

LEG. FINANCE - BILLS 1979 - 1980 1211

CSHB 1022 thru HB 1029



RECORDS CERTIFICATION

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

James O. Smith
Signature of Camera Operator

3/20/90
Date

COMMITTEE REPORT
SENATE

FURTHER: None

5/26/80

Date: 5-26-80

Mr. President:

The Committee on FINANCE has had CSHB 1022
granting authority to the Alaska Renewable Resources Corp. to exceed
investment limits by investing \$3,600,000 in Schnabel Lumber Co.

under consideration and (a majority of the committee) (the committee)
reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for ~~CSHB 1022~~ same title
 new title
- and recommends ~~CSHB 1022~~
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without ^{adiv.} ~~out~~ recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

CHAIRMAN

[Signature]
[Signature]

Original sponsor: Rules Committee

Offered: 5/23/80
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 1022

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act granting authority to the Alaska Renewable
7 Resources Corporation to exceed investment limits by
8 investing \$3,600,000 in Schnabel Lumber Company; and
9 providing for an effective date."

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

11 * Section 1. It is the intent of the legislature that this bill fulfill
12 the requirement of AS 37.12.080(b)(1).

13 * Sec. 2. The legislature finds that the Alaska Renewable Resources
14 Corporation has had applications for an investment of \$3,600,000 in Schnabel
15 Lumber Company, an Alaska corporation, for a waste wood high temperature
16 boiler system. AS 37.12.080(b) states that no financial assistance of more
17 than \$1,500,000 may be provided to a single project or applicant unless the
18 legislature has approved the investment by concurrent resolution. The legis-
19 lature further finds that approval of the investment may be in the public
20 interest. Notwithstanding the provisions of AS 37.12.080(b) requiring ap-
21 proval by concurrent resolution, the investment in the amount of \$3,600,000
22 is approved for a waste wood high temperature boiler system and the corpora-
23 tion is authorized to make the proposed investment in Schnabel Lumber Company,
24 an Alaska corporation, subject to the following conditions:

25 (1) that all proceeds of the financial assistance are deposited
26 into a separate account for the exclusive expenditure on the waste wood high
27 temperature boiler system and not for other purposes;

28 (2) that an agreement is concluded and signed guaranteeing the
29 purchase of the electricity to be generated;

1 (3) that current litigation is resolved in a manner that does not
2 endanger the investment;

3 (4) that Schnabel Lumber Company meets all other requirements of
4 the Alaska Renewable Resources Corporation;

5 (5) that the Alaska Renewable Resources Corporation completes its
6 review and approves the investment.

7 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
8 070(c).

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Introduced: 4/23/80
Referred: Resources and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE

2

HOUSE BILL NO. 1022

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act granting authority to the Alaska Renewable
7 Resources Corporation to exceed investment limits by
8 investing \$3,000,000 in Schnabel Lumber Company; and
9 providing for an effective date."

10

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

11

* Section 1. The legislature finds that the Alaska Renewable Resources
12 Corporation has complied with all requirements for an investment of \$3,000,000
13 in Schnabel Lumber Company, an Alaska corporation, except for the requirement
14 in AS 37.12.080(b) that no financial assistance of more than \$1,500,000 may
15 be provided to a single project or applicant unless the legislature has
16 approved the investment by concurrent resolution. The legislature further
17 finds that approval of the investment is in the public interest. Notwith-
18 standing the provisions of AS 37.12.080(b) requiring approval by concurrent
19 resolution, the investment in the amount of \$3,000,000 is approved and the
20 corporation is authorized to make the proposed investment in Schnabel Lumber
21 Company, an Alaska corporation.

22

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

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Schnabel Lumber Company

P.O. Box 595

Haines, Alaska 99827

Tel. (907) 766-2511



B

HB 1022

May 12, 1980

The Honorable John C. Sackett
Alaska State Senate
Finance Committee Chairman
Pouch V, State Capitol Bldg.
Juneau, Alaska 99811

Dear Sir:

House Bill #1022 to finance a wood waste fired power plant in Haines, Alaska was debated in the Resource Committee on May 7 and May 8. The committee did not act for or against the bill because the Alaska Renewable Resource Corporation testified it did not have sufficient data upon which to make a decision.

We first requested assistance from ARRC on March 9, 1979. We diligently supplied answers to all questions raised since then. In fact we spent more than \$60,000 in consultant fees to provide information requested by ARRC throughout 1979.

Time and space are running out. The legislature will soon adjourn. Within about a year our mill log yard will be occupied entirely by the waste wood fuel pile which will force us to close if no other economical disposal system is available.

One hundred fifty jobs are at stake. We need your help to see that HB 1022 is voted favorably out of committee and through the legislative halls.

Very truly yours,

John J. Schnabel
President

Encl: 3/9/79 ltr to Mr Hubbard ARRC
5 photos of installation

cc: FINANCES, RESOURCES, RULES Standing Committees

HB 1022

Schnabel Lumber Company



P.O. Box 129

Haines, Alaska-99827 Tel: 907-766-2511

March 9, 1979

Mr. H. Phillip Hubbard
Alaska Resource Development Corp.
Dept. of Revenue
Pouch S
Juneau, Alaska 99811

Dear Mr. Hubbard:

Schnabel Lumber Company and the City of Haines are kept alive by the hope that the State Bureaucracy will develop a 25 year, 15 million bd.ft. timber sale in the Haines area.

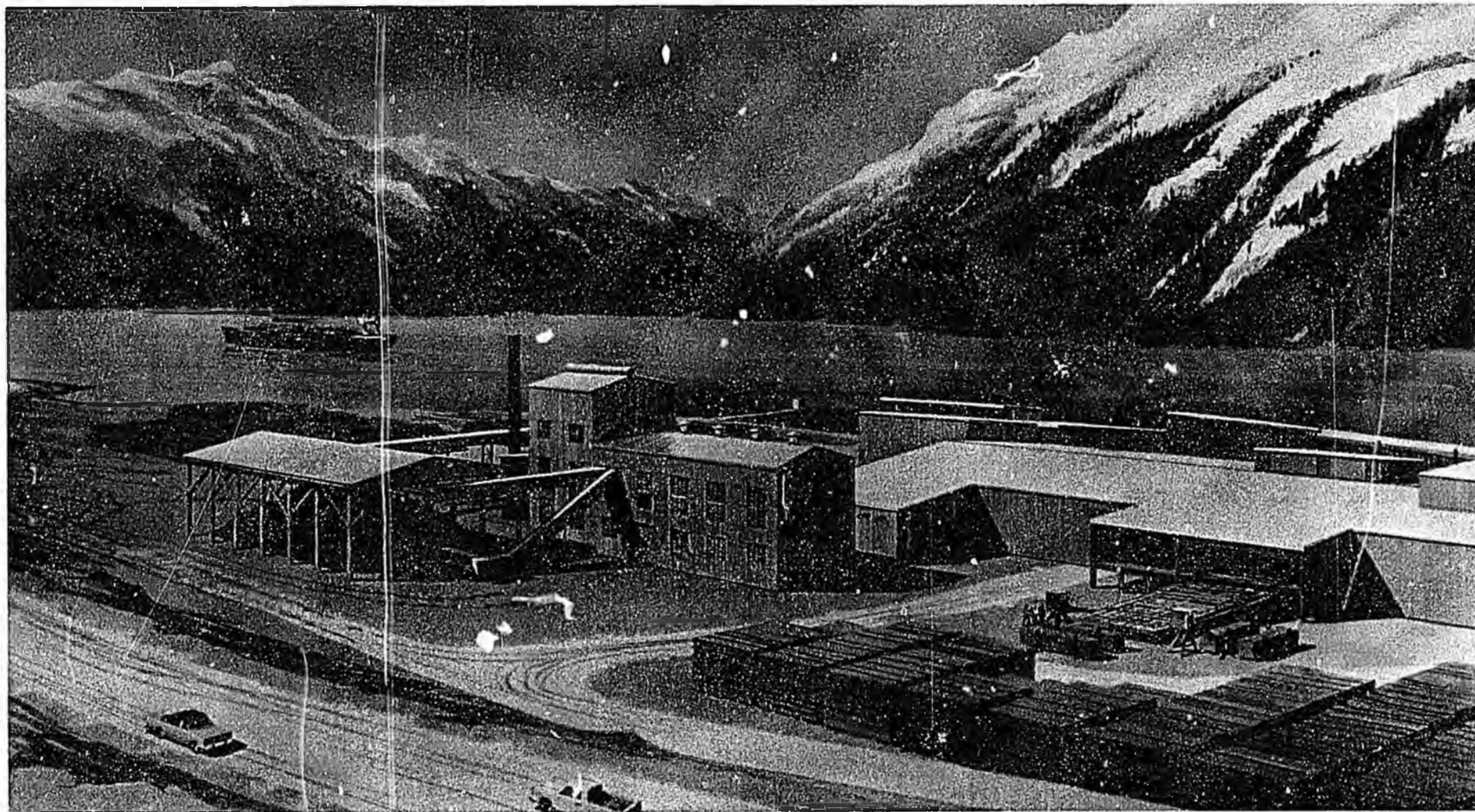
To get the maximum return on the logs brought to the sawmill, it is imperative that a power house be constructed to convert waste bark, sawdust, and other residue into electricity. Studies by professional firms have shown that a 5000K.V.A. Plant is the proper size for utilization of the waste. This in turn will provide electricity to the entire valley at a great savings in cost to consumers, as well as savings in diesel fuel used by the local power company. This power house will also bring Schnabel Lumber Company into compliance with E.P.A. regulations, and enable it to bring the lowest grade log to the sawmill, thus encouraging sound forestry practices and maximum utilization.

