

LEG. FINANCE - BILLS 1979 - 1980 1233

SB 1 cont. , 1233

Alaska Housing Finance Corporation:

Changes the officers of the corporation to: Commissioners of Commerce, Revenue, and Administration.

Calls for direct interest subsidy by appropriation to allow bonds to be sold at taxable rates.

Interest rates are to be 9-1/4% for Vets (this seems to indicate that Vets can get loans for housing at the preferred rates either through AHFC or the Vets Loan Program) and 9-1/2% for others.

AHFC is to continue to act primarily as a secondary mortgage market. Refinancing is not addressed.

The Bill Repeals the following loan authorities:

AS 16.10	Commercial Fishing Loans
AS 26.15	Veterans <u>Business</u> Loans
AS 44.33	Child Care <u>Facility</u> Loans
AS 45.90	Tourism Loans
AS 45.95	Small Business Loans
AS 44.56	Power Project Loans
AS 45.86	Water Resource Loans

CS for HB 114	agricultural loans
HB 152	special appropriation to the residential care facilities revolving loan fund
HB 162	Alaska Permanent Fund and water resources
CS for HB 275	special approp. to agricultural revolving loan fund
HB 408	establishing Alaska Veterans' Loan Corporation
HB 460	relating to revolving loan funds administered by the Department of Commerce and Economic Development
HB 461	special approp. to Dept. of Commerce and Economic Dev. to provide money for the revolving loan funds
HB 512	relating to historical districts and loans under Historical District Loan Act
HB 598	increasing capitalization of the agricultural revolving loan fund
HB 602	special appropriation to agricultural revolving loan fund
HB 608	relating to housing loans

HB 671	relating to the Alaska Housing Finance Corporation; establishing a Special Mortgage Purchase Program, a Mortgage Interest Reduction Fund, and a Housing Insurance Fund
HB 693	special appropriation to Dept. of Commerce and Economic Dev. for prospectors' revolving loan fund
HB 694	establishing prospectors' revolving loan fund
HB 740	making appropriations for the development of agriculture
HB 753	special appropriation to the power project revolving fund
HB 754	relating to the power project revolving fund
HB 777	relating to fisheries enhancement
SS for HB 822	establishing Alaska resident loan fund
HB 823	making special appropriation to Alaska resident loan fund
HB 861	establishing water and sewer revolving loan fund
HB 894	relating to agricultural loans under AS 03.10

HB 912	making special appropriation to Alaska Industrial Development Authority
CS for HB 540	establishing Alaska school competitive activities fund
HB 652	relating to Alternative Technology Revolving Loan Fund
HB 680	relating to youth hostels
SS for HB 875	relating to energy and preparation of a state energy conservation and development plan

SB 17	making a supplemental appropriation for the scholarship revolving loan fund
SB 18	relating to scholarship loans
CS for SB 146	making special appropriations to Department of Commerce and Economic Dev. to provide money for the revolving loan funds
SB 398	establishing prospectors' revolving loan fund
SB 441	relating to energy conservation
SB 441	relating to energy conservation
SB 444	establishing Alaska_Veterans' Loan Corporation and transferring assets and functions of the Dept. of Commerce and Economic Dev. relating to Vet's loans to the corp.
SB 476	relating to loans for upgrading fish holds in commercial fishing vessels
SB 519	relating to use of limited entry permits as collateral for loans

MEMORANDUM

TO: Senator John C. Sackett
FROM: Garrey Peska
SUBJECT: Senate Bill No. 1
Alaska Loan Program (A.L.P.)
DATE: March 20, 1980

SB 1 contains many policy decisions that need legislative attention.

FUNDING:

Under the 3/13/80 version of SB 1, funding will come from:

- * 70% of Permanent Fund income.
- * General Fund balances exceeding \$100 million at the end of each fiscal year. (note: the bill says "money" in excess of \$100 million. That needs better definition. Do they mean "liquid balances" or "funds available for appropriation"?) At the end of the current fiscal year, the amount available for appropriation is estimated to be \$1.9 billion, \$1.8 billion would then be available for use by the A.L.P.
- * 15% of mineral lease and royalty income. (Estimate \$150 million to the A.L.P. in FY '81.)

FUNDING:

- * Does the legislature want to make indefinite amounts available to the Loan Program or should the appropriations be a "sum certain"?
- * Does the legislature want to allow the A.L.P. to make loans and sell bonds with no upper limit on either activity?
- * Does the legislature want to appropriate nearly \$2 billion to a new program in its first year of operation?
- * Will the use of General Fund money lead to a court decision that will prohibit residency requirements? No two attorneys ever seem to agree on this question.

COMMERCIAL LOANS - PUBLIC UTILITIES - PRIVATELY OWNED:

The bill calls for the loan to be repaid from revenue from the utility project financed.

Generally, the past approach to this problem has been: If a project isn't able to attract private financing on its merits, it would be built by direct state grant and ownership of the resulting facilities be given to the local unit of government.

COMMERCIAL LOANS:

* Does the legislature want to allow unsecured working capital loans?

The bill allows working capital loans, up to \$250,000 for farming, fishing and logging. These loans are to be unsecured and will carry a higher risk than most. Maximum term for working capital loans is one (1) year.

* Does the legislature want to allow re-financing of small businesses? (Note: Re-financing is not specifically addressed in the Housing Loan section. The legislature should make a decision on re-financing of all kinds, and state whether it is to be allowed or not.) Re-financing small businesses is specifically allowed in the bill.

INDUSTRIAL DEVELOPMENT LOANS:

With the approval of the affected municipality, the A.L.P. may loan up to \$5 million to a business for an Industrial Development Loan.

If needed funds exceed \$5 million the A.L.P. may request and the state bond committee may issue a special series of bonds for the project.

This section could include a provision requiring legislative approval (by resolution) before any such bonds may be issued.

MUNICIPAL/PUBLIC PURPOSE LOANS:

This bill requires that the A.L.P. bid on all municipal bonds offered - both revenue bonds and general obligation bonds. At the present time, the legislature is offering assistance to municipalities by appropriating \$6 million to the bond bank to help those communities that can't sell bonds on the open market due to interest "cappers".

The legislature might instead of directly buying bonds as proposed in SB 1, set a state-wide "cap" of 8% and subsidize, out of the General Fund, the difference between the market rate and 8% for all municipalities in the state.

High risk bonds will sell at high interest rates and the state will encourage those projects by subsidizing the interest.

Projects that are not economically feasible will not sell on the market and the legislature can then decide if the project will fulfill a public need and if so, put it in the C.I.P. budget or on a state-wide bond issue.

If the A.L.P. does get in the business of buying bonds, a dollar limit (perhaps based on population) could be imposed so the program isn't wiped out in the first year by billions of dollars worth of bond issues offered by municipalities.

The Senate Finance Committee, on 3/13/80, indicated that the section dealing with default by a municipality needed to be strengthened. It was further asked whether the State has legal authority to remove a municipal officer from his office.

BANK PARTICIPATION:

This is another policy decision that the legislature should make but the bill leaves it up to the A.L.P. director.

The banks will be allowed to set their own current interest rate on their portion of the loan so the cost to the borrower will be increased when bank participation is required.

The legislature might want to require bank participation on some, all or none of the loans but the bill should contain specific legislative direction on the subject.

LOAN RE-EVALUATION REQUIREMENT:

The A.L.P. is required to re-evaluate the terms of any delinquent borrower's loan to see if new terms can be set that the borrower can meet.

In my opinion, the A.L.P. should be allowed to set payment schedules in such a way that farmers, for example could make payments after harvest season or construction loans could be paid on sale of the house.

I think the law should state that the A.L.P. does not have the authority to change the maximum period of the loans, interest rates or collateral requirements.

EFFECTIVE DATE:

If the A.L.P. is to start on January 1, 1981, we need to get the Governor to agree to continue depositing \$35 million per month in Alaska banks. He has said he will discontinue those deposits on May 15, 1980.

GP:dh

SB 1
SECTIONAL ANALYSIS

Section 1. Defines the purpose of the Alaska Loan Programs (A.L.P.) fund as providing low interest loans to stimulate the economy.

Section 2. Since Section 2 is 37 pages long, this analysis will refer to page and line numbers of the proposed Finance Committee Substitute dated 3/13/80:

Page 1, Lines 24 & 25. Creates the Alaska Loan Program (A.L.P.) in the Department of Commerce and Economic Development.

Page 1, Line 26 - Page 2, Line 3. The loan fund consists of: Direct appropriations; proceeds from bond sales; and a total of 70% of Permanent Fund income. In addition, 15% of mineral lease and royalty income is allocated to the A.L.P. plus any general fund balance over \$100 million at the end of each fiscal year is allocated to the A.L.P.

Page 2, Line 4. Sets up the general loan account, to be funded with 10% of Permanent Fund income. All loans except Public Utility loans are to be made from the general loan account.

Also sets up the energy loan account, to be funded with an additional 10% of Permanent Fund income. Only loans to privately-owned public utilities are to be made from this account.

Page 2, Line 13. The Director of the A.L.P. is to be a Range 27 in classified service.

Page 2, Line 25 - Page 7, Line 8. Legal "boilerplate" pertaining to sale of bonds and rights of bondholders.

Page 7, Lines 9-19. Requires that 50% of Permanent Fund income be deposited in the A.L.P.

Page 7, Lines 20-28. Sets aside (within the general fund) "money" in excess of \$100 million remaining in the general fund at the end of any fiscal year.

Page 7, Line 29 - Page 8, Line 14. Sets up Debt Service Reserve account. Deposits will come from proceeds of bond sales.

Page 8, Line 15 - Page 9, Line 10. Sets up Capital Reserve Account. Deposits to come from that 70% of Permanent Fund income to be allocated to the A.L.P. Account balance must equal 5% of outstanding bonds at any time.

Page 9, Line 11 - Page 10, Line 6. Sets up a Loan Loss Reserve Account. Deposits to come from that 70% of Permanent Fund income to be allocated to the A.L.P. Account balance must equal 5% of outstanding loans at any time.

Page 10, Lines 7-20. Requires that money in the three Reserve accounts be invested only in Federal (or Federally guaranteed) securities and class A corporate bonds.

Page 10, Lines 21-28. Provides that a loan may be made if the borrower has no insurance on the property. The additional fee for such a loan is six tenths of one percent (.006) per year.

Page 10, Line 29 - Page 11, Line 13. Commissioner of Revenue is to be responsible for investment of A.L.P. cash balances.

Page 11, Lines 14-17. The operating budget of the A.L.P. is subject to legislative appropriation.

Page 11, Line 18 - Page 12, Line 1. The Dept. of Commerce & Economic Development is to do the detailed accounting for the A.L.P. Monthly reports to the Legislative Budget & Audit Committee are required.

Page 12, Lines 2-18. District offices (Juneau, Fairbanks, and Anchorage) will have the authority to approve loans up to \$350,000. The A.L.P. director may establish other district offices as necessary.

Loans in excess of \$350,000 must be approved by a committee consisting of:

Commissioner of Commerce or a designee
Director of Division of Economic Enterprise
or a designee
Director of the A.L.P.

Page 12, Line 19 - Page 13, Line 18. Establishes a loan evaluation committee, membership:

Director of Div. of Economic Enterprise (Commerce)
Director of Div. of Collections (Revenue)
Director A.L.P. (Commerce)

The loan committee must notify borrowers when they are 30 days delinquent.

A borrower may request that the terms of his loan be changed if he can't make the originally set payments.

The loan evaluation committee must re-evaluate the loan upon request and may change the terms if it is in the "best interest of the state" and will prevent default.

Page 13, Line 19 - Page 14, Line 11. Creates the Div. of Collections in the Dept. of Revenue (this division currently exists in Revenue).

The Director is to be a Range 27 in classified service.

