capital reserve
28 fund requirement.

29 (d) In computing the amount of a capital reserve fund for the

1 purpose of this section, securities in which all or a portion of the
2 fund is invested must be valued by a reasonable method established by
3 the authority by resolution. Valuation on a particular date must
4 include the amount of any interest earned or accrued to that date.

5 (e) The chairman of the authority shall annually, no later than
6 January 2, certify in writing to the governor and the legislature the
7 amount, if any, required to restore any capital reserve fund to the
8 capital reserve fund requirement. The legislature may appropriate the
9 amount, and the authority shall deposit in the proper capital reserve
10 fund, all amounts appropriated during the then current fiscal year.
11 Nothing in this section creates a debt or liability of the state.

12 (f) When the authority has established a capital reserve fund,
13 the commissioner of revenue may lend surplus money in the general fund
14 to the authority for deposit in a capital reserve fund in an amount
15 equal to the capital reserve fund requirement. The loans may be made
16 on the terms and conditions agreed upon by the commissioner of revenue
17 and the authority, including, without limitation, terms and conditions
18 providing that the loans need not be repaid until the bonds of the
19 authority secured and to be secured by the capital reserve fund are no
20 longer outstanding.

21 (g) In this section, "capital reserve fund requirement" means
22 the amount required to be on deposit in the capital reserve fund as of
23 the date of computation as determined by resolution of the authority.

24 * Sec. 7. AS 44.61 is amended by adding new sections to read:

25 Sec. 44.61.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
26 established in the authority the "enterprise development fund." The
27 enterprise development fund must be completely segregated and set
28 apart from all other funds of the authority, and is a trust fund for
29 the uses and purposes of this section. Money may be paid into and out

1 of the enterprise development fund only as provided in this chapter.
2 The enterprise development fund may be composed of money or assets
3 appropriated or transferred to the authority, interest on investments,
4 and loans of the fund and any other money deposited in it by the
5 authority.

6 (b) The authority shall establish within the enterprise develop-
7 ment fund a loan insurance account, a direct loan account, a loan
8 interest reduction account and other accounts it considers appropriate.
9 All amounts within the enterprise development fund must be held and
10 invested by the authority in investments authorized under AS 37.10.-
11 070(a)(1)-(6) or as may be authorized in agreements with bondholders
12 respecting amounts in the loan insurance account, the direct loan
13 account, and other accounts the authority may establish.

14 Sec. 44.61.157. LOAN INSURANCE ACCOUNT. (a) The purpose of the
15 loan insurance account is to provide insurance of mortgage loans and
16 other loans made or purchased by the authority, or made by others and
17 approved for insurance by the authority, for any project. The author-
18 ity may enter into agreements as to the use of money in the loan
19 insurance account and may pledge, assign, or grant interests in the
20 loan insurance account as provided in this section. The authority may
21 adopt regulations and enter into agreements with respect to the exer-
22 cise of any power or approval relating to the loan insurance account
23 under this section, including, without limitation, agreements as to
24 the use of money in the loan insurance account, agreements with respect
25 to the terms and conditions upon which payments from the loan insurance
26 account must be made with respect to a loan insured under this section,
27 agreements as to separate subaccounts in the account for different
28 categories of loans or with respect to loans made by the authority or
29 any other person, and agreements regarding the payment of and security

1 for bonds issued by the authority. Any agreement, any of the rights
2 of the authority under an agreement, or any payments received or to be
3 received under the agreement may be pledged or assigned by the author-
4 ity for the benefit of the holders of bonds issued by the authority.

5 (b) The authority may, upon application of a proposed borrower,
6 insure and make advance commitments to insure loan repayments required
7 under the terms of any loan made by it or by another lender with
8 respect to a project, upon the terms and conditions the authority pre-
9 scribes. To be eligible for insurance under this chapter, a loan for
10 a project must:

11 (1) be one which is held by the authority or by a lender
12 approved by the authority as responsible and able to service the loan;

13 (2) involve principal not to exceed \$10,000,000 for any one
14 project and not to exceed 90 percent of the cost or appraised value of
15 the project, whichever is less;

16 (3) have a maturity satisfactory to the authority but in no
17 case later than three-quarters of the authority's estimate of the life
18 of the project or 25 years from the date of issuance of the insurance,
19 whichever is earlier;

20 (4) contain complete amortization provisions satisfactory
21 to the authority requiring periodic payments by the borrower; and

22 (5) be in the form and contain the terms and provisions
23 with respect to insurance, repairs, alterations, payment of taxes and
24 assessments, default reserves, delinquency charges, default remedies,
25 acceleration of maturity, additional and secondary liens, and other
26 matters that the authority prescribes.