We ask that you give consideration to Equity Financing from Alaska Resource Development Corp. funds in the amount of two million plus dollars for the realization of the needed power house. We ask additional consideration for future financing to build dry kilns and a planing mill for development of a domestic dimensional lumber market. It is a sad situation to see 95% of all lumber used in Alaska imported from the South 48.

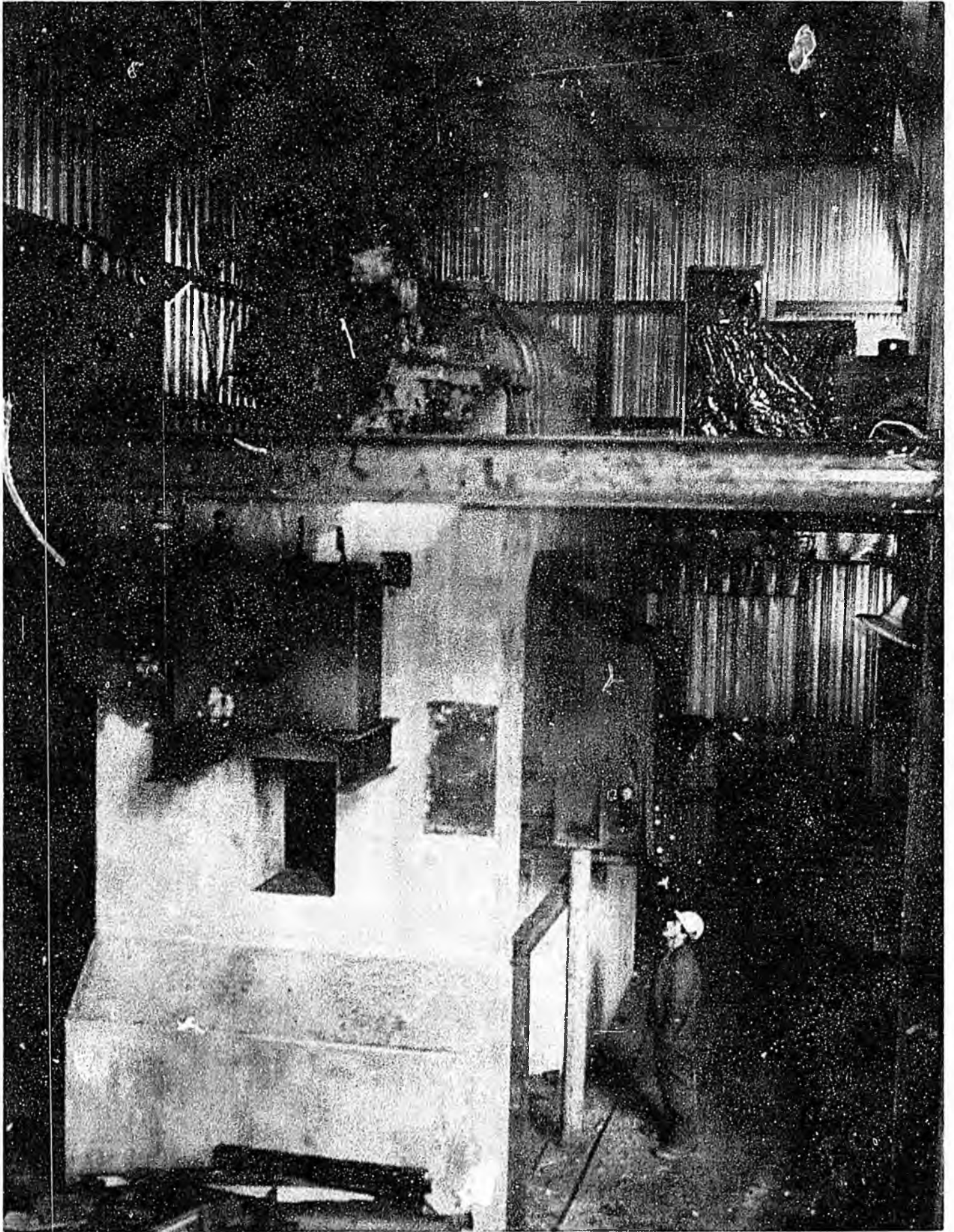
Yours truly,

John J. Schnabel
President

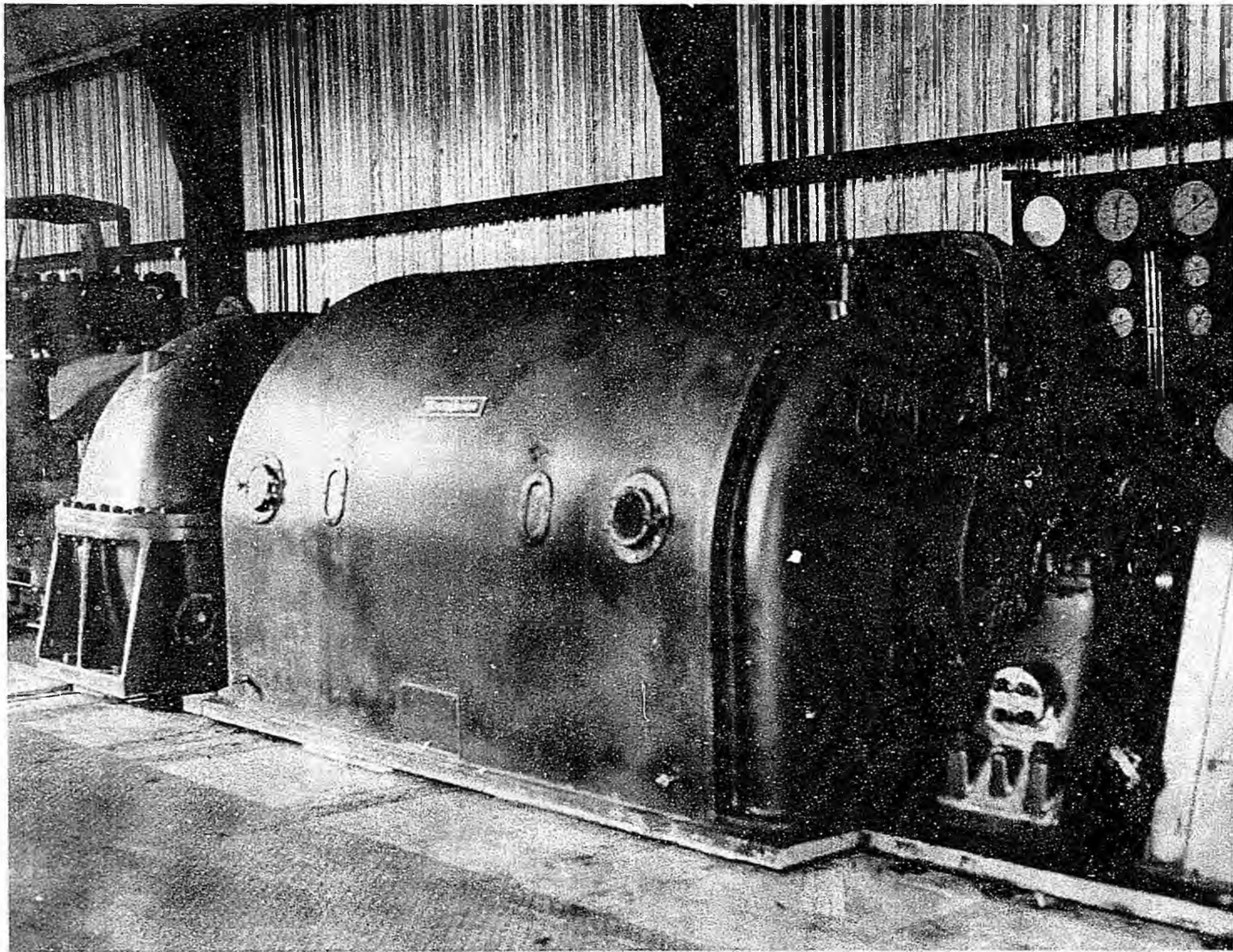
CC: Bill Ray
Mike Miller
Don Kubley
Eric McDowell
Mike Leach
Chuck Webber
Craig Lindh ✓