If the loan terms are not changed by re-evaluation, and if the delinquency continues for 30 days after the first notice was mailed, the Div. of Collections is to take collection action (60 days delinquent--then collection action).

Page 14, Lines 12-14. Allowable loans are:

- Residential housing
- Commercial purposes
- Public purposes
- Education (to be deleted in the next bill draft)

Page 14, Line 15 - Page 15, Line 19. Residential Housing
The A.L.P. director may make direct or participate in loans for the following purposes:

1. Construction loans for land development projects or residential housing.
2. Mortgage loans for residential housing

The A.L.P. may also:

- Purchase or participate in the purchase of mortgage loans for residential housing.

- Buy, foreclose, sell or rent collateral securing the loans.

- Sell their mortgages and participate in Federal National Mortgage Association transactions.

Page 15, Line 20 - Page 18, Line 6. Commercial Loans.
The Director of the A.L.P. may make direct loans for:

Farming: Development of farms; storage and processing farm produce; livestock; machinery and equipment; irrigation and working capital.

Commercial Fishing: Individual must have had a commercial fishing license one of the previous five years.

Loans cover: repair; restoration or upgrading vessels and gear; purchase of entry permits and gear, construction and purchase of vessels; and working capital.

Commercial fishing loans carry a maximum term of 15 years and may not exceed 90% of the collateral value (except uncollateralized working capital loans).

Local Development Companies: New financing assistance for industrial and manufacturing plant construction conversion or expansion up to the amount necessary to obtain a Federal Small Business Loan.

Development, rehabilitation and expansion of business activities in the State: The definition of loans in this category is left to the discretion of the A.L.P. director.

Child Care Facilities: Applicants must have a certificate of need from the Dept. of Community & Regional Affairs and the Commissioner of the Department of Commerce must approve.

Small Businesses: To acquire, finance or refinance or equip businesses.

Loggers and forest products manufacturers and processors: Loans cover: operations; equipment; manufacturing or processing plants and working capital.

Privately owned public utilities: Loans may be made for:

(A) Capital construction projects; hydroelectric generation and potable water supply. Construction, acquisition, financing and operating: fossil fuel, wind power, tidal, geothermal, solar, and waste energy power production facilities.

(B) Purchase of existing power facilities.

(C) Expansion of existing power facilities.

These loans are to be repaid out of revenue from the project.

Other: Loans may be made for any equipment and operations related to harvesting, manufacturing and processing resources in the state.

Page 18, Lines 7-22. Child Care Facilities - Detailed requirements re: certificate of need.

Page 18, Line 23 - Page 19, Line 22. Commercial Fishing Detailed requirements re: liens on vessels.

Page 19, Line 23 - Page 20, Line 24. Limited Entry Permits Requires the transfer be approved by the Limited Entry Commission. Details re: pledging the permit as security.

Page 20, Line 25 - Page 24, Line 7. Municipal Loans Loans are to be made to: (may not exceed \$5,000,000 per loan)

1. Municipalities with populations of less than 5,000. Through purchase of municipal bonds.
2. Tax exempt non-profit corporations. Through purchase of revenue bonds issued on behalf of the corporation by the municipality in which the project is constructed. The corporations may sell revenue bonds direct to the state if the project is outside a municipality.
3. Non-profit corporations created by statute which perform a state function. Through purchase of revenue bonds.

The A.L.P. is required to bid on all bonds offered by municipalities. The bid price is based on the "Daily bond Buyer 20 bond average". If there are no bids for the bonds, the A.L.P. is required to buy them at a 6% interest rate. (The Senate Finance Committee expressed a desire to have that interest rate fluctuate with the market.)

Page 24, Line 8 - 24. Default on Municipal Bonds - Operating Departments are prohibited from making payments of any kind to municipalities in default on bonds or loans held by the A.L.P. Entitlements are to be paid to the A.L.P. as debt retirement.

Provides for removal from office of the municipal chief executive officer in certain default circumstances. (The legality of this provision is being further researched by the Legislative Affairs Agency.)

Page 24, Line 25 - Page 25, Line 20. Requires that an amount equal to 5% of the municipal bonds held by the state be taken from the excess over \$100 million set aside in the general fund and deposited in a Municipal Bond Reserve account.

Page 25, Line 21 - Page 27, Line 8. Industrial Development Loans. The A.L.P. may make loans for Industrial Development projects provided that the project will be the property of a municipality unless the municipality has, by resolution, chosen to allow another entity to own the project.

The A.L.P. may request the state bond committee to issue a special series of bonds on behalf of a firm if the project cost will exceed \$5 million.

Page 27, Line 9 - Page 28, Line 17. Education Loans. This is to be deleted from SB 1 and left in the Post Secondary Education Commission.

Page 28, Line 18 - Page 29, Line 9. Tourism, Historical and Outdoor Recreation Loans.

Tourism loans may be made to any person "directly involved in the tourist industry" for any purpose.

Historical loans are for restoration, improvement, rehabilitation or maintenance of buildings in historical districts. Historical districts are designated and plans for financed projects must be approved by Local Historical Advisory Committees.

Page 29, Line 10 - Page 30, Line 4. Eligibility for Loans. Requires 30 days residency but that provision is being researched to determine if it can be extended constitutionally.

Page 30, Line 5 - Page 32, Line 3. Maximum Loan Limits.

Residential Housing:	Single Family	\$90,000.
	Duplex	\$130,000.
	Triplex	\$170,000
	Fourplex	\$210,000
Commercial Loans:	\$500,000. per borrower for all commercial loans except:	
	1.	\$350,000 for farm equipment.
	2.	10% of gross receipts up to \$250,000 for farm and fishing working capital.

Individual borrowers may pool their loan limits up to \$5,000,000 for a single project (\$500,000 x 10 borrowers) except the limit is \$1,100,000 for farm equipment loans.

The loan limits are to increase in proportion to the Anchorage consumer price index (this same indicator is used to determine public employees cost of living increases).

The July 1, 1978 is used as a base (so all above loan maximums have increased by an estimated 20% as of March 13, 1980).

Page 32, Line 4 - 20. Area Cost Differential. Maximum loan amounts are further increased by a formula:

1. The cost of construction in the area in which the project is to be located is compared to the area in the state with the lowest cost of construction.
2. The cost of living in the area in which the project is to be located is compared to the city or borough in the state with the lowest cost of living.
3. The loan limits are increased in the same proportion that area construction and living costs exceed the lowest costs in the state.

Page 32, Line 21 - Page 33, Line 6. Loan amount limits are reduced for borrowers who have been residents less than five years as follows:

<u>Years of Residency</u>	<u>Reduce Amount of Loan Limits By</u>
0 - 2 years	50%
2 - 3 years	30%
3 - 4 years	20%
4 - 5 years	10%

Page 33, Line 7 - 20. Except Industrial Development Loans, loans may not exceed 90% of appraised value of real property collateralized.

Housing loans generally may be up to 95% of appraised value. (Federal Mortgage Insurance is required for multi-family units.)

Loans may not exceed 80% of fair market value of personal property pledged.

Page 33, Line 21 - Page 34, Line 1. Maximum Loan Terms.

- 30 years on loans secured by real property.
- 15 years on the life of equipment secured when used for production of income.
- 7 years on loans secured by tangible personal property
- 1 year on working capital loans

Page 34, Line 2 - 28. Rate of interest is tied to the rate allowed for Federally insured mortgages (currently 13%).

An individual borrower's rate is reduced from the maximum by 1/2% per year of residence up to a total of 5% (ten years).

Page 34, Line 29 - Page 36, Line 6. Veterans Interest Rate.

A 1% additional reduction in interest rate is allowed to:

1. Qualified Alaskan Veterans of Federal service (qualification depends on residency).
2. Dependents of qualified veterans.
3. Veterans of at least five years service in Alaska military forces.

Page 36, Line 7 - 26. Requires that contracts let by loan recipients employ Alaska residents as follows:

<u>Contract Size</u>	<u>Residents Required</u>
More than 10 employees	95%
Fewer than 10 employees	90%

Page 36, Line 27 - Page 37, Line 2. Requires all state agencies to cooperate with the A.L.P. and the A.L.P. is to reimburse them for expenses incurred.

Page 37, Line 3 - 18. The A.L.P. "may" make loans in participation with financial institutions.

The financial institution will fix its own rate of interest.

The administration fee paid financial institutions may not exceed 1/8 of 1%. (The next Finance Committee bill draft is to read 3/8 of 1%.)

Page 37, Line 19 - Page 38, Line 4. This is a conflict of interest provision designed to prevent such people as property appraisers and bond consultants from:

- (1) Participating in both preliminary phases and implementation stages of the project.
- (2) Representing more than one interest in connection with the project.

Page 38, Lines 5-7. Defines "fund" as Alaska Loan Program Fund (in this bill).

Section 3. Education loan repealer--to be removed from the bill in the next draft.

Section 4. Removes authority of the Community and Regional Affairs Housing Development Revolving Loan Fund to make loans (Regional Housing Authority loans). Leaves the authority to make grants.

Sections 5 & 6. Removes loan authority from C & RA Senior Citizens Housing Development Funds. That fund can no longer make loans to municipalities, but may still make grants.

Section 7. Requires that 70% of income from the Permanent Fund be allocated to the A.L.P.

Section 8. Removes authority of the outdoor recreation fund in the Dept. of Natural Resources to make loans. Leaves the authority to make grants.

Section 9. Removes authority of historical sites advisory committee to review and approve loans.

Section 10. Places the A.L.P. in the Department of Commerce.

Section 11. A.H.F.C. will not be allowed to issue bonds or notes unless the state bond committee decides that the issuance is consistent with the A.L.P. bond program.

Section 12. Sets aside 15% of state mineral lease and royalty income to be available for appropriation to the A.L.P.

Section 13. Directors of the A.L.P. and Division of Collections are to be in classified service.

Section 14. All other loan funds are to stop taking applications and the A.L.P. is to start no later than January 1, 1981.

Section 15. Repealers affect:

AS 16.10	Commercial Fishing Loans
AS 18.55	Alaska State Housing Authority
AS 18.56	Alaska Housing Finance Corporation
AS 18.100	Community & Regional Affairs Housing Development Fund
AD 18.100	Community & Regional Affairs Senior Citizen Housing Development Fund
AS 26.15	Veterans Loans
AS 44.56	Power Project Revolving Fund
AS 45.90	Tourism Loans
AS 45.95	Small Business Loans.

Repealers are effective June 30, 1981.

COMMITTEE REPORT
SENATE

1/28/80

FURTHER: None

Date: March 21, 1980

Mr. President:

The Committee on Finance has had SSSB 1
Alaska loan programs fund, the Alaska Permanent Fund, and state investment
policy and other state revenues

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 ^SCS for SSSB 1 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

Scott Kay McRae

Steven A. ... McRae

... ..

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Chairman
CHAIRMAN

Section Analysis: Alaska Commercial Loan Corporation

Section 1. Purpose. The purpose of the Act is to provide the lowest possible interest cost through a comprehensive strong loan source.

Section 2. Repeals 44.61 and reenacts:

44.61.010. Legislative Findings and Policy; Purpose includes all IRS exempt facilities plus agriculture, tourism, mining, on-shore and off-shore fish harvesting and processing as well as other types of business.

44.61.020. Creates the Alaska Commercial Loan Corporation, located within the Department of Commerce and Economic Development but with a separate legal existence. Corporation subject to the Executive Budget Act.

44.61.030-050. Members of the corporation are the commissioners of Revenue, Commerce and Economic Development and Natural Resources. The commissioner of Commerce and Economic Development is chairman. The executive director and employees of the corporation are in the exempt service.

44.61.070-080. Purpose of the corporation is to provide the financing of industrial, manufacturing, and other business enterprises within the State. The corporation powers include various financing devices, insurance of loans, issuance of bonds and related powers.