27 (c) In addition to any other fees and charges which the authority
28 may charge on loans, the authority may collect or cause to be collected
29 on all loans insured under this section, either a loan insurance

1 commitment fee or a loan insurance premium or both. The loan insurance
2 fee and loan insurance premiums need not be uniform among the various
3 loans insured. The loan insurance commitment fees and loan insurance
4 premiums when received must be deposited in the insurance account by
5 the loan servicer, trustee, or agent designated by the authority to
6 receive them.

7 (d) If, at any time after receipt by the authority of a payment
8 from the loan insurance account with respect to a loan, a portion of
9 the principal and interest, or other amounts payable on a loan, the
10 authority recovers an amount on the loan or portion of it from any
11 source other than the loan insurance account, the authority shall
12 apply the amount recovered in the following order: first to repay the
13 general fund of the state to the extent of any appropriations made
14 under (g) of this section, and second, to repay the loan insurance
15 account.

16 (e) Loans may be insured only when the amount either in the
17 loan insurance account insuring the loans or a subaccount in the loan
18 insurance account insuring the loans, as a percentage of the sum of
19 all loans to be insured and all unpaid principal on loans insured by
20 the loan insurance account or the subaccount, equals or exceeds the
21 fund requirement. The fund requirement is calculated as a percentage
22 which the authority determines is actuarially sound for operation of
23 the loan account or a subaccount.

24 (f) When the authority determines what is "actuarially sound"
25 with respect to the operation of the loan insurance account or a sub-
26 account in the loan insurance account, it shall consider means of pro-
27 viding sufficient revenue for the operation of the account or sub-
28 account, without regard to amounts which may have been or may, after
29 the date of determination of actuarial soundness, be appropriated

1 under (g) of this section. It shall also consider factors which must
2 include, without limitation, estimates of future defaults and losses
3 of loans insured under this section based on actual default and loss
4 experience on those loans or on similar loans in Alaska or elsewhere,
5 estimates of recoveries on defaulted or foreclosed loans based on that
6 experience, the terms and conditions of the loans insured under this
7 section, estimates of earnings and income of amounts on deposit in the
8 loan insurance account, and other appropriate factors.

9 (g) On December 1 of each year the authority shall ascertain the
10 amount on deposit in the loan insurance account and in each subaccount
11 in the loan insurance account. If the amount in the loan insurance
12 account or the amount in any subaccount in the account is less than
13 the fund requirement for the account or for the subaccount, the author-
14 ity shall transfer the amount necessary to restore the subaccount or
15 the loan insurance account to the fund requirement from any available
16 funds which are not encumbered or restricted for other use under the
17 terms of contracts with bondholders or others. If sufficient money is
18 not available for transfer, the chairman of the authority shall, no
19 later than January 2 of the following year, certify in writing to the
20 governor and to the legislature the amount, if any, required to
21 restore the account or a subaccount to the fund requirement. The
22 legislature may appropriate the amount and the authority shall deposit
23 in the account or proper subaccount all amounts appropriated by the
24 legislature during the then current state fiscal year. Nothing in
25 this subsection creates a debt or liability of the state.

26 (h) A contract of insurance executed by the authority under this
27 section is conclusive evidence of eligibility for the insurance. The
28 validity of a contract of insurance executed by the authority or of an
29 advance commitment to insure is incontestable from the date of the

1 execution of the contract or commitment, except for fraud or misrepre-
2 sentation on the part of the insured or, as to commitment to insure,
3 noncompliance with the terms of the advance commitment or authority
4 regulations in force at the time of issuance of the advance commitment.