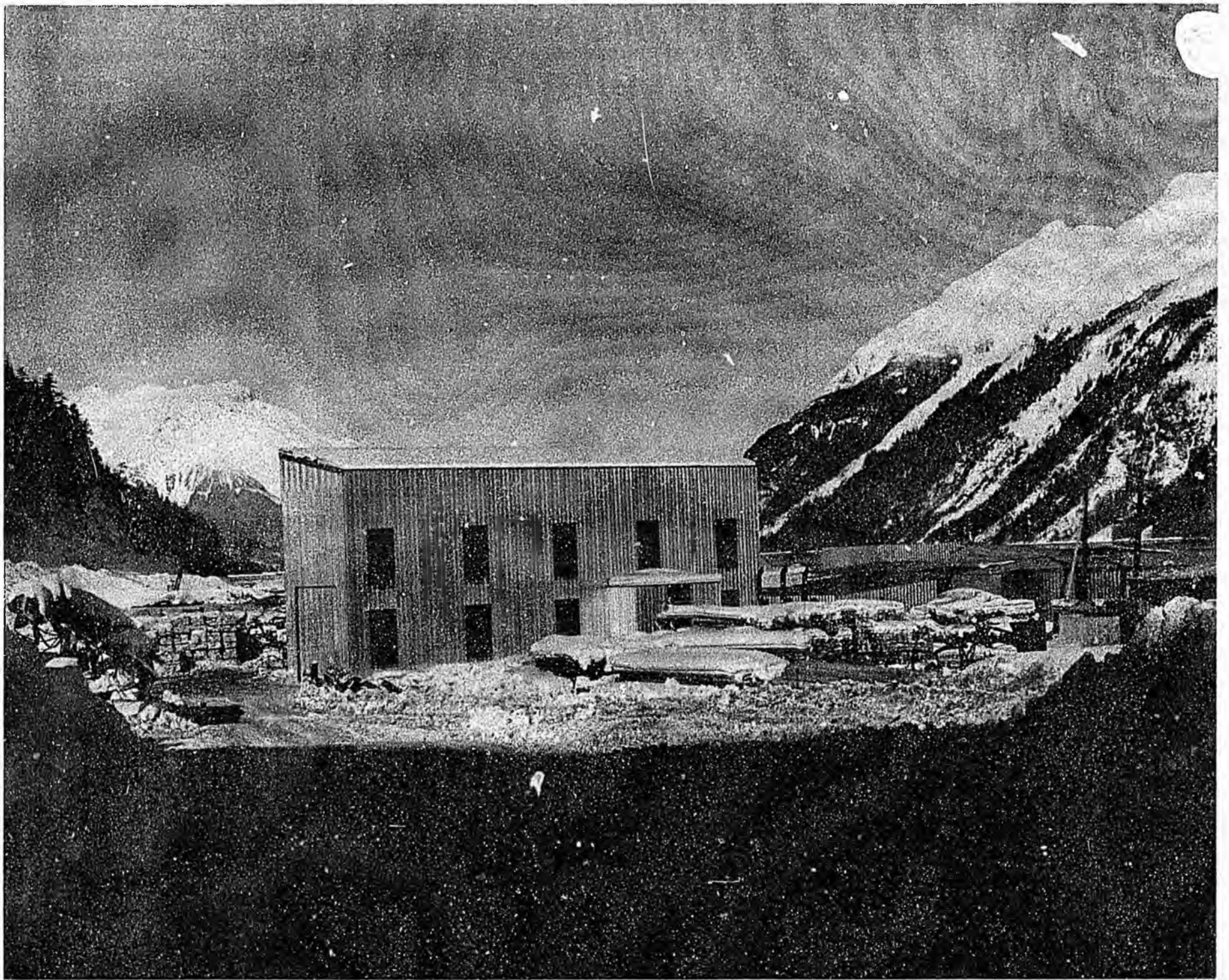
**ARTISTS CONCEPT OF FINISHED POWER PLANT AT
SCHNABEL LUMBER COMPANY SAWMILL, HAINES, ALASKA**



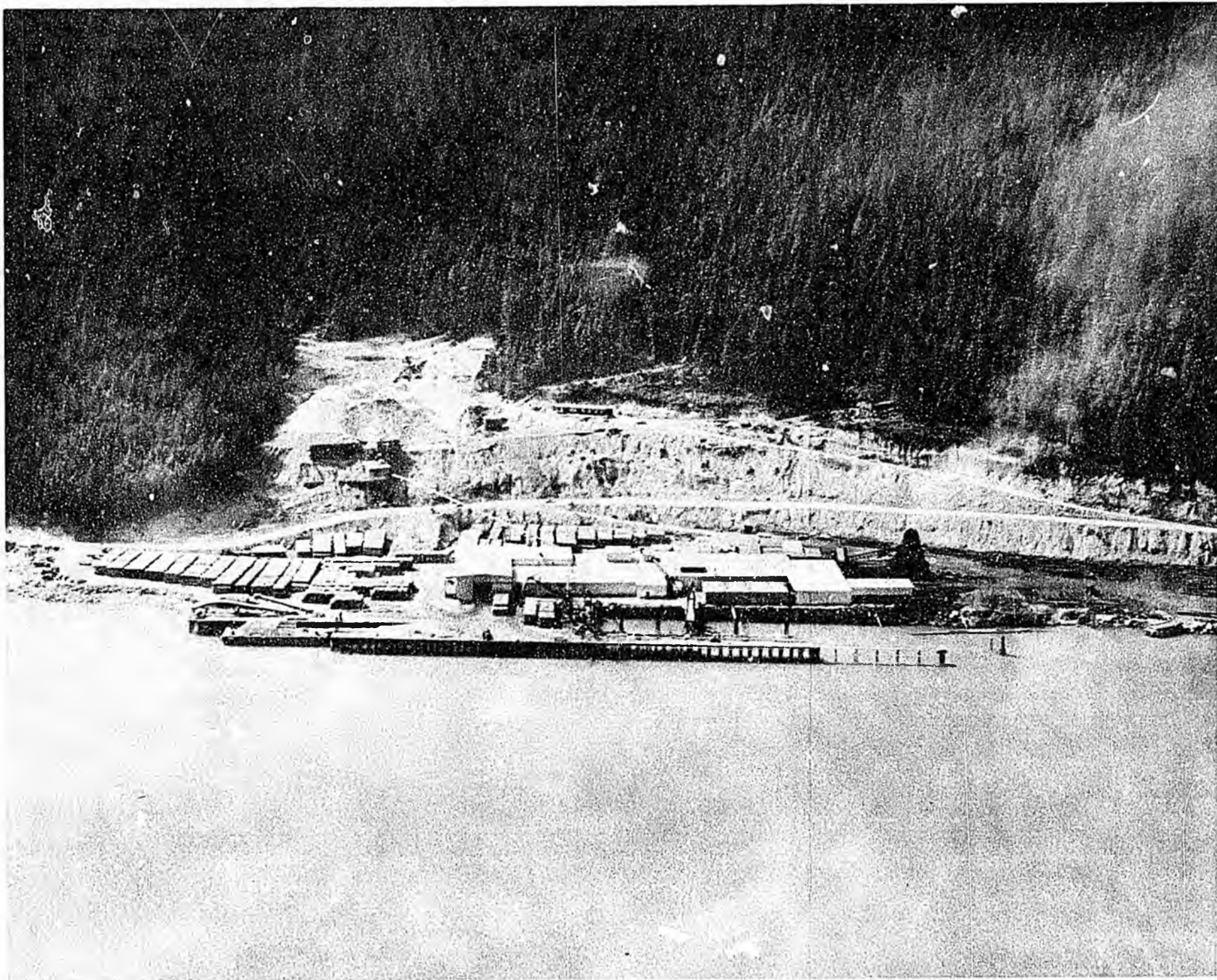
GENERATOR TURBINE FOUNDATION AND POWERHOUSE



4000 KW GENERATOR TURBINE INSTALLED IN 1975



EXISTING GENERATOR BUILDING



SCHNÄBEL LUMBER COMPANY AS BUILT IN 1972



RECORDS CERTIFICATION



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James O. Smith
Signature of Camera Operator

3/20/90
Date

Original sponsor: Rules Committee

Offered: 5/23/80
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 10:

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act granting authority to the Alaska Renewable
7 Resources Corporation to exceed investment limits by
8 investing \$3,600,000 in Schnabel Lumber Company; and
9 providing for an effective date."

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

11 * Section 1. It is the intent of the legislature that this bill fulfill
12 the requirement of AS 37.12.080(b)(1).

13 * Sec. 2. The legislature finds that the Alaska Renewable Resources
14 Corporation has had applications for an investment of \$3,600,000 in Schnabel
15 Lumber Company, an Alaska corporation for a waste wood high temperature
16 boiler system. AS 37.12.080(b) states that no financial assistance of more
17 than \$1,500,000 may be provided to a single project or applicant unless the
18 legislature has approved the investment by concurrent resolution. The legis-
19 lature further finds that approval of the investment may be in the public
20 interest. Notwithstanding the provisions of AS 37.12.080(b) requiring ap-
21 proval by concurrent resolution, the investment in the amount of \$3,600,000
22 is approved for a waste wood high temperature boiler system and the corpora-
23 tion is authorized to make the proposed investment in Schnabel Lumber Company,
24 an Alaska corporation, subject to the following conditions:

25 (1) that all proceeds of the financial assistance are deposited
26 into a separate account for the exclusive expenditure on the waste wood high
27 temperature boiler system and not for other purposes;

28 (2) that an agreement is concluded and signed guaranteeing the
29 purchase of the electricity to be generated;

1 (3) that current litigation is resolved in a manner that does not
2 endanger the investment;

3 (4) that Schnabel Lumber Company meets all other requirements of
4 the Alaska Renewable Resources Corporation;

5 (5) that the Alaska Renewable Resources Corporation completes its
6 review and approves the investment.

7 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
8 070(c).