44.61.090. Allows the issuance of bonds to fund various projects. Bonds may be sold at public or private sales.

44.61.100. Provides for trust indentures or agreements. Authorizes various functions relating to the issuance of bonds and their security. Allows the establishment of capital reserve funds.

44.61.110. Provides for validity of pledge regarding repayment of bonds.

44.61.120. Provides that the members of the corporation are not liable personally on the bonds.

44.61.130. The state pledges with the bond holders that it will not limit the corporation or impair the rights of bond holders.

44.61.140. Provides that the property of the corporation is exempt from taxation.

- 44.61.150. Provides that the corporation's bonds are legal investments for fiduciaries.
- 44.61.155. Establishes an enterprise development fund which is the corporation's general fund.
- 44.61.157. Establishes a loan insurance account the purpose of which is to insure loans the corporation purchases. The corporation may charge insurance fees for loans and be of a quality acceptable to the corporation.
- 44.61.158. Establishes a direct loan account the purpose of which is to allow the corporation to purchase loans. No loan purchased may exceed \$500,000 (unless bonded in a tax exempt manner). Interest rate on loans will be the yield on 10 year treasury bonds or the rate the corporation would pay on a taxable bond subject to the interest rate reduction account.
- 44.61.159. Loan interest reduction account is established. The interest rate is set at 9 1/4% for veterans (as under 26.15) and 9 1/2% for others provided the Legislature appropriates the necessary amount to make up the differential between the above and the rate under 44.61.158.
- 44.61.160. Requires the corporation to obtain from the local governing body a consent resolution on all projects over \$3 million.
- 44.61.170. Allows the use of leases between the corporation and other parties and provides for payments of rentals.
- 44.61.180. Provides that no member may vote on a resolution in which he has a personal interest.
- 44.61.190. Excludes the corporation from certain statutes and provides that funds of the corporation are not money of the state.
- 44.61.200-220. These three sections provide for an annual audit of the corporation, either by the legislative auditor, or by a CPA approved by the legislative auditor, an annual report to the Legislature and the Governor and provides for definitions.
- Section 3. AS 26.15.040. Subsection 1 amends the veterans' personal loan program by changing personal loans to home improvement loans not exceeding \$15,000. These loans must be secured. Reduces interest rate to eight and one-half percent.

Subsection 2. Eliminates farm loans. Reduces interest rate to eight and one half percent on single family and owner-occupied duplex loans. Raises loan limits on single family to \$100,000 and on owner-occupied duplexes to \$150,000.

Subsection 3. Eliminates the business loans category as differential interest rates are addressed for veterans under Section 44.61 of this bill.

Subsection 4. Increases loan limit on multiple dwellings to \$150,000. Simplifies current statute on purposes of loan and reduces interest rate to eight and one half percent for multiple dwelling loans and guaranteed loans under subsection (b).

Subsection (c). Increases total amount a veteran may borrow at any one time to \$150,000. This section also allows a veteran to apply for a loan once every five years with the exception of a home improvement loan.

Subsection (e). This section addresses the need to limit the program to qualified veterans and to allow the department to approve all assumptions by qualified veterans.

Section 4. AS 26.15.130. Clarifies eligibility requirements for the veterans' loan program. This amendment combines the current statutes 26.15.130 and 160. There are currently conflicting requirements under 130 and 160.

Section 5. Creates the Alaska Energy Loan Fund administered by the Department of Revenue. Public, private and nonprofit utilities and the Alaska Power Authority are eligible for loans.

Subsection 1. Loans for hydroelectric generation projects can only be made if the project is five megawatts or less. Loans may be made for fossil fuel, wind power, tidal, geothermal, or solar energy production.

Subsection 2. Capital improvements to existing projects are eligible for loans.

Subsection 3. Capital improvement loans to existing hydroelectric projects may be made if the project does not exceed five megawatts.

Subsection 4. Repayment will be made from the sale of electric power.

Subsection 5. A utility must demonstrate a project is feasible.

Subsection 6. The rate of interest will be the equivalent of the current yield on the 20 Bond Buyer Index for AA Rated Municipal obligations. Interest may be deferred for 10 years or until project completion whichever occurs first.

Section 6. Findings, Alaska Housing Finance Corporation:

The financing of residential mortgages is in jeopardy because of legislation pending in the United States Congress.

Section 7. 18.56.030(a) is amended:

(a) Changes the board membership to the commissioners of Revenue, Administration and Commerce and Economic Development. Deletes public members. Section 8 makes the Commissioner of Commerce and Economic Development chairman.

Section 8. Establishes a mortgage interest reduction fund. The rate of interest is set at 9 1/4% for state veterans and 9 1/2% for all others, or an amount the Legislature may establish. The rate reduction fund shall be from appropriations by the Legislature.

18.56.098. The corporation shall establish a housing insurance fund. A housing loan insurance commitment fee may be collected. No loan shall exceed the Federal National Mortgage Association limits as to principal amount and loan to value ratio.

Section 10. 45.96.410 is repealed and reenacted to read:

45.96.410. The rate of interest shall be that allowable rate under 42 U.S.C., Sec. 1709, as amended, except as reduced by residency credit. The rate of interest shall be reduced by 1/2% for each full year of residency in the state. The rate of interest may not be reduced by more than 5%. Veterans under AS 26.15 are eligible for 1% additional reduction. One half the income of the Alaska permanent fund is allocated to the mortgage interest reduction fund. Any amount needed in excess of this allocation shall be provided by legislative appropriation.

Section 11. After July 1, 1981 no further loans may be made under various state loan programs.

For an Act entitled: "An Act establishing a consolidated, comprehensive system for lending activities of the state; repealing the lending and borrowing powers of state agencies and public corporations whose functions are included in the consolidated, comprehensive system; and providing for an effective date."

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

* Section 1. PURPOSE. The purpose of the Alaska loan programs under this Act is to provide the lowest possible interest costs to Alaska borrowers consistent with sound financial practices and to make available to all sectors of the Alaska economy loans including long-term financing. A strong loan source, by being available to secure interest rates and terms better than those available to loan funds limited in size for a specific purpose, will make a significant contribution to lowering costs of living for Alaska residents and costs of operations in the private and public sector.

* Sec. 2. AS 44.61 is repealed and re-enacted to read:

CHAPTER 61. ALASKA COMMERCIAL LOAN CORPORATION.

ARTICLE 1. CREATION AND ORGANIZATION.

Sec. 44.61.010. LEGISLATIVE FINDING AND POLICY. (a) The legislature finds, determines and declares that

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

(2) this unemployment is a serious menace to the health,

safety and general welfare, not only to the people in those areas, but also to the people of the entire state;

(3) the state lacks the basic manufacturing, industrial, and other business enterprises necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment of industrial, manufacturing, and other business enterprises in Alaska, including facilities for air and water transportation, mass commuting facilities, parking facilities, pollution control and waste disposal facilities, facilities for the local furnishing of electric energy or gas, facilities for the furnishing of water, if available on demand to members of the general public, industrial parks and commercial agriculture, tourism, mining, on-shore and off-shore fish harvesting and processing, and other trade or service facilities is essential to the development of the natural resources and the long term economic growth of the state, and will directly and indirectly alleviate unemployment in the state;

(5) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, and other business enterprises in the state, including facilities for air and water transportation, mass commuting facilities, parking facilities, pollution control and waste disposal facilities, facilities for the local furnishing of electric energy or gas, facilities for the furnishing of water, if available on demand to members of the general public, industrial parks and commercial agriculture, tourism, mining, on-shore and off-shore fish harvesting and processing and other trade or service facilities will be accelerated and facilitated by the creation of an instrumentality of the state with powers to incur debt and to make and insure loans to finance, and to assist private lenders to make loans to finance, industrial, manufacturing,

and other business enterprise projects, including facilities for air and water transportation, mass commuting facilities, parking facilities, pollution control and waste disposal facilities, facilities for the local furnishing of electric energy or gas, facilities for the furnishing of water, if available on demand to members of the general public, industrial parks and commercial agriculture, tourism, mining, on-shore and off-shore fish harvesting and processing, and other trade or service facilities for private operation and thus provide financial assistance for the establishment, operation and development of these projects.

(b) It is declared to be the policy of the state, in the interests of promoting the health, security and general welfare of all the people of the state, and a public purpose to increase job opportunities and otherwise to encourage the economic growth of the state, including the development of its natural resources, through the establishment of manufacturing, industrial, and other business enterprises by creating the public corporation with power, duties and functions as provided in this chapter.

Sec. 44.61.020. CREATION OF THE CORPORATION. (a) There is created the Alaska Commercial Loan Corporation. The corporation is a public corporation of the state and a body corporate and politic constituting a political subdivision within the Department of Commerce and Economic Development, but with separate and independent legal existence.

(b) The corporation is subject to the provisions of the Executive Budget Act (AS 37.07).

Sec. 44.61.030. MEMBERSHIP OF THE CORPORATION. The membership of the corporation consists of the commissioner of commerce and economic development, the commissioner of revenue and the commissioner of natural resources, serving ex officio. If a state officer who is a

member of the corporation is unable for any reason to attend a meeting of the corporation, he may by an instrument in writing filed with the corporation, designate his deputy or assistant commissioner to act in his place as a member at the meeting. For all purposes of this chapter, the designee is a member of the corporation at the meeting.

Sec. 44.61.040. CHAIRMAN AND VICE-CHAIRMAN. The commissioner of commerce and economic development is the chairman of the corporation, presides over all meetings, and has the duties which the corporation may direct. A vice-chairman may be elected by the corporation from among its other members for one or more terms of one year each. The vice-chairman presides over all meetings in the absence of the commissioner of commerce and economic development and has other duties which the corporation may direct.

Sec. 44.61.050. MEETINGS, COMPENSATION, OFFICERS AND EMPLOYEES.

(a) A majority of the members of the corporation constitutes a quorum for the transaction of business or the exercise of a power or function at a meeting of the corporation. In case of a tie vote on a motion or resolution pending before the corporation the motion or resolution shall be presented to the governor and if approved by him, is considered adopted by the corporation.

(b) The members of the corporation serve without salary but each member is entitled to reimbursement from corporation funds for actual and necessary expenses incurred in the performance of his official duties as a member of the corporation.

(c) The corporation may appoint persons as officers it considers advisable, including an executive director, and may employ professional advisors, counsel, technical experts, agents, and other employees it considers advisable. The executive director and employees of the corporation are in the exempt service under AS 39.25.

ARTICLE 2. PURPOSE AND POWERS.

Sec. 44.61.070. PURPOSE OF THE CORPORATION. The purpose of the corporation is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment by providing various means of financing or facilitating the financing of industrial, manufacturing, and other business enterprises within the state.

Sec. 44.61.080. POWERS OF THE CORPORATION. In furtherance of its corporate purposes, the corporation has the following powers in addition to its other powers:

- (1) to sue and be sued;
- (2) to have a seal and alter it at pleasure;
- (3) to make and alter bylaws for its organization and internal management;
- (4) to adopt regulations governing the exercise of its corporate powers;
- (5) to acquire interests for financing purposes in any project, whether by purchase, gift or lease;
- (6) to lease to others a project acquired by it for the rentals and upon the terms and conditions the corporation may consider advisable, including, without limitation, provisions for options to purchase or renew;
- (7) to issue bonds to pay the cost of a project and to secure payment of the bonds as provided in this chapter;
- (8) to sell, by installment sale or otherwise, exchange, donate, convey or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, including any project, when, in the judgment of the corporation, the action is in furtherance of its cor-

porate purposes;

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

(10) to enter into loan agreements with others with respect to one or more projects providing for payments and upon the terms and conditions the corporation considers advisable;

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

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

(13) to accept gifts, grants, or loans from a federal agency, from an agency or instrumentality of the state or a municipality, or from any other source;

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

(15) to deposit or invest its funds, subject to agreements with bondholders;

(16) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in this chapter.