5 (i) In this section:

6 (1) "loan insurance commitment fee" means a fee of such
7 percent of the principal amount of a loan to be insured under this
8 section as the authority determines is actuarially sound for the
9 operation of the loan insurance account;

10 (2) "loan insurance premium" means an annual insurance
11 premium of such percent of the portion of the unpaid principal amount
12 of a loan insured under this section as the authority determines is
13 actuarially sound for the operation of the loan insurance account or
14 any subaccount.

15 Sec. 44.61.158. DIRECT LOAN ACCOUNT. (a) The purpose of the
16 direct loan account is to provide money for making loans, or pur-
17 chasing loans made by others, to a business enterprise to pay the cost
18 of a project as defined in AS 44.61.220 which is not eligible to be
19 funded with the proceeds of bonds of the authority the interest on
20 which is exempt from federal income tax. No loan made or purchased
21 with amounts in the account to a business enterprise for a single
22 project may exceed \$500,000.

23 (b) The interest rate on loans made or purchased from amounts in
24 the direct loan account must be equal to (1) the yield on 10-year
25 United States Treasury bonds rounded to the nearest one-eighth of one
26 percent, as reported as of the last day of the month immediately
27 preceding the date of commitment to make or purchase the loan, or (2)
28 the interest rate which the authority estimates would be payable on
29 bonds issued to provide amounts to make the loans.

1 (c) A loan for a project made or purchased from amounts in the
2 direct loan account must:

3 (1) involve principal which does not exceed 90 per cent of
4 the cost or 90 per cent of the appraised value of the project, which-
5 ever is less;

6 (2) have a maturity satisfactory to the authority but in no
7 case later than three-quarters of the authority's estimate of the life
8 of the project or 25 years from the date of the loan, whichever is
9 earlier;

10 (3) contain complete amortization provisions satisfactory
11 to the authority requiring periodic payments by the borrower;

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

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

21 (d) The authority may adopt regulations for the administration
22 of the direct loan account which may include, without limitation, pro-
23 visions for fees and agreements relating to application, loan commit-
24 ment, servicing, and origination of loans directly or by other lenders.

25 (e) The authority may enter into agreements as to the use of the
26 money in the direct loan account, including without limitation, trust
27 or custody arrangements with banks or trust companies. It may also
28 pledge, assign, or grant the agreement, interests under an agreement,
29 or interests in the direct loan account as may be necessary or appro-

1 puate to provide for payment and security for bonds of the authority.

2 Sec. 44.61.159. LOAN INTEREST REDUCTION ACCOUNT. (a) The pur-
3 pose of the loan interest reduction account is to provide for interest
4 rate reductions to borrowers on loans made or purchased from amounts
5 in the direct loan account, loans made by others and insured under AS
6 44.61.157. and loans made by the authority from the proceeds of bonds
7 of the authority the interest on which is not exempt from federal
8 income tax.

9 (b) The authority shall fix an interest rate reduction from time
10 to time in an amount such that the interest rate on a loan to a state
11 veteran does not exceed nine and one-quarter per cent a year and the
12 interest rate on a loan to any other borrower does not exceed nine and
13 one-half per cent a year, or another amount or percentage the legisla-
14 ture may fix. The interest rate reduction account may be funded only
15 from appropriations by the legislature. In this section, "state
16 veteran" means a veteran eligible for a loan under AS 26.15.

17 (c) When the authority determines the amount of the interest
18 reduction on a loan eligible for interest rate reduction under this
19 section, it shall calculate the total amount of the interest reduction
20 over the scheduled term of the loan, together with the total amount of
21 servicing fees estimated to be payable over the scheduled term of the
22 loan. To the extent investments are available, the authority shall
23 invest an amount held in the interest reduction account in investments
24 earning interest payable or yielding amounts at the times and in the
25 amounts which together with the principal of the investments and cash
26 held will be sufficient to pay the interest reduction and servicing
27 fees as they become due. The authority shall set aside the investments
28 and cash held irrevocably in trust or otherwise for the purpose of
29 paying the interest reduction and servicing fees. The statement of

1 the authority on the instrument evidencing the loan that the amount of
2 the interest reduction is payable from the interest reduction account
3 constitutes the obligation of the authority to pay that amount accord-
4 ing to the terms of the statement from the interest reduction account
5 and is conclusive evidence that the amount of the interest reduction
6 is so payable. Interest reductions may be paid only from the interest
7 reduction account. The authority may enter into agreements as to the
8 use of money in the interest reduction account, including, without
9 limitation, trust or custody agreements with banks or trust companies,
10 and may pledge, assign, or grant ~~the~~ agreement, interests under the
11 agreement, and interests in the interest reduction account to provide
12 for timely payments of the amounts of the interest reduction and ser-
13 vicing fees as may be necessary or appropriate to provide for the
14 payment of and security for bonds of the authority.