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RECORDS



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Signature of Camera Operator

3/20/90
Date

Original sponsor: Rules Committee

Offered: 5/23/80
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 1023

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act granting authority to the Alaska Renewable
7 Resources Corporation to exceed investment limits by
8 investing \$1,600,000 in Alaska Timber Corporation; and
9 providing for an effective date."

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

11 * Section 1. It is the intent of the legislature that this bill fulfill
12 the requirement of AS 37.12.080(b)(1).

13 * Sec. 2. The legislature finds that the Alaska Renewable Resources
14 Corporation has an application for an investment of \$1,600,000 in Alaska
15 Timber Corporation, an Alaska corporation, for a waste wood high temperature
16 boiler system. AS 37.12.080(b) states that no financial assistance of more
17 than \$1,500,000 may be provided to a single project or applicant unless the
18 legislature has approved the investment by concurrent resolution. The legis-
19 lature further finds that approval of the investment may be in the public
20 interest. Notwithstanding the provisions of AS 37.12.080(b) requiring ap-
21 proval by concurrent resolution, the investment in the amount of \$1,600,000
22 is approved for a waste wood high temperature boiler system and the corpora-
23 tion is authorized to make the proposed investment in Alaska Timber Corpora-
24 tion, an Alaska corporation, subject to the following conditions:

25 (1) that all proceeds of the financial assistance are deposited
26 into a separate account for the exclusive expenditure on the waste wood high
27 temperature boiler system and not for other purposes;

28 (2) that an agreement is concluded and signed guaranteeing the
29 sale and purchase of the electricity to be generated;

1 (3) that Alaska Timber Corporation meets all other requirements of
2 the Alaska Renewable Resources Corporation;

3 (4) that the Alaska Renewable Resources Corporation completes its
4 review and approves the investment.

5 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
6 070(c).

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3/20/90
Date

Original sponsor: Rules Committee

Offered: 5/23/80
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 1023

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act granting authority to the Alaska Renewable
7 Resour. Corporation to exceed investment limits by
8 investing \$1,600,000 in Alaska Timber Corporation; and
9 providing for an effective date."

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

11 * Section 1. It is the intent of the legislature that this bill fulfill
12 the requirement of AS 37.12.080(b)(1).

13 * Sec. 2. The legislature finds that the Alaska Renewable Resources
14 Corporation has an application for an investment of \$1,600,000 in Alaska
15 Timber Corporation, an Alaska corporation, for a waste wood high temperature
16 boiler system. AS 37.12.080(b) states that no financial assistance of more
17 than \$1,500,000 may be provided to a single project or applicant unless the
18 legislature has approved the investment by concurrent resolution. The legis-
19 lature further finds that approval of the investment may be in the public
20 interest. Notwithstanding the provisions of AS 37.12.080(b) requiring ap-
21 proval by concurrent resolution, the investment in the amount of \$1,600,000
22 is approved for a waste wood high temperature boiler system and the corpora-
23 tion is authorized to make the proposed investment in Alaska Timber Corpora-
24 tion, an Alaska corporation, subject to the following conditions:

25 (1) that all proceeds of the financial assistance are deposited
26 into a separate account for the exclusive expenditure on the waste wood high
27 temperature boiler system and not for other purposes;

28 (2) that an agreement is concluded and signed guaranteeing the
29 sale and purchase of the electricity to be generated;

1 (3) that Alaska Timber Corporation meets all other requirements of
2 the Alaska Renewable Resources Corporation;

3 (4) that the Alaska Renewable Resources Corporation completes its
4 review and approves the investment.

5 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
6 070(c).

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James O. Smith
Signature of Camera Operator

3/20/90
Date

Introduced: 4/23/80
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE
BY REQUEST

2 HOUSE BILL NO. 1024

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a fishermen's mortgage and note
7 program."

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

9 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds

10 (1) the limitation of entry into the state fisheries required
11 under AS 16.43 has resulted in substantial difficulty for many Alaskans in
12 obtaining the necessary financing to enter the fisheries;

13 (2) entry permits, issued under AS 16.43, are transferable, and
14 legislative studies have revealed a flow of the entry permits out of and away
15 from the small, rural Alaska communities;

16 (3) the flow of entry permits out of and away from the small,
17 rural communities undermines a major economic base of many of the communities;

18 (4) many small, rural Alaska communities have no alternative
19 economic base to supply jobs and income to their residents;

20 (5) reliance on fisheries as traditionally and culturally been a
21 way of life in many of these communities.

22 (b) It is the purpose of this Act to

23 (1) alleviate the difficulty in obtaining financing referred to
24 in (a)(1) of this section; and

25 (2) alleviate the problems described in (a)(2) - (4) of this
26 section by assisting fishermen in those small, rural communities, as well as
27 fishermen throughout the state, to obtain the financing necessary to enter
28 the state's fisheries and to rebuild the economies of the areas in which they
29 live, thereby assisting in the preservation of a traditional way of life as

1 set out in (a)(5) of this section.

2 * Sec. 2. AS 16.10 is amended by adding new sections to read:

3 ARTICLE 10. FISHERMEN'S MORTGAGE AND NOTE PROGRAM.

4 Sec. 16.10.650. FISHERMEN'S REVOLVING MORTGAGE AND NOTE FUND.

5 There is established in the Department of Commerce and Economic Develop-
6 ment the fishermen's mortgage and note fund. The commissioner of com-
7 merce and economic development shall administer the fund.

8 Sec. 16.10.660. POWERS AND DUTIES OF COMMISSIONER. (a) The
9 commissioner may

10 (1) adopt regulations in accordance with the Administrative
11 Procedure Act (AS 44.62), to implement AS 16.10.650 - 16.10.720;

12 (2) make and execute agreements, contracts, and other instru-
13 ments necessary or convenient in the exercise of his powers and functions
14 under AS 16.10.650 - 16.10.720, including contracts with any person,
15 firm, corporation, governmental agency or other entity;

16 (3) procure insurance against a loss in connection with the
17 operation of the fund;

18 (4) purchase notes and mortgages securing loans in accordance
19 with (b) of this section;

20 (5) acquire real or personal property, or an interest in real
21 or personal property, by purchase, transfer or foreclosure, when the
22 acquisition is necessary or appropriate to protect a mortgage or note in
23 which the fund has an interest; sell, transfer and convey that property
24 to a buyer; and, if the sale, transfer or conveyance cannot be effected
25 with reasonable promptness or at a reasonable price, rent or lease the
26 property to a tenant pending the sale, transfer or conveyance;

27 (6) do all acts necessary, convenient or desirable to carry
28 out the powers expressly granted or necessarily implied in AS 16.10.650 -
29 16.10.720.

1 (b) In accordance with AS 16.10.670 - 16.10.720, the commissioner
2 shall use the money in the fund to purchase mortgages and notes received
3 by private financial institutions to secure loans described in AS 16.10.-
4 670 - 16.10.720.

5 Sec. 16.10.670. LOAN PURPOSES. (a) Subject to (d) of this sec-
6 tion, the commissioner may purchase a mortgage or note under AS 16.10.-
7 660(b) if it secures a loan made to an individual for the following
8 purposes:

- 9 (1) the repair, restoration or upgrading of an existing
10 vessel or of gear;
- 11 (2) the purchase of an entry permit;
- 12 (3) the purchase of gear;
- 13 (4) the construction and purchase of a vessel; or
- 14 (5) the refinancing of outstanding loans of the borrower made
15 for the purposes described in (1) - (4) of this subsection.

16 (b) The costs arising under a contract for the construction of a
17 vessel between the time the contract is made and the time the vessel is
18 documented are costs of construction and purchase under (a)(4) of this
19 section;

20 (c) If the borrower enters into a contract for the purchase of a
21 vessel and has also entered into a contract to sell his present vessel
22 but has not received payment under the contract of sale, then the costs
23 arising under the contract for the purchase of a vessel between the time
24 the contract for the purchase of a vessel is entered into and the time
25 the borrower will receive payment under the contract of sale are costs
26 of construction and purchase under (a)(4) of this section.

27 (d) At least 51 percent of a loan described in (a) of this section
28 shall be made for the purposes described in (a)(1) - (4) of this section
29 and not more than 49 percent of the loan may be made for the purpose

1 described in (a)(5) of this section.

2 Sec. 16.10.680. ELIGIBILITY FOR LOANS. (a) The commissioner may
3 purchase a mortgage or note under AS 16.10.660(b) if it secures a loan
4 to an individual who meets one of the requirements of (b) of this section
5 and who

6 (1) has been a resident of Alaska for at least five years;

7 (2) does not qualify for a loan for the purposes described in
8 AS 16.10.670 under a state or federal loan program; and

9 (3) demonstrates to the satisfaction of the private financial
10 institution which made the loan that he is reasonably likely to succeed
11 as a commercial fisherman and to be able to repay the loan.

12 (b) In addition to the requirements of (a)(1) - (3) of this sec-
13 tion, the commissioner may purchase a mortgage or note under AS 16.10.-
14 660(b) only if it secures a loan to an individual who demonstrated to
15 the satisfaction of the private financial institution which made the
16 loan that

17 (1) because of his lack of training or the lack of employment
18 opportunities in the area in which he resides, he does not have occupa-
19 tional opportunities available to him other than commercial fishing; or

20 (2) he is economically dependent on commercial fishing for a
21 livelihood and commercial fishing is a cultural and traditional way of
22 life for him.