ARTICLE 3. FINANCIAL PROVISIONS.

Sec. 44.61.090. BONDS OF THE CORPORATION. (a) The corporation may borrow money and may issue bonds therefor, including but not

limited to bonds on which the principal and interest are payable, (1) exclusively from the income and receipts or other money derived from the project financed with the proceeds of the bonds, (2) exclusively from the income and receipts or other money derived from designated projects whether or not they are financed in whole or in part with the proceeds of the bonds, or (3) from its income and receipts or other assets generally, or a designated part or parts of them.

(b) Bonds shall be authorized by resolution of the corporation, and be dated and shall mature as the resolution may provide, except that no bond may mature more than 40 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered; carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption which the resolution or a subsequent resolution may provide.

(c) All bonds, regardless of form or character, shall be negotiable instruments for all the purposes of the Uniform Commercial Code.

(d) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times which the corporation may determine.

(e) Before the issuance of any bonds, the corporation shall make provision by lease or other agreement regarding the project or projects being financed by the issue of the bonds for rentals or other considerations at least sufficient, in the judgment of the corporation, to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves therefor as the corporation considers necessary or desirable and to meet all obligations in connection with the lease or other agreement and all costs necessary to service the bonds unless the lease or agreement provides that the obligations are

to be met or costs are to be paid by a party other than the corporation.

(f) The superior court shall have jurisdiction to hear and determine suits, actions or proceedings relating to the corporation, including suits, actions or proceedings brought to foreclose or otherwise enforce a mortgage, pledge, assignment or security interest or brought by or for the benefit or security of a holder of its bonds or by a trustee for or other representative of the holders.

Sec. 44.61.100. TRUST INDENTURES AND TRUST AGREEMENTS. ^(a) In the discretion of the corporation, an issue of bonds may be secured by a trust indenture or trust agreement between the corporation and a corporate trustee (which may be a trust company, bank, or national banking association, with corporate trust powers, located inside or outside the state) or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee (hereinafter in this section referred to as "trust agreement") by means of which the corporation may:

(1) make and enter into any and all the covenants and agreements with the trustee or the holders of the bonds which the corporation may determine to be necessary or desirable, including, without limitation, covenants, provisions, limitations and agreements as to

(A) the application, investment, deposit, use and disposition of the proceeds of bonds of the corporation or of money or other property of the corporation or in which it has an interest;

(B) the fixing and collection of rents or other consideration for, and the other terms to be incorporated in a lease or contract of sale of a project;

(C) the assignment by the corporation of its rights in the lease or contract of sale of a project or in a mortgage or other security interest created with respect to a project to a

trustee for the benefit of bondholders;

(D) the terms and conditions upon which additional bonds of the corporation may be issued;

(E) the vesting in a trustee of rights, powers, duties, funds or property in trust for the benefit of bondholders, including, without limitation, the right to enforce payment, performance and all other rights of the corporation or of the bondholders, under a lease, contract of sale, mortgage, security agreement, or trust agreement with respect to a project by mandamus or other proceeding or by taking possession of by agent or otherwise and operating a project and collecting rents or other consideration and applying the same in accordance with the trust agreement;

(2) pledge, mortgage or assign money, leases, agreements, property or other assets of the corporation either presently in hand or to be received in the future, or both; and

(3) provide for any other matters of like or different character which in any way affect the security or protection of the bonds.

(b) For the purpose of securing one or more issues of its bonds, the corporation may establish one or more special funds, called "capital reserve funds," and shall pay into those capital reserve funds the proceeds of the sale of its bonds and any other money which may be made available to the corporation for the purposes of those funds from any other source. A capital reserve fund may be established only if the corporation determines that the establishment would enhance the marketability of the bonds. All money held in a capital reserve fund, except as provided in this section, may be used as required, only for (1) the payment of the principal of, and interest on, bonds or of the sinking fund payments with respect to those bonds; (2) the purchase or

redemption of the bonds; or (3) the payment of a redemption premium required to be paid when the bonds are redeemed before maturity. However, money in a fund may not be withdrawn if the amount of the withdrawal would reduce the amount in the fund to less than the capital reserve requirement, except for the purpose of making, with respect to the bonds, payment, when due, of principal, interest, redemption premiums, and sinking fund payments when other money of the corporation is not available for making the payments. Income or interest earned by, or increment to, a capital reserve fund, from the investment of all or part of the fund, may be transferred by the corporation to other funds or accounts of the corporation if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

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

(d) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested must be valued by a reasonable method established by the corporation by resolution. Valuation on a particular date must include the amount of any interest earned or accrued to that date.

(e) The chairman of the corporation shall annually, no later than January 2, certify in writing to the governor and the legislature the amount, if any, required to restore any capital reserve fund to

the capital reserve fund requirement. The legislature may appropriate the amount, and the corporation shall deposit in the proper capital reserve fund, all amounts appropriated during the then current fiscal year. Nothing in this section creates a debt or liability of the state.

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

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

Sec. 44.61.110. VALIDITY OF PLEDGE: It is the intention of the legislature that a pledge made in respect of bonds shall be valid and binding from the time the pledge is made; that the money or property so pledged and thereafter received by the corporation shall immediately be subject to the lien of the pledge without physical delivery or further act; and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the corporation irrespective of whether the parties have notice. Neither the resolution, trust agreement nor any other instrument by which a pledge is created need be recorded or filed under the provisions of the Uniform Commercial Code to be valid, binding or effective against the parties.

Sec. 44.61.120. NONLIABILITY ON BONDS. (a) Neither the members of the corporation nor a person executing the bonds are liable personally on the bonds or are subject to personal liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the corporation do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, except the corporation, but shall be payable solely from the income and receipts or other funds or property of the corporation. The corporation may not pledge the faith or credit of the state or of a political subdivision of the state (except the corporation) to the payment of a bond and the issuance of a bond by the corporation does not directly or indirectly or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond.

Sec. 44.61.130. PLEDGE OF THE STATE. The state pledges to and agrees with the holders of bonds issued under this chapter and with the federal agency which loans or contributes funds in respect to a project, that the state will not limit or alter the rights and powers vested in the corporation by this chapter to fulfill the terms of a contract made by the corporation with the holders or federal agency, or in any way impair the rights and remedies of the holders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The corporation is authorized to include this pledge and agreement of the state, insofar as it refers to holders of bonds of the corporation, in a contract with the holders, and insofar as it relates to a federal agency, in a contract with the federal

agency.

Sec. 44.61.140. EXEMPTION FROM TAXATION. (a) The real and personal property of the corporation and its assets, income and receipts are declared to be the property of a political subdivision of the state and, together with any project financed under this chapter and a leasehold interest created in a project occupant or other person under this chapter, devoted to an essential public and governmental function and purpose, and the property, assets, income, receipts, project and leasehold interests shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts and other taxing units. All bonds of the corporation are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income and receipts pledged to pay or secure the payment of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income or any other taxes, provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the corporation, in any property, assets, income, receipts, project or lease whether or not financed under this chapter.

(b) The corporation may enter into agreements with a proposed project occupant or project occupant providing for payments, computed

on a formula basis or otherwise, in lieu of taxes, which the corporation may consider appropriate. The agreement may provide that the payments be made to the political subdivision of the state in which a project is or is to be located or to any other taxing unit of the state including, without limitation, a borough, city, municipality, school district or public utility district, the area of which is coterminous in whole or in part with that of the political subdivision.

(c) For the purposes of AS 14.17 relating to the computation of the required local effort by a district as defined in AS 14.17.250(3), all property exempted from taxation by this chapter shall be considered taxable real and personal property.

Sec. 44.61.150. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The bonds of the corporation are securities in which all public officers and bodies of the state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loan associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including capital in their control or belonging to them. Notwithstanding any other provisions of law, the bonds of the corporation are also securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the state is not or may hereafter be authorized.

Sec. 44.61.155. ENTERPRISE DEVELOPMENT FUND. (a) There is established in the corporation the "enterprise development fund." The enterprise development fund must be completely segregated and set apart from all other funds of the corporation, and is a trust fund for the uses and purposes of this section. Money may be paid into and out of the enterprise development fund only as provided in this chapter. The enterprise development fund may be composed of money or assets appropriated or transferred to the corporation, interest on investments, and loans of the fund and any other money deposited in it by the corporation.

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

Sec. 44.61.157. LOAN INSURANCE ACCOUNT. (a) The purpose of the loan insurance account is to provide insurance of mortgage loans and other loans made or purchased by the corporation, or made by others and approved for insurance by the corporation, for any project. The corporation ~~it~~ may enter into agreements as to the use of money in the loan insurance account and may pledge, assign, or grant interests in the loan insurance account as provided in this section. The corporation may adopt regulations and enter into agreements with respect to the exercise of any power or approval relating to the loan insurance account under this section, including, without limitation, agreements as to the use of money in the loan insurance account, agreements with

respect to the terms and conditions upon which payments from the loan insurance account must be made with respect to a loan insured under this section, agreements as to separate subaccounts in the account for different categories of loans or with respect to loans made by the corporation or any other person, and agreements regarding the payment of and security for bonds issued by the corporation. Any agreement, any of the rights of the corporation under an agreement, or any payments received or to be received under the agreement may be pledged or assigned by the corporation for the benefit of the holders of bonds issued by the corporation.

(b) The corporation may, upon application of a proposed borrower, insure and make advance commitments to insure loan repayments required under the terms of any loan made by it or by another lender with respect to a project, upon the terms and conditions the corporation prescribes. To be eligible for insurance under this chapter, a loan for a project must:

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

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

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

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

(5) be in the form and contain the terms and provisions

with respect to insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, acceleration of maturity, additional and secondary liens, and other matters that the corporation prescribes.

(c) In addition to any other fees and charges which the corporation may charge on loans, the corporation may collect or cause to be collected on all loans insured under this section, either a loan insurance commitment fee or a loan insurance premium or both. The loan insurance fee and loan insurance premium need not be uniform among the various loans insured. The loan insurance commitment fees and loan insurance premiums when received must be deposited in the insurance account by the loan servicer, trustee, or agent designated by the corporation to receive them.

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

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

the loan account or a subaccount.

(f) When the corporation determines what is "actuarially sound" with respect to the operation of the loan insurance account or a subaccount in the loan insurance account, it shall consider means of providing sufficient revenue for the operation of the account or subaccount, without regard to amounts which may have been or may, after the date of determination of actuarial soundness, be appropriated under (g) of this section. It shall also consider factors which must include, without limitation, estimates of future defaults and losses of loans insured under this section based on actual default and loss experience on those loans or on similar loans in Alaska or elsewhere, estimates of recoveries on defaulted or foreclosed loans based on that experience, the terms and conditions of the loans insured under this section, estimates of earnings and income of amounts on deposit in the loan insurance account, and other appropriate factors.

(g) On December 1 of each year the corporation shall ascertain the amount on deposit in the loan insurance account and in each subaccount in the loan insurance account. If the amount in the loan insurance account or the amount in any subaccount in the account is less than the fund requirement for the account or for the subaccount, the corporation shall transfer the amount necessary to restore the subaccount or the loan insurance account to the fund requirement from any available funds which are not encumbered or restricted for other use under the terms of contracts with bondholders or others. If sufficient money is not available for transfer, the chairman of the corporation shall, no later than January 2 of the following year, certify in writing to the governor and to the legislature the amount, if any, required to restore the account or a subaccount to the fund requirement. The legislature may appropriate the amount and the

corporation shall deposit in the account or proper subaccount all amounts appropriated by the legislature during the then current state fiscal year. Nothing in this subsection creates a debt or liability of the state.