15 * Sec. 8. AS 44.61.160 is amended to read:

16 Sec. 44.61.160. FINDINGS OF THE AUTHORITY. Before entering into
17 a lease or other agreement as provided in AS 44.61.090(e) regarding a
18 project for which bonds are agreed to be issued by the authority in an
19 amount in excess of \$3,000,000, or before approving insurance or a
20 commitment to insure a loan as provided in AS 44.61.157(b) with a
21 principal amount in excess of \$3,000,000. [AS MENTIONED IN SEC. 90(e)
22 OF THIS CHAPTER] there must have been filed with the authority a
23 certified copy of a resolution of the governing body of the political
24 subdivision of the state, if any, in which the project is to be located,
25 consenting to the location (which consent need only refer to the
26 general nature of the project ultimately to be acquired as set out in
27 a request of the proposed project occupant), and the authority must
28 find, on the basis of all information reasonably available to it, that

29 (1) the project and its development under this chapter will

1 be economically advantageous to the state and the general public
2 welfare and will contribute to the economic growth of the state;

3 (2) the project occupant is financially responsible; and

4 (3) provision to meet increased demand upon public facili-
5 ties that might result from the project is reasonably assured.

6 * Sec. 9. AS 44.61.220 is amended to read:

7 Sec. 44.61.220. DEFINITIONS. In this chapter

8 (1) "authority" means the Alaska Industrial Development
9 Authority created by this chapter;

10 (2) "business enterprise" means a corporation, firm, partner-
11 ship or other association of persons organized in any manner, or a
12 single proprietorship;

13 (3) "federal agency" means the United States and any officer,
14 department, agency or instrumentality of the United States;

15 (4) "governing body of a political subdivision" means, when
16 used with respect to the location of a project, the council of a city
17 if the project is to be located in a city in the unorganized borough,
18 or the [BOROUGH] assembly if the project is to be located in an
19 organized borough or a unified municipality;

20 (5) "project" ["INDUSTRIAL PLANT" OR "MANUFACTURING PLANT"]
21 means a plant or facility used or intended for use in connection with
22 making, processing, preparing or producing in any manner, goods,
23 products or substances of any kind or nature or in connection with
24 developing or utilizing a natural resource, or extracting, smelting,
25 transporting, converting, assembling or producing in any manner,
26 minerals, raw materials, chemicals, compounds, alloys, fibers, commodi-
27 ties and materials, products or substances of any kind or nature, any
28 plant or facility used or intended for use in connection with air and
29 water transportation, mass commuting facilities and parking facilities,

1 or any plant or facility for the prevention, limitation or control of
2 air or water pollution, for the disposal of sewage or solid waste,
3 [OR] for the local furnishing of electric energy or gas, or for fur-
4 nishing water, if available on demand to members of the general public,
5 industrial parks and any other business or commercial plant or facility
6 including, but not limited to, a plant or facility used in connection
7 with commercial agriculture, on-shore and off-shore fish harvesting
8 and processing, mining, tourism, warehouse, transportation, and
9 research and development enterprises; "project" does not mean residen-
10 tial housing but includes child care facilities and residential care
11 facilities;

12 (6) "plant" or "facility" means real property, whether
13 above or below mean high water, or an interest in it, and the buildings,
14 improvements and structures constructed or to be constructed on or in
15 it, [WHETHER ABOVE, AT OR BELOW GROUND OR WATER LEVEL,] and may include
16 fixtures, machinery, and equipment on it, and any tangible personal
17 property, whether or not the tangible personal property is attached to
18 or connected with real property, except work in process or stock in
19 trade, if the owner has agreed not to remove the tangible personal
20 property permanently from the state for the period the authority sets;
21 "plant" or "facility" does not include work in process or stock in
22 trade;