23 (c) The commissioner may not purchase a mortgage or note from a
24 private financial institution under AS 16.10.660(b) if ownership of a
25 fishing vessel is a prerequisite to obtaining a loan from the private
26 financial institution for the purchase of an entry permit or is con-
27 sidered by the private financial institution in determining the eligi-
28 bility of an applicant for a loan for the purchase of an entry permit.

29 (d) The commissioner may not purchase a mortgage or note from a

1 private financial institution under AS 16.10.660(b) if the private
2 financial institution requires an applicant for a loan for the purposes
3 described in AS 16.10.670 to have a credit history.

4 (e) In determining whether the applicant is reasonably likely to
5 be able to repay the loan under (a)(3) of this section, the private
6 financial institution shall take into consideration the applicant's
7 income from commercial fishing and from other sources.

8 Sec. 16.10.690. LOAN TERMS. (a) Except as provided in (c) of
9 this section, the commissioner may not purchase a mortgage or note under
10 AS 16.10.660(b) if it secures a loan which

11 (1) exceeds \$300,000;
12 (2) bears interest exceeding nine and one-half percent; or
13 (3) is not secured by a first priority lien and appropriate
14 security agreement.

15 (b) The commissioner may not purchase a mortgage or note under
16 AS 16.10.660(b) if it secures a loan which results in an outstanding
17 debt of the borrower in excess of \$500,000. For purposes of this sub-
18 section a loan to an associate of the borrower is considered to be a
19 loan to the borrower. For the purposes of this subsection, "associate
20 of the borrower" means

21 (1) a corporation or other organization of which the borrower
22 is an officer, director or partner, or is, directly or indirectly, the
23 beneficial owner of 10 percent or more of any class of equity securi-
24 ties;

25 (2) a person who is, directly or indirectly, the beneficial
26 owner of 10 percent or more of any class of equity securities of the
27 borrower;

28 (3) a trust or other estate in which the borrower has a
29 substantial beneficial interest or as to which the borrower serves as

1 trustee or in a similar fiduciary capacity.

2 (c) The commissioner may purchase a mortgage or note under AS 16.-
3 10.660(b) if it secures a loan made to two or more individuals jointly
4 who each satisfy the requirements specified in AS 16.10.680 for the
5 construction of a fishing vessel or the purchase of an existing fishing
6 vessel. A loan secured by a mortgage or note purchased under this
7 subsection

8 (1) may not exceed the amount specified in (a)(1) of this
9 section multiplied by the number of eligible individuals applying for
10 the loan;

11 (2) may not exceed a term of 15 years;

12 (3) shall be secured by a first priority lien and appropriate
13 security agreement; and

14 (4) may not bear interest exceeding nine and one-half per-
15 cent.

16 (d) The commissioner may purchase a mortgage or note under AS 16.-
17 10.660(b) if the terms of the loan secured by the mortgage or note allow
18 for repayment of the loan in accordance with

19 (1) a schedule for repayment which provides for monthly
20 amortized principal and interest payments; or

21 (2) an agreement based on a percentage of the borrower's
22 gross income from fishing activities; however, an agreement under this
23 paragraph shall provide that the monthly payment under the agreement may
24 not be less than 50 percent of the monthly payment which would be due
25 under the schedule prescribed in (1) of this subsection.

26 (e) The commissioner may purchase under AS 16.10.660(b) a mortgage
27 or note secured by real or personal property of the borrower or of a
28 person acting as the borrower's guarantor under AS 16.10.700.

29 (f) The commissioner may not purchase a mortgage or note under

1 AS 16.10.660(b) if the loan it secures exceeds 90 percent of the ap-
2 praised value of the collateral used to secure the loan, except as
3 provided in (g) of this section.

4 (g) The commissioner may purchase a note under AS 16.10.660(b) for
5 a loan of up to 100 percent of the appraised value of the collateral
6 used to secure the loan if

7 (1) the loan is made for the purchase of an entry permit; and

8 (2) the borrower demonstrates to the satisfaction of the
9 private financial institution which makes the loan that he has at least
10 three years of experience as a commercial fisherman in the fishery to
11 which the entry permit applies; as used in this paragraph, "three years
12 of experience as a commercial fisherman in the fishery" means that for
13 an accumulated total of three fishing seasons in the same fishery the
14 person has actively participated in the commercial harvest of fish under
15 the direction of a limited entry permit holder.

16 Sec. 16.10.700. GUARANTORS. A person may act as guarantor for a
17 borrower whose mortgage or note is purchased by the commissioner under
18 AS 16.10.660(b) if the borrower has insufficient collateral to secure a
19 loan for the purposes described in AS 16.10.670(a). The loan agreement
20 shall specifically describe the property of the guarantor to be used as
21 collateral by the borrower and shall be signed by the guarantor and the
22 borrower. The department shall provide the guarantor with a copy of all
23 notices sent to the borrower by the department. If the loan is for the
24 purchase of an entry permit, the guaranty by the guarantor may not
25 constitute a lien, mortgage, or encumbrance on or pledge of the entry
26 permit.

27 Sec. 16.10.710. PREQUALIFICATION FOR LOANS. (a) The commissioner
28 may not purchase mortgages and notes from a private financial institu-
29 tion under AS 16.10.660(b) unless the private financial institution

1 (1) agrees to accept an application for a loan for the pur-
2 chase of an entry permit notwithstanding the fact that the applicant has
3 not at the time of submitting the application located an entry permit to
4 purchase; and

5 (2) agrees to comply with the procedure for handling the
6 application described in (b) and (c) of this section.

7 (b) The private financial institution shall process loan applica-
8 tions received under this section to determine the eligibility of an
9 applicant for a loan for the purchase of an entry permit and shall
10 notify the applicant of its determination.

11 (c) If the private financial institution determines that an appli-
12 cant is eligible for a loan for the purchase of an entry permit, the
13 private financial institution shall retain the application until the
14 applicant locates an entry permit to purchase and informs the private
15 financial institution of his decision to proceed with the loan applica-
16 tion to purchase the entry permit. However, the private financial
17 institution is not required to retain the application more than six
18 months after it has been submitted. If the applicant locates an entry
19 permit to purchase and elects to proceed with his loan application, he
20 shall complete any parts of the application which were previously uncom-
21 pleted because of the lack of an entry permit to purchase, and bring the
22 application up to date so that the information in the application is
23 current at the time of the loan. The private financial institution
24 shall then proceed with the processing of the application.

25 Sec. 16.10.720. DEFINITIONS. In AS 16.10.650 - 16.10.720,

26 (1) "department" means the Department of Commerce and Eco-
27 nomic Development;

28 (2) "fund" means the fishermen's mortgage and note fund.
29

230

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 1024

Title An Act establishing a fishermen's mortgage and note program.

Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Dept. of Commerce and Economic Development

Program Category Affected Development

BRU, Program, or Subprogram(s) Affected Division of Business Loans

(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	-0-	240.3	264.3	290.7	310.8	351.8
200 TRAVEL	-0-	11.3	12.4	13.6	15.0	16.5
300 CONTRACTUAL	-0-	137.0	190.7	269.8	386.8	560.5
400 COMMODITIES	-0-	3.0	3.3	3.6	4.0	4.4
500 EQUIPMENT	-0-	15.9	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	407.5	470.7	577.7	725.6	933.2

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	407.5	470.7	577.7	725.6	933.2
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	-0-	8	8	8	8	8
PART TIME						
TEMPORARY						

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

The fiscal note detail, attached, provides the cost figures for eight positions necessary to implement the loan program set out in HB 1024, and includes an estimate of the cost for insurance against loss from the program, as set out in the bill.

IV. DATE April 25, 1980

PREPARED BY Sharon R. Traylor, Director

AGENCY Div. of Business Loans, Dept. of Commerce & Eco. De.

PHONE 465-2510

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

CATEGORY: DEVELOPMENT
 PROGRAM: ECONOMIC DEVELOPMENT

AGENCY: COMMERCE AND 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 SUPPL	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	76.7	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

Fiscal Note Detail

HB 1024

		<u>12 Months</u>
100.	3 Loan Examiner III's (two to process requests for purchase of notes and mortgages, one to handle delinquencies and foreclosures) @2,652/ mo. each	\$95.5
	1 Clerk Typist III @1277/mo.	15.3
	1 Documents Processing Clerk III @1,440/mo.	17.3
	1 Loan Closer I @1,440/mo.	17.3
	1 Accounting Technician I @1,628/mo.	19.5
	1 Accounting Technician II @1,850/mo.	22.2
		<u>\$187.1</u>
	Standard Benefits (Wages X .1529)	28.6
	Supplemental Benefits (Wages X .0665)	12.4
	Health Insurance Costs (Man months X \$127)	12.2
	Total Personal Services	<u>\$240.3</u>
200.	Travel to inspect collateral, confer with bankers and explain program to borrowers.	
	20 trips @430	\$ 8.6
	40 days per diem @67	<u>2.7</u>
		11.3
300.	Telephone, postage, printing	\$24.0
	Additional office space @1,000/mo.	12.0
	Office machine maintenance	1.0
	Insurance against loss, per Sec. 16.10.660(a)(3)	<u>100.0</u>
		137.0
400.	Office supplies	<u>3.0</u>
	12 Months Operating Costs	<u>\$391.6</u>
500.	8 Desks @340	\$ 2.7
	3 Typist's Extensions @410	1.2
	5 Credenzas @390	2.0
	5 Secretarial chairs @140	.7
	3 Executive chairs @180	.5
	10 Side chairs @125	1.3
	8 File cabinets @250	2.0
	3 Calculators @230	1.8
	4 Typewriters @865	3.5
	1 Coat rack	.1
	8 Wastebaskets & desk organizers	<u>.1</u>
		15.9
	Total	<u>\$407.5</u>

10% Inflation figured for succeeding years, except Insurance for Loss figured to be 150% greater each year to account for increase in outstanding loans.