(h) A contract of insurance executed by the corporation under this section is conclusive evidence of eligibility for the insurance. The validity of a contract of insurance executed by the corporation or of an advance commitment to insure is incontestable from the date of the execution of the contract or commitment, except for fraud or misrepresentation on the part of the insured or, as to commitments to insure, noncompliance with the terms of the advance commitment or corporation regulations in force at the time of issuance of the advance commitment.

(i) In this section:

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

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

Sec. 44.61.158. DIRECT LOAN ACCOUNT. (a) The purpose of the direct loan account is to provide money for making loans, or purchasing loans made by others, to a business enterprise to pay the cost of a project as defined in AS 44.61.220 which is not eligible to be funded with the proceeds of bonds of the corporation the interest on which is exempt from federal income tax. No loan made or purchased

with amounts in the account to a business enterprise for a single project may exceed \$500,000.

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

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

(1) involve principal which does not exceed 90 percent of the cost or 90 percent of the appraised value of the project, whichever is less;

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

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

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

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

(d) The corporation may adopt regulations for the administration of the direct loan account which may include, without limitation, provisions for fees and agreements relating to application, loan commitment, servicing, and origination of loans directly or by other lenders.

(e) The corporation may enter into agreements as to the use of the money in the direct loan account, including, without limitation, trust or custody arrangements with banks or trust companies. It may also pledge, assign, or grant the agreement, interests under an agreement or interests in the direct loan account as may be necessary or appropriate to provide for payment and security for bonds of the corporation.

Sec. 44.61.159. LOAN INTEREST REDUCTION ACCOUNT. (a) The purpose of the loan interest reduction account is to provide for interest rate reductions to borrowers on loans made or purchased from amounts in the direct loan account, loans made by others and insured under AS 44.61.157, and loans made by the corporation from the proceeds of bonds of the corporation the interest on which is not exempt from federal income tax.

(b) The corporation shall fix an interest rate reduction from time to time in an amount such that the interest rate on a loan to a state veteran does not exceed nine and one-quarter percent a year and the interest rate on a loan to any other borrower does not exceed nine and one-half percent a year, or another amount or percentage the legislature may fix. The interest rate reduction account may be funded only from appropriations by the legislature. In this section, "state veteran" means a veteran eligible for a loan under AS 26.15.

(c) When the corporation determines the amount of the interest reduction on a loan eligible for interest rate reduction under this section, it shall calculate the total amount of the interest reduction over the scheduled term of the loan, together with the total amount of

servicing fees estimated to be payable over the scheduled term of the loan. To the extent investments are available, the corporation shall invest an amount held in the interest reduction account in investments earning interest payable or yielding amounts at the times and in the amounts which together with the principal of the investments and cash held will be sufficient to pay the interest reduction and servicing fees as they become due. The corporation shall set aside the investments and cash held irrevocably in trust or otherwise for the purpose of paying the interest reduction and servicing fees. The statement of the corporation on the instrument evidencing the loan that the amount of the interest reduction is payable from the interest reduction account constitutes the obligation of the corporation to pay that amount according to the terms of the statement from the interest reduction account and is conclusive evidence that the amount of the interest reduction is so payable. Interest reductions may be paid only from the interest reduction account. The corporation may enter into agreements as to the use of money in the interest reduction account, including, without limitation, trust or custody agreements with banks or trust companies, and may pledge, assign, or grant the agreement, interests under the agreement, and interests in the interest reduction account to provide for timely payments of the amounts of the interest reduction and servicing fees as may be necessary or appropriate to provide for the payment of and security for bonds of the corporation.

ARTICLE 4. GENERAL PROVISIONS.

Sec. 44.61.160. FINDINGS OF THE CORPORATION. Before entering into a lease or other agreement as provided in AS 44.61.090(e) regarding a project for which bonds are agreed to be issued by the corporation in an amount in excess of \$3,000,000, or before approving insurance or

a commitment to insure a loan as provided in AS 44.61.157(b) with a principal amount in excess of \$3,000,000, there must have been filed with the corporation a certified copy of a resolution of the governing body of the political subdivision of the state, if any, in which the project is to be located, consenting to the location (which consent need only refer to the general nature of the project ultimately to be acquired as set out in a request of the proposed project occupant), and the corporation must find, on the basis of all information reasonably available to it, that

(1) the project and its development under this chapter will be economically advantageous to the state and the general public welfare and will contribute to the economic growth of the state;

(2) the project occupant is financially responsible; and

(3) provision to meet increased demand upon public facilities that might result from the project is reasonably assured.

Sec. 44.61.170. PURCHASE OF PROJECT AND LEASES. (a) No provision of this chapter may prevent the inclusion in a lease or other agreement relating to a project of a provision granting the right to purchase the project, or (at) renew or extend the lease or agreement, upon the terms and conditions which may be provided for in the lease or agreement.

(b) A lease with respect to a project may provide for two or more lessees with the legal relationship between themselves and the corporation which the corporation may approve; including, without limitation, provisions to the effect that the obligations of the lessees under the lease for payment of rental or otherwise between themselves and the corporation are several, joint, or joint and several and that the lessees lease the project as tenants-in-common, or otherwise.

Sec. 44.61.180. CONFLICTS OF INTEREST. (a) No member of the

corporation may vote on a resolution of the corporation relating to a lease or contract to be entered into by the corporation under this chapter if he is a party to the lease or contract or has a direct ownership or equity interest in a firm, partnership, corporation or association which may be a party to the contract or lease. If a person may not vote because of this prohibition, for all purposes regarding action of the corporation relating to adoption of the resolution, the position of the person ^{as} a member shall be transferred to the first one of the following state officers who is not then acting as a member and would not be prohibited from voting on the resolution because of the same prohibition: commissioner of administration, attorney general, commissioner of revenue, commissioner of health and welfare, commissioner of labor, commissioner of public works, commissioner of public safety.

(b) The state officer serves as a member from time to time and for all purposes of this chapter is a member for the purpose of voting on the resolution but after each vote the corporation shall again consist of members referred to in AS 44.61.030 only, until one or more members may not again vote on a resolution because of the prohibition.

Sec. 44.61.190. OPERATION OF CERTAIN STATUTES EXCEPTED. (a) . The corporation shall not be considered or constitute (1) a political subdivision of the state as the term is used in AS 37.10.085, (2) a municipal corporation or political subdivision of the state as the terms are used in AS 29, or (3) a state agency as the term is used in AS 37, but for all other purposes the corporation constitutes a political subdivision and an instrumentality of the state as provided in this chapter.

(b) The funds, income or receipts of the corporation shall not be considered or constitute money of the state, nor shall real property

in which the corporation has an interest be considered land owned in fee by the state or to which the state may become entitled or in any way lands belonging to the state, or state lands referred to in Art. VIII of the Alaska Constitution.

Sec. 44.61.200. ANNUAL AUDIT. The corporation shall have its financial records audited annually by the legislative auditor or by a certified public accountant approved by the legislative auditor. The legislative auditor may prescribe the form and content of the financial records of the corporation and shall have access to these records at any time.

Sec. 44.61.210. ANNUAL REPORT. Before December 1 of each year, the corporation shall submit to the governor and the legislature a comprehensive report, in form prescribed by the governor, describing operations, income and expenditures for the preceding 12-month period.

Sec. 44.61.220. DEFINITIONS. In this chapter

(1) "corporation" means the Alaska Commercial Loan Corporation created by this chapter;

(2) "business enterprise" means a corporation, firm, partnership or other association of persons organized in any manner, or a single proprietorship;

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

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

(5) "project" means a plant or facility used or intended for use in connection with making, processing, preparing or producing

in any manner, goods, products or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature, any plant or facility used or intended for use in connection with air and water transportation, mass commuting facilities and parking facilities, or any plant or facility for the prevention, limitation or control of air or water pollution, for the disposal of sewage or solid waste, for the local furnishing of electric energy or gas, or for furnishing water, if available on demand to members of the general public, industrial parks and any other business or commercial plant or facility, including, but not limited to, a plant or facility used in connection with commercial agriculture, on-shore and off-shore fish harvesting and processing, mining, tourism, warehouse, transportation, and research and development enterprises; "project" does not mean residential housing but includes child care facilities and residential care facilities;

(6) "plant" or "facility" means real property, whether above or below mean high water, or an interest in it, and the buildings, improvements and structures constructed or to be constructed on or in it, and may include fixtures, machinery, and equipment on it, and any tangible personal property, whether or not the tangible personal property is attached to or connected with real property, except work in process or stock in trade, if the owner has agreed not to remove the tangible personal property permanently from the state for the period the corporation sets; "plant" or "facility" does not include work in process or stock in trade;

(7) "project cost" or "cost of a project" means all or any

part of the aggregate costs determined by the corporation to be necessary to finance the construction or acquisition of a project, including, without limitation, the cost of acquiring real or tangible personal property, and, in connection with real property, the cost of constructing buildings and improvements, the cost of constructing means of access to and from the project, the cost of constructing extensions of utility systems to the site of the project; the cost of a project includes, without limitation, the cost of financing the project, interest charges before, during or after construction or acquisition of the project, costs related to the determination of the feasibility, planning design or engineering of the project and, to the extent determined necessary by the corporation, administrative expenses, the cost of machinery or equipment to be used in the operation of the project and expenses of installation, replacement or rehabilitation, and all other costs; charges, fees and expenses which may be determined by the corporation to be necessary to finance the construction or acquisition;

⁸
~~(9)~~ "project occupant" means a business enterprise or enterprises proposing to use or occupy a project;

⁹
~~(10)~~ "real property" means land and rights and interests in land, including, without limitation, interests less than full title such as easements, uses, leases, and licenses;

¹⁰
~~(11)~~ "lease" includes, when used as a noun, an interest in, or when used as a verb, the transfer of an interest in, property less than fee simple title, including, without limitation, when used as a noun, agreements to use or occupy property.

* Sec. 3. AS 26.15.040 is amended to read:

Sec. 26.15.040: VETERANS' LOANS. (a) The commissioner of commerce and economic development may, under regulations and policies adopted by him, make the following loans:

(1) Home improvement [PERSONAL] loans may be made in an amount [FOR EDUCATIONAL, DOMESTIC, REMOTE AREA FAMILY HOUSING AND OTHER PERSONAL PURPOSES,] not exceeding \$15,000 [\$10,000]. The loans shall be secured by acceptable collateral [WHEN AVAILABLE BUT IF NOT AVAILABLE THE COMMISSIONER MAY MAKE LOANS ON THE BASIS OF GOOD CHARACTER]. The rate of interest may not exceed eight [NINE] and one-half percent a year on the unpaid balance.

(2) Single-family [FARM AND SINGLE-FAMILY] home loans not exceeding \$100,000 [\$75,000] and loans for owner-occupied duplexes not exceeding \$150,000 [\$125,000] may be made to purchase, [REMODEL, REPAIR,] build, or [FURNISH,] refinance [OR EQUIP] homes, or owner-occupied duplexes [OR FARMS] in the state [, INCLUDING THE CLEARING AND DRAINAGE FOR FARMS]. The loans may not exceed 90 percent of the appraised value when made for the purchase or construction of a home or owner-occupied duplex unless additional amounts are secured by acceptable collateral as determined by the commissioner of commerce and economic development in conformity with established minimum requirements. The rate of interest may not exceed eight [NINE] and one-half percent a year on the unpaid balance.

[(3) BUSINESS LOANS NOT EXCEEDING \$125,000 MAY BE MADE TO ACQUIRE, FINANCE OR REFINANCE OR EQUIP BUSINESSES, INCLUDING MINING AND FISHING BUT NOT INCLUDING FARMING, IF THE LOAN APPLICANT HAS HAD THREE OR MORE YEARS OF GENERAL BUSINESS EXPERIENCE. THE LOANS SHALL BE SECURED BY ACCEPTABLE COLLATERAL AND MAY NOT EXCEED 75 PERCENT OF THE APPRAISED VALUE OF THE COLLATERAL OFFERED AS SECURITY. THE RATE OF INTEREST MAY NOT EXCEED NINE AND ONE-HALF PERCENT A YEAR ON THE UNPAID BALANCE.]