23 [(7) "PROJECT" MEANS A MANUFACTURING OR INDUSTRIAL PLANT OR
24 PLANTS, THE CONSTRUCTION OR ACQUISITION OF WHICH IS TO BE FINANCED IN
25 WHOLE OR IN PART BY THE AUTHORITY UNDER THIS CHAPTER;]

26 (8) "project cost" or "cost of a project" means all or any
27 part of the aggregate costs determined by the authority to be necessary
28 to finance the construction or acquisition of a project, including
29 without limitation the cost of acquiring real or tangible personal

1 property, and, in connection with real property, the cost of construc-
2 ting buildings and improvements, the cost of constructing means of
3 access to and from the project, the cost of constructing extensions of
4 utility systems to the site of the project; the cost of a project
5 includes, without limitation, the cost of financing the project,
6 [INCLUDING, WITHOUT LIMITATION,] interest charges before, during or
7 after construction or acquisition of the project, costs related to the
8 determination of the feasibility, planning, design or engineering of
9 the project and, to the extent determined necessary by the authority,
10 administrative expenses, the cost of machinery or equipment to be used
11 in the operation of the project and expenses of installation, replace-
12 ment or rehabilitation, and all other costs, charges, fees and expenses
13 which may be determined by the authority to be necessary to finance
14 the construction or acquisition;

15 (9) "project occupant" means a business enterprise or
16 enterprises proposing to use or [AND] occupy a project;

17 (10) "real property" means land and rights and interests in
18 land, including, without limitation, interests less than full title
19 such as easements, uses, leases, and licenses;

20 (11) "lease" includes, when used as a noun, an interest in,
21 or when used as a verb, the transfer of an interest in, [REAL] property
22 less than fee simple title, including, without limitation, when used
23 as a noun, agreements to use or occupy [REAL] property.

24 * Sec. 10. After July 1, 1981

25 (1) no further loans may be made under AS 16.10.310 and
26 320(a) except for loans authorized under AS 16.10.333 pursuant to AS 16.10.-
27 310 and 320(a); and

28 (2) no further loans may be made under AS 44.33.245, AS
29 45.90.020, AS 45.95.020 and AS 26.15.040(3).

1 * Sec. 11. AS 44.61.030(b) and (c) are repealed.

2 * Sec. 12. This Act takes effect July 1, 1980.

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Commodities

Office Supplies

10.0

Equipment

34.0

Desks 23 x	387.70	\$8,917.10
Chairs 15 x	118.22	1,773.30
Chairs x	155.11	1,240.88
Typewriter 6 x	902.48	5,414.88
Calculators 18 x	240.32	4,325.76
File Cabinet 10 x	222.02	2,220.20
Credenas	309.80	4,956.80
Dictation 4 x	511.35	2,045.40
Transcriber	511.35	1,022.70
Conference table 1 x	173.55	173.55
Side Chair 10 x	76.46	764.60
Book cases 10 x	90.04	900.40
Misc. 23 x	100.00	100.00
Storage cabinet	162.03	162.03

\$34,017.60



HB 661
+
662

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 1, 1980

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills relating to the Alaska Industrial Development Authority. The longer bill contains amendments to expand the authority's powers and functions, and would consolidate in the authority many of the existing loan programs. The second bill transfers from the Department of Revenue to the authority small business and veterans loans totaling \$500,000,000 in unpaid principal balance and which have been purchased over the years by the Department of Revenue from the Department of Commerce and Economic Development.

The primary bill expands the powers and functions of the Alaska Industrial Development Authority by:

- (a) permitting the financing of a much broader range of business projects than is presently authorized by law, including the financing of certain types of personal property;
- (b) establishing a loan insurance account to make funds available to the authority for insuring loans either made or purchased by the authority for an authorized project;
- (c) creating a direct loan revolving account to centralize a majority of existing state business loan programs; and
- (d) creating an interest reduction account, funded by legislative appropriations, to provide for a reduced rate of interest on loans made from the

direct loan revolving account, on loans insured by the loan insurance account, and on loans made from taxable bonds issued by the authority.

In detail, the bill provides as follows:

1. The existing legislative finding and policy section (AS 44.61.010) is expanded to include additional tax exempt financing purposes such as mass commuting facilities and parking facilities and to include business enterprises such as agriculture, fishing, and tourism generally within the authority's financing powers.