(11)

COMMITTEE REPORT HOUSE

4/23/80

FURTHER:

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 1024

"An Act establishing a fishermen's mortgage and note program."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

7747

Vassar

Introduced: 4/23/80
Referred: Finance

BY THE RULES COMMITTEE
BY REQUEST

1 IN THE HOUSE

2 HOUSE BILL NO. 1024

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a fishermen's mortgage and note
7 program."

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

9 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds

10 (1) the limitation of entry into the state fisheries required
11 under AS 16.43 has resulted in substantial difficulty for many Alaskans in
12 obtaining the necessary financing to enter the fisheries;

13 (2) entry permits, issued under AS 16.43, are transferable, and
14 legislative studies have revealed a flow of the entry permits out of and away
15 from the small, rural Alaska communities;

16 (3) the flow of entry permits out of and away from the small,
17 rural communities undermines a major economic base of many of the communities;

18 (4) many small, rural Alaska communities have no alternative
19 economic base to supply jobs and income to their residents;

20 (5) reliance on fisheries has traditionally and culturally been a
21 way of life in many of these communities.

22 (b) It is the purpose of this Act to

23 (1) alleviate the difficulty in obtaining financing referred to
24 in (a)(1) of this section; and

25 (2) alleviate the problems described in (a)(2) - (4) of this
26 section by assisting fishermen in those small, rural communities, as well as
27 fishermen throughout the state, to obtain the financing necessary to enter
28 the state's fisheries and to rebuild the economies of the areas in which they
29 live, thereby assisting in the preservation of a traditional way of life as

1 set out in (a)(5) of this section.

2 * Sec. 2. AS 16.10 is amended by adding new sections to read:

3 ARTICLE 10. FISHERMEN'S MORTGAGE AND NOTE PROGRAM.

4 Sec. 16.10.650. FISHERMEN'S REVOLVING MORTGAGE AND NOTE FUND.

5 There is established in the Department of Commerce and Economic Develop-
6 ment the fishermen's mortgage and note fund. The commissioner of com-
7 merce and economic development shall administer the fund.

8 Sec. 16.10.660. POWERS AND DUTIES OF COMMISSIONER. (a) The
9 commissioner may

10 (1) adopt regulations in accordance with the Administrative
11 Procedure Act (AS 44.62), to implement AS 16.10.650 - 16.10.720;

12 (2) make and execute agreements, contracts, and other instru-
13 ments necessary or convenient in the exercise of his powers and functions
14 under AS 16.10.650 - 16.10.720, including contracts with any person,
15 firm, corporation, governmental agency or other entity;

16 (3) procure insurance against a loss in connection with the
17 operation of the fund;

18 (4) purchase notes and mortgages securing loans in accordance
19 with (b) of this section;

20 (5) acquire real or personal property, or an interest in real
21 or personal property, by purchase, transfer or foreclosure, when the
22 acquisition is necessary or appropriate to protect a mortgage or note in
23 which the fund has an interest; sell, transfer and convey that property
24 to a buyer; and, if the sale, transfer or conveyance cannot be effected
25 with reasonable promptness or at a reasonable price, rent or lease the
26 property to a tenant pending the sale, transfer or conveyance;

27 (6) do all acts necessary, convenient or desirable to carry
28 out the powers expressly granted or necessarily implied in AS 16.10.650 -
29 16.10.720.

1 (b) In accordance with AS 16.10.670 - 16.10.720, the commissioner
2 shall use the money in the fund to purchase mortgages and notes received
3 by private financial institutions to secure loans described in AS 16.10.-
4 670 - 16.10.720.

5 Sec. 16.10.670. LOAN PURPOSES. (a) Subject to (d) of this sec-
6 tion, the commissioner may purchase a mortgage or note under AS 16.10.-
7 660(b) if it secures a loan made to an individual for the following
8 purposes:

- 9 (1) the repair, restoration or upgrading of an existing
10 vessel or of gear;
- 11 (2) the purchase of an entry permit;
- 12 (3) the purchase of gear;
- 13 (4) the construction and purchase of a vessel; or
- 14 (5) the refinancing of outstanding loans of the borrower made
15 for the purposes described in (1) - (4) of this subsection.

16 (b) The costs arising under a contract for the construction of a
17 vessel between the time the contract is made and the time the vessel is
18 documented are costs of construction and purchase under (a)(4) of this
19 section;

20 (c) If the borrower enters into a contract for the purchase of a
21 vessel and has also entered into a contract to sell his present vessel
22 but has not received payment under the contract of sale, then the costs
23 arising under the contract for the purchase of a vessel between the time
24 the contract for the purchase of a vessel is entered into and the time
25 the borrower will receive payment under the contract of sale are costs
26 of construction and purchase under (a)(4) of this section.

27 (d) At least 51 percent of a loan described in (a) of this section
28 shall be made for the purposes described in (a)(1) - (4) of this section,
29 and not more than 49 percent of the loan may be made for the purpose

1 described in (a)(5) of this section.

2 Sec. 16.10.680. ELIGIBILITY FOR LOANS. (a) The commissioner may
3 purchase a mortgage or note under AS 16.10.660(b) if it secures a loan
4 to an individual who meets one of the requirements of (b) of this section
5 and who

6 (1) has been a resident of Alaska for at least five years;

7 (2) does not qualify for a loan for the purposes described in
8 AS 16.10.670 under a state or federal loan program; and

9 (3) demonstrates to the satisfaction of the private financial
10 institution which made the loan that he is reasonably likely to succeed
11 as a commercial fisherman and to be able to repay the loan.

12 (b) In addition to the requirements of (a)(1) - (3) of this sec-
13 tion, the commissioner may purchase a mortgage or note under AS 16.10.-
14 660(b) only if it secures a loan to an individual who demonstrated to
15 the satisfaction of the private financial institution which made the
16 loan that

17 (1) because of his lack of training or the lack of employment
18 opportunities in the area in which he resides, he does not have occupa-
19 tional opportunities available to him other than commercial fishing; or

20 (2) he is economically dependent on commercial fishing for a
21 livelihood and commercial fishing is a cultural and traditional way of
22 life for him.

23 (c) The commissioner may not purchase a mortgage or note from a
24 private financial institution under AS 16.10.660(b) if ownership of a
25 fishing vessel is a prerequisite to obtaining a loan from the private
26 financial institution for the purchase of an entry permit or is con-
27 sidered by the private financial institution in determining the eligi-
28 bility of an applicant for a loan for the purchase of an entry permit.

29 (d) The commissioner may not purchase a mortgage or note from a

1 private financial institution under AS 16.10.660(b) if the private
2 financial institution requires an applicant for a loan for the purposes
3 described in AS 16.10.670 to have a credit history.

4 (e) In determining whether the applicant is reasonably likely to
5 be able to repay the loan under (a)(3) of this section, the private
6 financial institution shall take into consideration the applicant's
7 income from commercial fishing and from other sources.

8 Sec. 16.10.690. LOAN TERMS. (a) Except as provided in (c) of
9 this section, the commissioner may not purchase a mortgage or note under
10 AS 16.10.660(b) if it secures a loan which

11 (1) exceeds \$300,000;
12 (2) bears interest exceeding nine and one-half percent; or
13 (3) is not secured by a first priority lien and appropriate
14 security agreement.

15 (b) The commissioner may not purchase a mortgage or note under
16 AS 16.10.660(b) if it secures a loan which results in an outstanding
17 debt of the borrower in excess of \$500,000. For purposes of this sub-
18 section a loan to an associate of the borrower is considered to be a
19 loan to the borrower. For the purposes of this subsection, "associate
20 of the borrower" means

21 (1) a corporation or other organization of which the borrower
22 is an officer, director or partner, or is, directly or indirectly, the
23 beneficial owner of 10 percent or more of any class of equity securi-
24 ties;

25 (2) a person who is, directly or indirectly, the beneficial
26 owner of 10 percent or more of any class of equity securities of the
27 borrower;

28 (3) a trust or other estate in which the borrower has a
29 substantial beneficial interest or as to which the borrower serves as

1 trustee or in a similar fiduciary capacity.

2 (c) The commissioner may purchase a mortgage or note under AS 16.-
3 10.660(b) if it secures a loan made to two or more individuals jointly
4 who each satisfy the requirements specified in AS 16.10.680 for the
5 construction of a fishing vessel or the purchase of an existing fishing
6 vessel. A loan secured by a mortgage or note purchased under this
7 subsection

8 (1) may not exceed the amount specified in (a)(1) of this
9 section multiplied by the number of eligible individuals applying for
10 the loan;

11 (2) may not exceed a term of 15 years;

12 (3) shall be secured by a first priority lien and appropriate
13 security agreement; and

14 (4) may not bear interest exceeding nine and one-half per-
15 cent.