(4) Multiple dwelling loans not exceeding \$150,000 [\$110,000] may be made to purchase, [REMODEL, REPAIR,] build, or [FURNISH,]

refinance [OR EQUIP] multiple dwellings. The loans shall be secured by acceptable collateral and may not exceed 75 percent of the appraised value of the collateral offered as security. The rate of interest may not exceed eight [NINE] and one-half percent a year on the unpaid balance.

(b) The commissioner of commerce and economic development may enter into agreements with private banks, other lending institutions and individuals for the purpose of guaranteeing loans made to qualified applicants. The guarantees may not exceed 90 percent of the amount loaned and the loans shall be secured in the same manner provided for direct loans under this section. A loan made under this subsection and guaranteed by the commissioner of commerce and economic development and the state shall bear an interest rate not exceeding eight [NINE] and one-half percent a year on the unpaid balance.

(c) No loans authorized by (a)(2) [,(3)] and (4) of this section may be made unless the commissioner of commerce and economic development is satisfied that money at a comparable rate of interest is not available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section. An applicant is eligible for more than one type of loan, but the total may not exceed \$150,000 [\$125,000] at any one time. No loans shall be authorized if the applicant was granted a loan within five years of the date of application, with the exception of a loan made under AS 26.15.040(a)(1).

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the Alaska World War II veterans' revolving fund. Each voucher shall be approved by the commissioner of commerce and economic development or any bonded deputy authorized to act as a certifying officer. Upon repayment of

loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the Alaska World War II veterans' revolving fund.

(e) It is unlawful to transfer any loan made under this Act to a person not qualified under this Act. All transfers to qualified individuals must be approved by the department.

* Sec. 4. AS 26.15.130 is amended to read:

^{Sec.} 26.15.130. ELIGIBILITY FOR VETERANS' LOANS. (a) The following persons are qualified for [QUALIFICATIONS] loans under this chapter [ARE]:

(1) A person [PERSONS] who served in the armed forces of the United States for 90 days or more, or whose service was for less than 90 days because of injury or disability incurred in the line of duty, ^{alter BETWEEN} after April 6, 1917, [AND NOVEMBER 11, 1918, AND BEGINNING ^{between} SEPTEMBER 16, 1940 TO SIX MONTHS AFTER TERMINATION OF HOSTILITIES INVOLVING UNITED STATES FORCES IN INDO-CHINA, OR IN A COMBAT ZONE DURING ANY PERIOD OF ARMED CONFLICT, WHO WERE SEPARATED FROM THE ARMED FORCES WITH A DISCHARGE OTHER THAN DISHONORABLE,] and

(A) who, at the time of induction into the service, was a resident [WERE RESIDENTS] of the territory or state, who had been a resident [RESIDENTS] for not less than one year immediately before his [THEIR] induction, and who returned to the territory or state within one year after discharge as a resident [RESIDENTS] with the intention of remaining in the territory or state; or

(B) who, not being a bona fide resident [RESIDENTS] of the territory or state before his [THEIR] entry into the service,

has [HAVE] been a resident [RESIDENTS] of the territory or state for the last five or more consecutive years after discharge from active duty;

(C) whose discharge was not dishonorable;

(2) a person [PERSONS] who was [WERE] dependent on a member of the armed forces or an eligible^[a] veteran [OF WORLD WAR II] at the time of the member's or veteran's death, if

(A) the member or veteran was a resident of the territory or state for one year before induction into the service; and

(B) the member or veteran [HE] served in the armed forces for at least 90 days after April 6, 1917 [BETWEEN SEPTEMBER 16, 1940, AND JULY 25, 1947, BUT NO BENEFITS FOR LOANS ACCRUE TO DEPENDENTS OF AN ENLISTEE OR RE-ENLISTEE FOR TIME SERVED AFTER NOVEMBER 1, 1945, REGARDLESS OF WHETHER THE ENLISTMENT OR REENLISTMENT WAS BEFORE OR AFTER NOVEMBER 1, 1945]; and

(C) he died of combat related injuries [BEFORE THE OFFICIAL DATE OF THE TERMINATION OF THAT WAR]; and

(D) his discharge was not dishonorable;

(3) a person [PERSONS] who has [HAVE] served in the Alaska Army National Guard, [OR] the Alaska Air National Guard, or the Alaska Naval Militia for not less than five [SIX] years and who has [HAVE] not received a discharge other than honorable.

(b) For the purposes of this section, a dependent is an [DEPENDENTS SHALL BE] unmarried person-whose chief means of support was [AND] the deceased member of the armed forces or the deceased veteran [SHALL HAVE BEEN THEIR CHIEF MEANS OF SUPPORT AND THEY SHALL BE EITHER A WIDOW, WIDOWER, MINOR SON, MINOR DAUGHTER, OR MOTHER, FATHER, SISTER OR BROTHER INCAPABLE OF SELF-SUPPORT]. The dependent must be either (1) a widow, widower, minor son, minor daughter, or (2) mother, father,

sister or brother incapable of self-support. A dependent [DEPENDENTS] shall be a resident [RESIDENTS] of the [TERRITORY OR] state at the time of making application and intend to reside in the [TERRITORY OR] state permanently. The rights of a minor child who is eligible for a loan under this chapter [CHILDREN] may be exercised only if the child has [THEY HAVE] no surviving parent and has [HAVE] an appointed guardian [WHO MAY APPLY ON THEIR BEHALF TO SECURE A LOAN FOR THEIR CARE, SUPPORT, EDUCATION OR OTHER PURPOSES MENTIONED IN SEC. 40 OF THIS CHAPTER OR TO RECEIVE THE BONUS FOR THOSE PURPOSES].

* Sec. 5. There is created the Alaska Energy Loan Fund administered by the Department of Revenue. The Department of Commerce and Economic Development ~~ment~~ will make recommendations to the Department of Revenue on each proposal. Public, private and non-profit utilities and the Alaska Power Authority are eligible for loans for the following purposes and under the following conditions:

(1) loans may be used for capital construction projects, for hydroelectric generation no greater than 5 _____ and transmission lines to the existing distribution system, and development of hydroelectric generating facilities including transmission of power to a load center; loans may also be used to construct, acquire, finance and operate power production facilities limited to fossil fuel, wind power, tidal, geothermal, or solar energy production and waste energy conservation facilities;

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

(3) existing hydroelectric projects may be expanded or rehabilitated with loans under this paragraph if the rehabilitation and expansion is a capital improvement project not exceeding 5 _____;

(4) the loan shall be repaid to the fund by the utility

from revenue derived from the sale of electric power;

(5) the utility shall demonstrate in its loan application that the project is economically and technically feasible and, taking into account the low interest on loans under this chapter, is the most economical means of furnishing the proposed service;

(6) rate of interest charged on loans made from the Alaska Energy Loan Fund will be the equivalent of the current yield on the 20 Bond Buyer Index for AA rated municipal obligations. Interest may be deferred for 10 years or until project completion whichever occurs first.

* Sec. 6. FINDINGS. (a) The legislature finds that the Alaska Housing Finance Corporation program of financing the purchase of residential mortgage loans is in jeopardy because of legislation pending in the United States Congress which would deny tax exemption to bonds issued by the corporation to provide funds for purchasing the mortgage loans. In addition, extremely high interest rates have adversely affected the ability of persons not eligible for the corporation's programs to secure mortgage loans from conventional lending sources to purchase residential housing. The continuance of the residential mortgage purchase program of the corporation and of residential mortgage lending activities of other mortgage lenders and the reduction of mortgage interest rates are essential to help assure a supply of housing for home purchasers in the state.

(b) The legislature further finds that establishment of a special mortgage purchase program authorizing the creation, purchase, and sale of mortgage participations, a mortgage interest reduction fund providing for reduced interest rates on home mortgages, and a special housing mortgage insurance program providing for insurance of home mortgages purchased by the corporation will assist the Alaska Housing Finance Corporation and private mortgage lenders to continue to finance the purchase of residential mortgage loans and enable Alaskans to achieve home ownership at affordable

mortgage interest rates even if the ability of the corporation to issue tax exempt obligations is ultimately withdrawn by the United States Congress and mortgage interest rates continue at the present levels, which are now higher than they have ever been in recent economic history.

* Sec. 7. AS 18.56.030(a) is amended to read:

(a) The corporation shall be governed by a board of directors. The board of directors of the corporation consists of the commissioner of the Department of Commerce and Economic Development, the commissioner of the Department of Revenue, and the commissioner of the Department of Administration [AND SIX MEMBERS APPOINTED BY THE GOVERNOR]. If a member of the board is absent or otherwise unable to act, he may designate an employee in his department to act as a member of the board in his place.

* Sec. 8. AS 18.56.030 is amended by adding a new subsection to read:

(e) The commissioner of the Department of Commerce and Economic Development is the chairman of the board and the commissioner of the Department of Revenue is the secretary. A majority of the members of the board constitutes a quorum.

* Sec. 9. AS 18.56 is amended by adding new sections to read:

Sec. 18.56.097. MORTGAGE INTEREST REDUCTION FUND AND SPECIAL MORTGAGE PURCHASE PROGRAM. (a) There is established in the corporation the "mortgage interest reduction fund." The fund must be completely segregated from all other funds of the corporation, and is a trust fund for the uses and purposes of this section. Money may be paid into and out of the fund only as provided in this section.

(b) The purpose of the fund is to provide for interest rate reductions to mortgagors on mortgage loans made under the special mortgage purchase program of the corporation. Under the special mortgage purchase program, the corporation may purchase any housing

mortgage loan, including a housing mortgage loan for a mobile home, and any other housing mortgage loan for a single-family residence or an owner-occupied duplex which does not exceed the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount and loan-to-value ratio and which meets prudent lending criteria. The corporation may purchase, sell, hold, or otherwise deal in any mortgage loan purchased as part of its special mortgage purchase program. In this section and in AS 18.56.098, "mortgage loan" includes a beneficial interest or participation in a mortgage loan. In connection with the purchase or sale of a beneficial interest or participation in mortgage loans, the corporation may enter into a trust agreement providing for the custody, control, and administration of the mortgage loans. The trust agreement may provide that the corporation or any bank or trust company act as trustor or trustee under the trust and that title to the mortgage loans be considered to have passed as provided in the trust agreement. To the extent provided in the trust agreement, the effect of sale of beneficial interests or participations is the same as the sale of the mortgage loans subject to the trust. The corporation may adopt regulations prohibiting, limiting, or setting conditions on the right to assume a mortgage loan made as part of the special mortgage purchase program.

(c) The corporation shall fix from time to time an interest rate reduction for mortgages purchased as part of its special mortgage purchase program in an amount such that the interest rate to a state veteran does not exceed nine and one-quarter percent a year and the interest rate to any other borrower does not exceed nine and one-half percent a year, or another amount or percentage the legislature may establish. The interest rate reduction fund may be funded only from appropriations by the legislature. In this section, "state veteran"

mortgage loan, including a housing mortgage loan for a mobile home, and any other housing mortgage loan for a single-family residence or an owner-occupied duplex which does not exceed the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount and loan-to-value ratio and which meets prudent lending criteria. The corporation may purchase, sell, hold, or otherwise deal in any mortgage loan purchased as part of its special mortgage purchase program. In this section and in AS 18.56.098, "mortgage loan" includes a beneficial interest or participation in a mortgage loan. In connection with the purchase or sale of a beneficial interest or participation in mortgage loans, the corporation may enter into a trust agreement providing for the custody, control, and administration of the mortgage loans. The trust agreement may provide that the corporation or any bank or trust company act as trustor or trustee under the trust and that title to the mortgage loans be considered to have passed as provided in the trust agreement. To the extent provided in the trust agreement, the effect of sale of beneficial interests or participations is the same as the sale of the mortgage loans subject to the trust. The corporation may adopt regulations prohibiting, limiting, or setting conditions on the right to assume a mortgage loan made as part of the special mortgage purchase program.