2. AS 44.61.050(c) is amended to make it clear that the executive director and authority employees are in the exempt service, under the state personnel Act.

3. The powers of the authority are expanded in AS 44.61.080 to allow it to make or insure loans for business enterprise projects as well as to assist private lenders in making loans for those purposes. In addition, the authority would be allowed to own and manage a project, but only if it were necessary to do so to protect the security of a loan.

4. AS 44.61.100 is amended to allow the authority to establish a capital reserve fund to secure bonds issued by the authority. In the event the authority determines that the marketability of bonds would be enhanced by the establishment of a capital reserve fund, such a fund could be created with amounts capitalized from bond proceeds, borrowed from the Department of Revenue or derived from other sources.

5. AS 44.61.155 establishes an overall enterprise development fund. Within this fund, there would be established a loan insurance account, a direct loan account and a loan interest reduction account. Other accounts within the fund could also be established by the authority.

6. The loan insurance account established in AS 44.61.157 would allow the authority to insure mortgage loans made by the authority or by commercial lenders for any defined project. The terms of eligibility for insurance include the limitation of principal amount to \$10,000,000 and 90 per cent of the cost or appraised value, whichever is less, of the project and the limitation of three-quarters of the useful life of the project or 25 years from the date of insurance,

whichever is earlier. The authority could collect fees and charges with respect to the loans insured and would annually calculate whether the amount in the fund is actuarially sufficient for its purposes.

7. AS 44.61.158 creates the direct loan account. Loans to a business enterprise for any project from the account may not exceed \$500,000. The interest rate on those loans is fixed as the then current yield on ten-year treasury bonds. The limitations on loans are the same as for the insurance account.

8. AS 44.61.159 creates the loan interest reduction account. Interest rate reductions would be available for loans made from the direct loan account, loans insured by the loan insurance account, and loans made by the authority from the proceeds of bonds, the interest on which is not exempt from federal income tax. The interest rate reduction is fixed at an amount which provides a loan rate to state veterans of nine and one-quarter per cent and to other borrowers a loan rate of nine and one-half per cent. The legislature would annually fix the total amount of interest rate reductions to be made from the account for loans made that year. When the amount of the interest reduction is determined by the authority, investments which would produce the necessary amount to pay the interest reductions are put in trust. The amount of interest reduction payable from the account would be fixed in each loan instrument for the term of the loan.

9. AS 44.61.160 retains the necessary local governmental findings with respect to projects financed directly by the authority and with respect to loans insured by the authority in excess of \$3,000,000.

10. The definition of "project" in AS 44.61.220 would now include additional tax exempt projects permitted under the Internal Revenue Code, as well as other business enterprises, excluding residential housing except for child care and residential care facilities. The definition of "plant" in paragraph (6) includes not only real property but tangible personal property (except for work in process or stock in trade) if the owner agrees not to remove the property for a period of time determined by the authority.

11. Section 9 repeals the lending authority of the various loan funds as of July 1, 1981 in order to

permit an effective transition between the new functions of the Alaska Industrial Development Authority and the existing loan fund structure.

12. Section 10 of the bill would repeal AS 44.61.030(b) and (c). These provisions currently allow local government participation in certain proposed projects to be financed by the authority under existing statutes. At the present time those statutes permit the financing for the most part only of major industrial projects in which local governments should be involved. However, because this bill proposes that the authority now undertake many smaller loans now handled through the Department of Commerce and Economic Development, it does not seem feasible or desirable to provide for local government participation in these loan decisions. Instead, local consent would be required only as provided under AS 44.61.160, and then only for projects involving funds of the authority in excess of \$3,000,000.