16 (d) The commissioner may purchase a mortgage or note under AS 16.-
17 10.660(b) if the terms of the loan secured by the mortgage or note allow
18 for repayment of the loan in accordance with

19 (1) a schedule for repayment which provides for monthly
20 amortized principal and interest payments; or

21 (2) an agreement based on a percentage of the borrower's
22 gross income from fishing activities; however, an agreement under this
23 paragraph shall provide that the monthly payment under the agreement may
24 not be less than 50 percent of the monthly payment which would be due
25 under the schedule prescribed in (1) of this subsection.

26 (e) The commissioner may purchase under AS 16.10.660(b) a mortgage
27 or note secured by real or personal property of the borrower or of a
28 person acting as the borrower's guarantor under AS 16.10.700.

29 (f) The commissioner may not purchase a mortgage or note under

1 AS 16.10.660(b) if the loan it secures exceeds 90 percent of the ap-
2 praised value of the collateral used to secure the loan, except as
3 provided in (g) of this section.

4 (g) The commissioner may purchase a note under AS 16.10.660(b) for
5 a loan of up to 100 percent of the appraised value of the collateral
6 used to secure the loan if

- 7 (1) the loan is made for the purchase of an entry permit; and
8 (2) the borrower demonstrates to the satisfaction of the
9 private financial institution which makes the loan that he has at least
10 three years of experience as a commercial fisherman in the fishery to
11 which the entry permit applies; as used in this paragraph, "three years
12 of experience as a commercial fisherman in the fishery" means that for
13 an accumulated total of three fishing seasons in the same fishery the
14 person has actively participated in the commercial harvest of fish under
15 the direction of a limited entry permit holder.

16 Sec. 16.10.700. GUARANTORS. A person may act as guarantor for a
17 borrower whose mortgage or note is purchased by the commissioner under
18 AS 16.10.660(b) if the borrower has insufficient collateral to secure a
19 loan for the purposes described in AS 16.10.670(a). The loan agreement
20 shall specifically describe the property of the guarantor to be used as
21 collateral by the borrower and shall be signed by the guarantor and the
22 borrower. The department shall provide the guarantor with a copy of all
23 notices sent to the borrower by the department. If the loan is for the
24 purchase of an entry permit, the guaranty by the guarantor may not
25 constitute a lien, mortgage, or encumbrance on or pledge of the entry
26 permit.

27 Sec. 16.10.710. PREQUALIFICATION FOR LOANS. (a) The commissioner
28 may not purchase mortgages and notes from a private financial institu-
29 tion under AS 16.10.660(b) unless the private financial institution

004242

1 (1) agrees to accept an application for a loan for the pur-
2 chase of an entry permit notwithstanding the fact that the applicant has
3 not at the time of submitting the application located an entry permit to
4 purchase; and

5 (2) agrees to comply with the procedure for handling the
6 application described in (b) and (c) of this section.

7 (b) The private financial institution shall process loan applica-
8 tions received under this section to determine the eligibility of an
9 applicant for a loan for the purchase of an entry permit and shall
10 notify the applicant of its determination.

11 (c) If the private financial institution determines that an appli-
12 cant is eligible for a loan for the purchase of an entry permit, the
13 private financial institution shall retain the application until the
14 applicant locates an entry permit to purchase and informs the private
15 financial institution of his decision to proceed with the loan applica-
16 tion to purchase the entry permit. However, the private financial
17 institution is not required to retain the application more than six
18 months after it has been submitted. If the applicant locates an entry
19 permit to purchase and elects to proceed with his loan application, he
20 shall complete any parts of the application which were previously uncon-
21 pleted because of the lack of an entry permit to purchase, and bring the
22 application up to date so that the information in the application is
23 current at the time of the loan. The private financial institution
24 shall then proceed with the processing of the application.

25 Sec. 16.10.720. DEFINITIONS. In AS 16.10.650 - 16.10.720,

26 (1) "department" means the Department of Commerce and Eco-
27 nomic Development;

28 (2) "fund" means the fishermen's mortgage and note fund.
29

ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND Session

HOUSE BILL NO. 1024

By THE RULES COMMITTEE BY REQUEST

"An Act establishing a fishermen's mortgage and note program."

Est a fishermen's mortgage and note program

Introduced in the House ... 4/23, 1980

HISTORY IN THE HOUSE

19 80

Apr. 23

Read first time and referred to Committee on Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date
 Yeas Yeas
 Nays Nays
 Absent Absent
 Excused Excused

Reconsideration

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

PASS Effective Date
 Yeas Yeas
 Nays Nays
 Absent Absent
 Excused Excused

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.



RECORDS CERTIFICATION



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

James O. Smith
Signature of Camera Operator

3/20/90
Date

Introduced: 4/29/80
Referred: Finance

BY THE FINANCE COMMITTEE
BY REQUEST

1 IN THE HOUSE OF REPRESENTATIVES

2 HOUSE BILL NO. 1028

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the issuance and sale of an addi-
7 tional \$15,987,000 in revenue bonds for international
8 airports; and providing for an effective date."

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

10 * Section 1. AS 37.15.410 is amended to read:

11 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing
12 part or all of the money to be used, with or without any grants or other
13 money which may become available, the issuance and sale of revenue bonds
14 of the state in the total principal sum of not to exceed \$59,312,000
15 [\$43,325,000] is authorized to acquire, equip, construct and install the
16 additions, improvements, extensions and facilities authorized in AS 37.-
17 15.510. The principal of and interest on these bonds shall be paid out
18 of and secured by the gross revenues derived by the state from the
19 ownership, lease, use and operation of the airports, and of all the
20 facilities of them and out of any other revenues or money which the
21 state legislature may provide exclusive of any state tax or license.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

(11)

COMMITTEE REPORT

HOUSE

4/29/80

FURTHER:

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 1028

"An Act authorizing the issuance and sale of an additional \$15,987,000 in revenue bonds for international airports; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

852.7
Subline

Introduced: 4/29/80
Referred: Finance

BY THE FINANCE COMMITTEE
BY REQUEST

1 IN THE HOUSE

2 HOUSE BILL NO. 1028

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the issuance and sale of an addi-
7 tional \$15,987,000 in revenue bonds for international
8 airports; and providing for an effective date."

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

10 * Section 1. AS 37.15.410 is amended to read:

11 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing
12 part or all of the money to be used, with or without any grants or other
13 money which may become available, the issuance and sale of revenue bonds
14 of the state in the total principal sum of not to exceed \$59,312,000
15 [\$43,325,000] is authorized to acquire, equip, construct and install the
16 additions, improvements, extensions and facilities authorized in AS 37.-
17 15.510. The principal of and interest on these bonds shall be paid out
18 of and secured by the gross revenues derived by the state from the
19 ownership, lease, use and operation of the airports, and of all the
20 facilities of them and out of any other revenues or money which the
21 state legislature may provide exclusive of any state tax or license.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND... Session

HOUSE BILL..... NO. 1028.

By THE FINANCE COMMITTEE
BY REQUEST

"An Act authorizing the issuance and sale of an additional \$15,987,000 in revenue bonds for international airports; and providing for an effective date."

Revenue bonds, international airports

Introduced in the House 4/29, 1980

HISTORY IN THE HOUSE

1980

Apr 29

Read first time and referred to Committee on

Finance

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

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

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Yeas	Yeas
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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.



RECORDS CERTIFICATION



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

James O Smith
Signature of Camera Operator

3/20/90
Date

original

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

HB 1029

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 1029

Title An Act relating to investment of surplus funds in the state treasury

Requested by House Finance Committee Date 5/2/80

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Treasury Management

(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						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART TIME						
TEMPORARY						

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

No direct fiscal impact. Possible safekeeping fee changes that may result will be handled within existing allocation and through normal budgetary process; at present no change other than normal cost increases are expected.

IV. DATE May 8, 1980

Anselm C. Staack

PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue/Treasury Division
PHONE 465-2351

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

SECTION-BY-SECTION ANALYSIS OF HB 1029

GENERAL FUND INVESTMENTS

Section 1. Repeal and re-enactment of the general fund investment act. This section requires the commissioner of revenue to obtain market rates of return on all state investments unless otherwise provided by law and redefines the prudent-man rule to emphasize the safety of principal over income. This section further requires the commissioner of revenue to invest all available funds in Alaska unless the permissible investments are not available at comparable risk levels.

Additions to existing law:

1. Foreign securities
2. Gold bullion
3. Deposits with Alaska savings and loan associations
4. Deposits with Alaska savings banks
5. Deposits with Alaska credit unions
6. Eurodollar investments
7. Foreign currency time deposits

Deletions from existing law:

1. State agriculture loans
2. State veterans loans
3. Alaska Rural Rehabilitation Corp. mortgages
4. Other securities

Corporate debt securities have been limited to those rated at least "Baa" by a nationally recognized rating organization, and preferred and common stock could be purchased only if the issuing corporation had paid dividends for the preceding three years. All mortgages have been limited to new loans only -- the general fund could not purchase loans from bank inventories. Hedging language identical to that used by the Alaska Permanent Fund is included. Finally, an increase in the limitation on bank loan delinquencies has been proposed, and the State Investment Advisory Committee has been eliminated.