(c) The corporation shall fix from time to time an interest rate reduction for mortgages purchased as part of its special mortgage purchase program in an amount such that the interest rate to a state veteran does not exceed nine and one-quarter percent a year and the interest rate to any other borrower does not exceed nine and one-half percent a year, or another amount or percentage the legislature may establish. The interest rate reduction fund may be funded only from appropriations by the legislature. In this section, "state veteran"

means a veteran eligible for a loan under AS 26.15.

(d) When the corporation determines the amount of the appropriate interest reduction on a mortgage loan which it has committed to purchase as part of its special mortgage purchase program, it shall calculate the total amount of the interest reduction payable over the scheduled term of the mortgage loan, together with the total amount of servicing fees and administrative expenses estimated to be payable over the term of the mortgage loan. To the extent investments are available, the corporation shall invest an amount held in the fund in investments earning interest or yielding amounts payable at the times and in the amounts which together with the principal of the investments and cash held will be sufficient to pay the interest reduction and expenses as they become due. The corporation shall set aside the investments and cash held irrevocably in trust or otherwise for the purpose of paying the interest reduction and expenses. The statement of the corporation on the mortgage note that the amount of the interest reduction is payable from the fund constitutes the obligation of the corporation to pay that amount from the fund according to the terms of the statement, and is conclusive evidence that the amount of the interest reduction is so payable. Interest reductions may be paid only from the fund. In this subsection, "expenses" means servicing fees and administrative expenses.

(e) The fund may be held and invested by the corporation only in investments authorized under AS 37.10.070(a)(1) -- (6), except as may be provided in an agreement entered into under (1) of this section.

(f) The corporation may enter into agreements as to the use of money in the fund and as to mortgages purchased as part of the special mortgage purchase program, including, without limitation, trust or custody agreements with banks or trust companies and may

pledge, assign or grant the agreement, an interest under the agreement, or an interest in the interest reduction fund and in the mortgages to provide for timely payments of the amounts of the interest reduction and expenses and as may be necessary or appropriate to provide for the payment of and security for bonds of the corporation.

(g) Instead of funding interest rate reductions through the interest rate reduction fund, the corporation may provide for interest rate reductions under this subsection. For this purpose the corporation may purchase with amounts available for its special mortgage purchase program, mortgage loans made to state veterans bearing interest at the rate of nine and one-half percent a year and mortgage loans made to all others bearing interest at the rate of nine and one-half percent a year, or such other rate as the legislature may fix. Bonds may be issued to provide further funds for mortgage loans and mortgage loans purchased with the proceeds of such bonds shall bear the same rate as mortgage loans purchased with amounts available to the special mortgage purchase program. Mortgage loans purchased with amounts available to the special mortgage purchase program or mortgage loans or other property transferred to or pledged for the benefit of the special mortgage purchase program may be pledged by the corporation to pay principal, interest and redemption premium, if any, on the bonds to the extent considered necessary by the corporation. The discounted present value of the mortgage loans pledged to the bonds in excess of the bond proceeds available for the purchase of mortgage loans shall be the amount of the interest reduction. On or before January 2 of each year, the corporation shall calculate the amount of the interest reduction estimated to be necessary for the next fiscal year based on the anticipated level of mortgage purchases by the corporation for that fiscal year and the estimated interest rate on bonds of the

corporation to be issued during that fiscal year and shall certify the amount of the estimated interest reduction to the governor and to the legislature.

Sec. 18.56.098. INSURANCE. (a) There is established in the corporation the "housing insurance fund." The fund must be completely segregated from all other funds of the corporation, and is a trust fund for the uses and purposes of this section. Money may be paid into and out of the housing insurance fund only as provided in this section. The corporation may enter into agreements as to the use of money in the housing insurance fund, agreements with respect to the terms and conditions upon which payments from the housing insurance fund must be made to the corporation with respect to mortgage loans insured under this section, and agreements regarding the payment of and security for bonds of the corporation. The corporation may pledge, assign, or grant other interests in the housing insurance fund as may be necessary or appropriate in connection with the insurance of mortgage loans and to provide for the payment of and security for bonds of the corporation.

(b) In addition to any other fees and charges which the corporation may charge on mortgage loans, the corporation may collect or cause to be collected on all mortgage loans insured under this section either a housing loan insurance commitment fee or a housing loan insurance premium or both. The housing loan insurance commitment fees and housing loan insurance premiums when received must be deposited in the housing insurance fund by the corporation, or by the mortgage loan servicer, trustee, or agent designated by the corporation to receive them.

(c) A mortgage loan purchased by the corporation as part of its special mortgage purchase program, including a housing mortgage loan

for a mobile home, and any other housing mortgage loan for a single-family residence or an owner-occupied duplex which does not exceed the limitations on mortgage loans purchased by the Federal National Mortgage Association as to principal amount and loan-to-value ratio and which meets prudent lending criteria, may be insured by the housing insurance fund. The endorsement of the corporation on the mortgage that it is insured under this section at the time of purchase or acquisition of the mortgage loan is conclusive evidence that the mortgage loan is insured under the provisions of this section.

(d) Mortgage loans may be insured only when the amount in the housing insurance fund as a percentage of the sum of all mortgage loans to be insured and all unpaid principal on mortgage loans insured by the corporation equals or exceeds the fund requirement. The fund requirement is calculated as a percentage of the unpaid principal balance of the mortgage loans insured which the corporation determines is actuarially sound for operation of the housing insurance fund.

(e) When the corporation determines what is "actuarially sound" with respect to the operation of the housing insurance fund, it shall consider means of providing sufficient revenues for the operation of the fund, without regard to amounts which may have been or may, after the date of determination of actuarial soundness, be appropriated under (f) of this section and it shall consider factors which must include, without limitation, estimates of future defaults and losses on mortgage loans insured under this section based on actual default and loss experience on those mortgage loans or on similar mortgage loans in Alaska or elsewhere, estimates of recoveries on defaulted or foreclosed mortgage loans based on that experience, the terms and conditions of the mortgage loans insured under this section, estimates of earnings and income of amounts on deposit in the housing insurance

fund, and other appropriate factors.

(f) On December 1 of each year, the corporation shall ascertain the amount on deposit in the housing insurance fund. If the amount in the housing insurance fund is less than the fund requirement, the corporation shall transfer the amount necessary to restore the housing insurance fund from any available funds which are not encumbered or restricted for other use under the terms of contracts with bondholders or others. If the amount in the fund is less than the fund requirement, the corporation shall, no later than January 2 of the following year, certify in writing to the governor and to the legislature the amount, if any, required to restore the fund to the fund requirement. The legislature may appropriate the amount and the corporation shall deposit in the fund all amounts appropriated during the then current state fiscal year. Nothing in this subsection creates a debt or liability of the state.

(g) In this section:

(1) "housing loan insurance commitment fee" means a fee of such per cent of the principal amount of a mortgage loan to be insured under this section as the corporation determines is actuarially sound for the operation of the housing insurance fund;

(2) "housing loan insurance premium" means an annual insurance premium of such per cent of the portion of the unpaid principal amount of a mortgage insured under this section as the corporation determines is actuarially sound for the operation of the housing insurance fund.

* Sec. 10. AS 45.96.410 is repealed and re-enacted to read:

Sec. 45.96.410. RATE OF INTEREST. (a) The rate of interest charged to borrowers for loans made under this chapter shall be at least the maximum allowable rate of interest for mortgage loans insured

under 42 U.S.C. sec. 1709, as amended, except as reduced by residency credit. The rate of interest charged to borrowers who are individuals shall be reduced by one-half percent for ^{each} eacy full year of residency in the state at the time the loan is made. However, the rate of interest may not be reduced by more than five percent. The interest reduction allowed in this subsection for individuals applies also to borrowers who are partnerships or corporations. The amount of the reduction in interest for partnerships and corporations shall be determined by the average length of residency of the partners in the partnership or of the board of directors of the corporation.

(b) The rate of interest determined in accordance with (a) of this section shall be reduced by one percent if the loan is made to a veteran. If the loan is made to a veteran, the World War II veterans' revolving fund, created in AS 26.15.090, shall pay the difference between the rate determined in (a) of this section and the rate charged to the borrower.

(c) When the World War II veterans' revolving fund's assets become depleted so that the difference in interest rate can no longer be paid by that fund, the provisions of (b) of this section relating to loans made to veterans apply only if appropriation is made for the purpose of paying the difference in interest rates.

(d) For the purpose of providing the residency credit of this section, one-half of the income from the Alaska permanent fund is allocated to the "mortgage interest reduction fund," but shall not exceed the amount of the annual residency credit. Any amount needed in excess of this allocation shall be provided by legislative appropriation.

* Sec. 11. After July 1, 1981

(1) no further loans may be made under AS 16.10.3 0 and

320(a) except for loans authorized under AS 16.10.333 pursuant to AS 16.10.-
310 and 320(a); and

(2) no further loans may be made under AS 44.33.245, AS 45.-
90.020, AS 45.95.020 and AS 26.15.040(3).

* Sec. 12. AS 18.56.030(b) and (c), AS 26.15.010(c), 26.15.110, 26.15.-
120, 26.15.150 and 26.15.160/, AS 44.56.170, and AS 45.86.010 are repealed. ✓

* Sec. 13. This Act takes effect

Introduced: 2/23/79
Referred: Commerce and
Finance

1 IN THE SENATE

BY HOHMAN

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

11 * Section 1. AS 24.20.151 is amended to read:

12 Sec. 24.20.151. LEGISLATIVE BUDGET AND AUDIT COMMITTEE ESTAB-
13 LISHED. The Legislative Budget and Audit Committee is established as a
14 permanent interim committee of the legislature. The establishment of
15 the committee recognizes the need of the legislature for full-time
16 technical assistance in accomplishing the fiscal analysis, budget re-
17 view, investment oversight and post-audit functions.

18 * Sec. 2. AS 24.20.201(a) is amended by adding new paragraphs to read:

19 (8) make recommendations concerning the structure and operat-
20 ing practices of all agencies of the state which perform lending or
21 investment functions;

22 (9) in conjunction with the finance committee of each house
23 recommend annually to the legislature the investment policy for the
24 general fund surplus and the income from the permanent fund.

25 * Sec. 3. AS 24.20 is amended by adding new sections to read:

26 Sec. 24.20.321. INVESTMENT OVERSIGHT DIVISION. The investment
27 oversight division is established as a permanent staff agency respon-
28 sible to the Legislative Budget and Audit Committee for the performance
29 of oversight and review functions to provide information on the policy

1 and performance of all agencies of the state which perform lending or
2 investment functions.

3 Sec. 24.20.331. STAFF. (a) The committee shall hire and deter-
4 mine the salary of the division director who shall serve both at the
5 direction and pleasure of the committee. The director shall serve as
6 head of the investment oversight division and, within the limits of the
7 budget approved by the committee, shall employ and determine the com-
8 pensation of the professional and clerical staff of the division.

9 (b) The director and members of the professional and clerical
10 staff shall not join or support a partisan political organization. This
11 prohibition does not prevent the director or members of the staff from
12 joining social organizations, expressing private opinion, registering as
13 to party or voting.