The interest reduction account created in AS 44.61.159 will require an appropriation from the legislature. An appropriation bill to fund this aspect of the authority's proposed program will be submitted separately and at a later date.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 661
 Title An act relating to the Alaska Industrial Development Authority
 Requested by Governor Hammond Date 2-1-80

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
 Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Alaska Industrial Development Authority
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		736.5	810.2	891.3	980.3	1,078.3
200 TRAVEL		40.0	44.0	48.4	53.2	58.5
300 CONTRACTUAL		234.5	257.9	283.7	312.1	343.3
400 COMMODITIES		10.0	11.0	12.1	13.3	14.6
500 EQUIPMENT		34.0	2.0	2.0	3.0	3.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Capitalization (3)						
TOTAL		1,055.0	1,125.1	1,237.5	1,361.9	1,497.7

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
Program Receipts		1,055.0	1,125.1	1,237.5	1,361.9	1,497.7
(Revolving Loan Program)						

POSITIONS

FULL TIME		23	25	27	29	32
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

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

Assumptions:

1. 10% inflation rate applied through FY85
2. Located in Anchorage.
3. Assumes appropriation of current portfolio.

IV. DATE 2-1-80 PREPARED BY Bert Wagon, Deputy Commissioner
 AGENCY Commerce & Economic Development
 Original: Legislative Finance PHONE 465-2500
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

Personal Services

Gross Salary (23 positions)		\$541,272	661
Benefits			
Standard	\$82,760		
FICA	35,995		
Health Insurance	35,052	<u>153,807</u>	
total		\$695,079	
Salary Increases		\$411,400	<u>\$736.5</u>

Travel

40.0

Contractual Services

Telephone, telegraph, postage		52.0	
Printing of application packets, foreclosure notices, ads for sales of repossessed property, printing of document forms, central duplicating		6.0	
Anchorage office space, 3,500 sq. ft. @ \$1.25 @ 1,456/mo. including janitorial, utilities		65.0	
Office machine service contracts and un- scheduled maintenance		1.8	
Xerox photocopier, Anchorage @\$250/mo. rent		3.4	
Attorney's fees on foreclosure; credit reports, Coast Guard fees		20.0	
Postage meter, \$40.25 per quarter		.2	
Car lease, Anchorage, \$195/mo.		2.3	
Mag Card		4.8	
Mini Computer		4.0	
Computer Programming		50.0	
Computer Monthly Processing		<u>25.0</u>	<u>\$234.5</u>

PERSONAL SERVICES

DIVISION DIRECTOR	26-A	3,617	43,404
DEPUTY DIRECTOR BUSINESS LOANS	22-A	2,794	33,528
REGIONAL LOAN MANAGER	20-D	2,695	32,340
REGIONAL LOAN MANAGER	20-C	2,598	31,176
LOAN EXAMINER III	19-C	2,532	30,384
LOAN EXAMINER III	19-B	2,325	27,900
LOAN EXAMINER III	19-A	2,355	28,260
LOAN EXAMINER III	19-A	2,355	28,260
LOAN EXAMINER III	19-A	2,355	28,260
LOAN EXAMINER III	19-B	2,830	33,960
LOAN EXAMINER I	17-A	1,820	21,840
ACCOUNTING TECH III	16-A	1,888	22,656
LOAN EXAMINER I	15-A	1,751	21,012
ACCOUNTING TECH I	12-B	1,471	17,652
LOAN CLOSER II	12-E	1,629	19,548
DOCUMENTS PROCESSING CLERK III	10-B	1,297	15,564
ADMINISTRATIVE SP. TEC III	10-F	1,471	17,652
LOAN CLOSER I	10-B	1,297	15,564
LOAN CLOSER I	10-B	1,297	15,564
ACCOUNTING CLERK II	09-D	1,297	15,564
CLERK TYPIST III	08-A	1,108	13,296
CLERK TYPIST III	08-C	1,339	16,068
ADMINISTRATIVE SP TEC I	06-A	985	11,820

ALASKA STATE LEGISLATURE

ELEVENTH Legislature . . . SECOND Session

HOUSE . . . BILL NO. 661 . . .

By . . . THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

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

Alaska Industrial Development Authority

Introduced in the House . . . 2/1 . . . , 19 . . . 80

HISTORY IN THE HOUSE

1980	Read first time and referred to Committee on												
Feb. 1	Finance												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
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PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by Speaker												
	Sent to Senate												
CHIEF CLERK OF THE HOUSE													

HISTORY IN THE SENATE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused		
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Reconsideration													
PASS	Effective Date												
Yeas	Yeas												
Nays	Nays												
Absent	Absent												
Excused	Excused												
	Reported correctly engrossed												
	Signed by President												
	Returned to House												
SECRETARY OF THE SENATE													

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.