Language covering investment in loans guaranteed or insured by the United States government is all-inclusive and will encompass both present and future programs. Commercial loans would be secured by buildings only -- undeveloped land could not be used as collateral and the issuing bank must retain its participation until the loan matures.

Section 2. Repeal of language which enables the commissioner of revenue to purchase State fish hatchery, veterans, alternative technology, tourism, and small business loans direct from surplus without legislative appropriation.

Introduced: 5/2/80
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE
BY REQUEST

2 HOUSE BILL NO. 1029

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 investment of surplus funds in the
7 state treasury; and providing for an effective date."

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

9 * Section 1. AS 37.10.070 is repealed and re-enacted to read:

10 Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a) When the commis-
11 sioner of revenue determines that there is in the state treasury a
12 surplus above an amount sufficient to meet current cash expenditure
13 needs, the surplus shall be invested at competitive national market
14 rates unless otherwise provided by law in any of the following:

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

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

21 (3) certificates of deposit issued by United States domestic
22 banks which are members of the Federal Deposit Insurance Corporation for
23 which a generally recognized secondary market exists or which are secured
24 fully at all times as to the payment of principal and interest in accord-
25 ance with Alaska law;

26 (4) corporate debt securities with a minimum rating of "Baa"
27 or the equivalent by a nationally recognized rating organization and the
28 preferred and common stocks of companies which have paid dividends
29 continuously for the last three years;

1 (5) commercial paper bearing the highest rating of a na-
2 tionally recognized rating organization;

3 (6) the portion of first lien real estate mortgages guaran-
4 teed by the United States or agencies or instrumentalities of the United
5 States;

6 (7) the portion of business and industrial loans guaranteed
7 by the United States or agencies or instrumentalities of the United
8 States;

9 (8) loans insured by the United States or agencies or instru-
10 mentalities of the United States;

11 (9) conventional residential mortgages if the offering finan-
12 cial institution retains at least 25 percent of the mortgage for a
13 minimum of two years;

14 (10) notes secured by mortgages of commercial buildings if the
15 originating financial institution retains at least 25 percent of the
16 mortgage until maturity;

17 (11) other loans secured by real property, if the offering
18 financial institution retains at least 33-1/3 percent of the mortgage
19 until maturity;

20 (12) securities of foreign governments, foreign governmental
21 agencies, and foreign corporations the principal, interest or dividends
22 of which are payable in either United States dollars or foreign curren-
23 cies;

24 (13) gold bullion, certified as to fineness of at least 90
25 percent;

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

28 (15) shares of federally chartered savings and loan associa-
29 tions in Alaska which are fully secured at all times as to the payment

1 of principal and interest in accordance with Alaska law;

2 (16) savings certificates issued by state-chartered savings
3 and loan associations in Alaska which are fully secured at all times as
4 to the payment of principal and interest in accordance with Alaska law;

5 (17) deposits with mutual savings banks in Alaska which are
6 fully secured at all times as to the payment of principal and interest in
7 accordance with Alaska law;

8 (18) fixed-term certificates of indebtedness of federally
9 insured credit unions in Alaska which are fully secured at all times as
10 to the payment of principal and interest in accordance with Alaska law;

11 (19) foreign time deposits of both United States-owned and
12 foreign-owned banks and trust companies denominated in either United
13 States dollars or foreign currencies;

14 (20) notes secured by mortgages of commercial or residential
15 buildings if the mortgages are insured by a private mortgage insurance
16 corporation which is authorized to do business in Alaska and has combined
17 capital, surplus and reserves aggregating at least \$20,000,000; however,

18 (A) mortgage insurance is not necessary for commercial
19 loans having loan-to-value ratios of less than 50 percent and the
20 minimum coverage of other commercial loans is 10 percent for those
21 having a loan-to-value ratio of 50-60 percent and 15 percent for
22 those having a loan-to-value ratio greater than 60 percent but no
23 more than 75 percent; and

24 (B) mortgage insurance is not necessary for residential
25 loans having a loan-to-value ratio of less than 70 percent and the
26 minimum coverage of other residential loans is 10 percent for those
27 having a loan-to-value ratio greater than 70 percent but less than
28 90 percent and 20 percent for those having a loan-to-value ratio of
29 90 percent.

1 (b) To qualify as a mortgage or secured loan which may be purchased
2 by the state under (a)(9), (10), or (11) of this section, the mortgage
3 or secured loan must

4 (1) be secured by real estate in the state;

5 (2) have as a mortgagor an Alaskan resident or a corporation
6 in which at least 50 percent of the stock is owned by Alaska residents;

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

10 (4) not have been held by the originating financial institu-
11 tion for a period greater than 90 days.

12 (c) When more than three percent of the aggregate of all loans
13 purchased from a financial institution becomes 60 days delinquent, the
14 state shall discontinue purchasing loans from that financial institution
15 until the delinquency is reduced to less than three percent.

16 (d) In making investments, the commissioner of revenue shall
17 exercise the judgment and care under the circumstances then prevailing
18 which an institutional investor of ordinary prudence, discretion, and
19 intelligence exercises in the management of large investments entrusted
20 to it not in regard to speculation but in regard to the permanent dispo-
21 sition of funds, considering probable safety of capital as well as
22 probable income.

23 (e) Except as provided in this section, the commissioner of revenue
24 may

25 (1) invest and reinvest the principal and income without
26 distinction between principal and income;

27 (2) sell, exchange, convey, transfer, or otherwise dispose of
28 an investment of the general fund by private contract or at public
29 auction;

1 (3) vote upon a stock, bond, or other security; give a general
2 or special proxy or power of attorney with or without power of substitu-
3 tion; exercise a conversion privilege, subscription right, or other
4 option and make payments incidental to it; consent to or participate in
5 a corporate reorganization or other change affecting corporate securi-
6 ties, delegate discretionary power, pay an assessment or charge in
7 connection with the delegation; and generally exercise of the powers
8 of an owner with respect to stocks, bonds, securities, or other invest-
9 ments held in the general fund;

10 (4) make, execute, acknowledge, and deliver documents of
11 transfer and conveyance and instruments necessary or appropriate to
12 carry out the powers granted;

13 (5) register investments held in the name of the state;

14 (6) do all acts whether or not expressly authorized which are
15 considered necessary or proper for the protection of the investments.

16 (f) The commissioner of revenue may enter into futures contracts
17 for the sale of investments purchased under (a) of this section only for
18 the purpose of hedging an existing equivalent ownership position in
19 these investments.

20 (g) The commissioner of revenue may enter into contracts for
21 services providing investment advice, custody of securities, and execu-
22 tion of transactions, in or out of Alaska.

23 (h) The commissioner of revenue shall invest all funds available
24 under this section in investments in Alaska to the extent investments in
25 Alaska are available if investments in Alaska

26 (1) have a risk level comparable to alternate investment
27 opportunities; and

28 (2) are included in the list of permissible investments in
29 (a) of this section.

1 (i) In this section

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

5 (2) "resident" means a person domiciled in this state.

6 * Sec. 2. AS 16.10.550; AS 26.15.070(b); AS 45.88.040(b); AS 45.90.040(b);
7 and AS 45.95.020(b) are repealed.

8 * Sec. 3. Section 2 of this Act takes effect July 1, 1980.

9 * Sec. 4. Sections 1, 3 and 4 of this Act take effect immediately in
10 accordance with AS 01.10.070(c).

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(11)

COMMITTEE REPORT

HOUSE

5/2/80

FURTHER:

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 1029

"An Act relating to investment of surplus funds in the state treasury; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

8534
Berru

Introduced: 5/2/80
Referred: Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE
BY REQUEST

2 HOUSE BILL NO. 1029

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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18 States or agencies or instrumentalities of the United States or obliga-
19 tions of corporations in which the United States is a shareholder or
20 member;

21 (3) certificates of deposit issued by United States domestic
22 banks which are members of the Federal Deposit Insurance Corporation for
23 which a generally recognized secondary market exists or which are secured
24 fully at all times as to the payment of principal and interest in accord-
25 ance with Alaska law;

26 (4) corporate debt securities with a minimum rating of "Baa"
27 or the equivalent by a nationally recognized rating organization and the
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16 (d) In making investments, the commissioner of revenue shall
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5 a corporate reorganization or other change affecting corporate securi-
6 ties, delegate discretionary power, pay an assessment or charge in
7 connection with the delegation; and generally exercise any of the powers
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9 * Sec. 4. Sections 1, 3 and 4 of this Act take effect immediately in
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ALASKA STATE LEGISLATURE

ELEVENTH Legislature SECOND Session

HOUSE BILL NO. 1029.

By THE FINANCE COMMITTEE BY REQUEST

"An Act relating to investment of surplus funds in the state treasury; and providing for an effective date."

Investment of surplus funds

Introduced in the House 5/2 ... 19...80

HISTORY IN THE HOUSE

19 80	Read first time and referred to Committee on												
May 2	Finance Reported back with recommendation that												
	Read second time and												
	Read third time and												
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CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

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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
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	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.