14 Sec. 24.20.341. DUTIES. The investment oversight division shall

15 (1) annually review the long-range operating plans of all
16 agencies of the state which perform lending or investment functions;

17 (2) review periodic reports from all agencies of the state
18 which perform lending or investment functions;

19 (3) present a complete report of investment programs, plans,
20 performance, and policies of all agencies of the state which perform
21 lending or investment functions to the Legislative Budget and Audit
22 Committee at the time the committee directs;

23 (4) present to the committee within 30 days after the con-
24 vening of each regular session a review of the report of the governor
25 under AS 37.07.020(d);

26 * Sec. 4. AS 37.07.020 is amended by adding a new subsection to read:

27 (d) The governor shall annually, before the convening of the
28 legislature, report to the legislature through the Legislative Budget
29 and Audit Committee the long-range fiscal and economic consequences of

1 (1) alternate levels of capitalization of the investment
2 funds of the state; and

3 (2) alternative investment policy for the general fund sur-
4 plus.

5 * Sec. 5. AS 37 is amended by adding a new chapter to read:

6 CHAPTER 13. ALASKA PERMANENT FUND.

7 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15
8 of the state constitution, there is established as a separate fund the
9 Alaska permanent fund. The Alaska permanent fund consists of

10 (1) one hundred per cent of mineral lease bonuses after
11 deduction of amounts allocated

12 (A) to the Alaska Native Fund under the Alaska Native
13 Claims Settlement Act and implementing state legislation; and

14 (B) in AS 37.11.020 to the Alaska renewable resources
15 development fund;

16 (2) twenty-five per cent of all mineral lease rentals, royal-
17 ties, royalty sale proceeds, and federal mineral revenue sharing pay-
18 ments received by the state; and

19 (3) any other money appropriated or otherwise allocated by
20 law to the Alaska permanent fund.

21 (b) Payments due the Alaska permanent fund under (a) of this
22 section shall be made to the fund once each month.

23 Sec. 37.13.020. INVESTMENT OF THE PERMANENT FUND. (a) The
24 prudent-man rule is applicable to the management and investment of
25 permanent fund assets. The prudent-man rule as applied to investments
26 of the permanent fund means that in making investments the commissioner
27 of revenue shall exercise the judgment and care under the circumstances
28 then prevailing which an institutional investor of ordinary prudence,
29 discretion, and intelligence exercises in the management of large in-

1 vestments entrusted to it not in regard to speculation but in regard to
2 the permanent disposition of funds, considering the probable income from
3 them as well as probable safety of capital.

4 (b) The permanent fund assets may only be used for income-pro-
5 ducing investments.

6 (c) The commissioner shall seek to maintain a reasonable diversi-
7 fication among corporation investments unless under the circumstances it
8 is clearly prudent not to do so.

9 (d) The commissioner shall submit long-range and quarterly invest-
10 ment reports to the Legislative Budget and Audit Committee.

11 (e) Subject to (a) and (b) of this section, the commissioner may
12 invest permanent fund assets in obligations of, or obligations insured
13 or guaranteed by, the United States or agencies or instrumentalities of
14 the United States; corporate securities which under the Securities Act
15 of 1933 are freely marketable; and short-term investments which meet the
16 requirements of (a) and (b) of this section except for the term or the
17 investments.

18 (1) No portion of the assets of the permanent fund may be
19 used in the purchase of stock of a corporation which is not paying
20 dividends on that stock in cash at the time of purchase; nor in the
21 purchase of bonds of a corporation, upon which any regular interest
22 payment has been defaulted within five years before purchase, except
23 bonds never in default but which have been outstanding for less than
24 five years.

25 (2) No portion of the assets of the permanent fund may be
26 used in the purchase of stock if immediately following the purchase the
27 proportionate market value of all stocks held by the fund would exceed
28 30 per cent of the assets of the fund.

29 (f) Subject to (a) and (b) of this section, the commissioner may

1 invest permanent fund assets in

- 2 (1) Federal Housing Administration mortgages;
3 (2) Federal Veterans Administration mortgages;
4 (3) conventional residential mortgages if the offering fi-
5 nancial institution retains at least 25 per cent of the mortgage.

6 (g) To qualify as a mortgage or secured loan which may be pur-
7 chased by the commissioner under (h) of this section, the mortgage or
8 secured loan shall

- 9 (1) be secured by real estate in the state;
10 (2) have as a mortgagor an Alaska resident or a corporation
11 in which at least 60 per cent of the stock is owned by Alaska residents;
12 (3) be certified by the originating financial institution
13 that the loan being sold has been made in compliance with law and that
14 liens supporting the loan have been perfected;
15 (4) have no initial closing fees or service fees which exceed
16 one-half of one per cent, excluding closing costs.

17 (h) The commissioner may purchase loans provided for in (f) of
18 this section only from financial institutions which are operating under
19 the national banking laws, federal savings and loan laws, or under the
20 provisions of AS 06.05, AS 06.15, AS 06.25 or AS 06.30.

21 (i) The commissioner shall establish and from time to time as
22 necessary modify guidelines for the investment of permanent fund assets.
23 Before adoption of any investment guidelines, the guidelines shall be
24 reported to the Legislative Budget and Audit Committee for review and
25 comment. Nothing in this section may be interpreted to preclude in-
26 state investments that have a risk level and expected yield comparable
27 to alternative investment opportunities.

28 Sec. 37.13.030. GAINS AND LOSSES. At the end of each fiscal year,
29 the total amount of losses on the sales of securities, not offset by

1 gains on the sales of securities during that year, shall be computed,
2 with a portion of these losses to be deducted each fiscal year from the
3 interest and dividend income and the resulting amount of interest and
4 dividend income added to the principal of the fund. Losses taken on the
5 sales of bonds shall be accumulated over a period equal to the average
6 remaining life of the bonds sold, and losses taken on the sales of
7 stocks shall be accumulated within a period of five years, unless these
8 losses are offset by gains on future sales of securities. In any fiscal
9 year in which the gains on the sales of securities exceed the losses on
10 the sales of securities, the excess shall be added to the principal of
11 the fund.

12 Sec. 37.13.040. INCOME. The interest and dividends received in a
13 year are the income of the permanent fund for that year. The income
14 available for allocation to the allocated reserve account established in
15 AS 45.96.120 shall be determined on an averaging basis. For the first
16 five years, income will be the simple averaging of the annual current
17 return at cost. Subsequently, there will be a moving average current
18 return, in which the latest fiscal year will replace the oldest year.
19 The income available for allocation will be the lesser of the latest
20 fiscal year's income, or the average annual current income for the past
21 five fiscal years of the fund at cost, and after adjustment for capital
22 losses charged to that fiscal year.

23 Sec. 37.13.050. BUDGET. The operating budget is from the general
24 fund unless the legislature specifically appropriates from the unallo-
25 cated reserve and is subject to the Executive Budget Act (AS 37.07).

26 Sec. 37.13.060. ACCOUNTING. Accounting for the fund shall be
27 provided by the Department of Administration. Reports shall be made by
28 that department to the Department of Revenue, the Department of Commerce
29 and Economic Development, and the Legislative Budget and Audit Committee

1 on at least a monthly basis. These reports shall include an itemization
2 of each loan which has been in default for a period in excess of 30 days
3 and the measures taken for each to insure compliance with terms and
4 conditions of the loan. The Legislative Budget and Audit Committee
5 shall provide quarterly reports to the legislature summarizing the
6 information it receives under this section and under AS 37.13.020(d) and
7 (i) and including comments and suggestions the committee determines to
8 be of interest to the legislature relating to the administration of the
9 fund.

10 Sec. 37.13.070. REPORTS AND PUBLICATIONS. No later than Septem-
11 ber 30 of each year, the commissioner of revenue shall publish a report
12 for distribution to the governor, legislature, and the public. The
13 report shall be written in easily understandable language. The report
14 must include financial statements audited by the legislative audit
15 division, a statement of the amount of money received by the permanent
16 fund from each investment during the period covered, a statement of fund
17 investments including an appraisal at market value, a description of
18 fund investment activity during the period covered by the report, an
19 examination of the impact of the investment criteria of this chapter on
20 the fund portfolio with recommendations for any needed changes and any
21 other information the commissioner believes would be of interest to the
22 governor, the legislature, and the public. The annual income statement
23 and balance sheet of the fund shall be published in at least one news-
24 paper in each judicial district. The income statement and balance sheet
25 for the two fiscal years preceding the publication of the election
26 pamphlet under AS 15.57 shall be included in that pamphlet.

27 * Sec. 6. AS 45 is amended by adding a new chapter to read:

28 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

29 Sec. 45.96.010. PURPOSE. Efficient use of the capital resources

1 of the state will be promoted by creating a single loan fund to provide
2 a single source from which potential users can acquire a state loan and
3 obtain information about existing federal or private loan programs which
4 will better serve the needs of the user or which will complement a
5 proposed state loan. A single state source of lending will provide
6 strong assurance of repayment of its loans and thereby lower the cost of
7 borrowing to the state. The purpose of the loan programs fund is to
8 provide the lowest possible interest costs to Alaska borrowers con-
9 sistent with sound financial practices and to make available to all
10 sectors of the Alaska economy loans including long-term financing. A
11 strong, single loan source, by being available to secure interest rates
12 and terms better than those available to loan funds limited in size for
13 a specific purpose, will make a significant contribution to lowering
14 costs of living for Alaska residents and costs of operations in the
15 private and public sector.

16 Sec. 45.96.020. CREATION OF FUND AND DIVISION. (a) There is
17 created within the Department of Commerce and Economic Development a
18 special fund of the state known as the Alaska loan programs fund.

19 (b) There is established within the Department of Commerce and
20 Economic Development the division of Alaska loan programs. The director
21 of the division is in the classified service under AS 39.25 and shall
22 receive an annual salary within range 27 of the salary schedule estab-
23 lished in AS 39.27.011 or within one range below that on which the
24 highest paid deputy commissioner in the Department of Commerce and
25 Economic Development is paid if that range is higher than Range 27. In
26 order to qualify for the position of director, a person must be gradu-
27 ated from college and have at least eight years of supervisory or
28 administrative experience in loan management.

29 (c) The division of Alaska loan programs shall manage the loan

1 programs fund in accordance with AS 45.96.010 - 45.96.490.

2 Sec. 45.96.030. REVENUE BONDING AUTHORITY. (a) The state bond
3 committee may issue bonds and bond anticipation notes in order to pro-
4 vide funds to carry out the purposes of the fund.

5 (b) The principal and interest on these bonds or bond anticipation
6 notes are payable from assets of the fund. Bond anticipation notes may
7 be payable from the proceeds of the sale of bonds or from the proceeds
8 of sale of other bond anticipation notes or, if bond or bond anticipa-
9 tion note proceeds are not available, the bond anticipation notes may be
10 paid from other assets of the fund. Bonds or bond anticipation notes
11 may also be secured by a pledge of a grant or contribution from the
12 federal or state government, a corporation, association, institution or
13 person, or a pledge of money, income, or revenues of the fund from any
14 source.

15 (c) Bonds or bond anticipation notes may be issued as provided by
16 the state bond committee, in one or more series and shall (1) be dated;
17 (2) bear interest at the prescribed rate per year or within the maximum
18 rate; (3) be in a certain denomination or form, either coupon or regis-
19 tered; (4) carry the conversion or registration provisions; (5) have
20 rank or priority; (6) be executed in a certain manner and form; (7) be
21 payable from the sources in the medium of payment and place or places
22 inside or outside the state; (8) be subject to authentication by a
23 fiscal agent; and (9) be subject to terms of redemption, with or without
24 premium as the resolution of the bond committee may provide. Bond
25 anticipation notes mature at a time determined by the commissioner of
26 revenue. Bonds mature at a time determined by the state bond committee.
27 Before the preparation of definitive bonds or bond anticipation notes,
28 the state bond committee may issue interim receipts or temporary bonds
29 or bond anticipation notes, with or without coupons, exchangeable for

1 bonds or bond anticipation notes when the definitive bonds or bond
2 anticipation notes have been executed and are available for delivery.

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

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

9 (f) In authorizing or issuing bonds or bond anticipation notes,
10 the state bond committee may, with holders of the bonds or bond antici-
11 pation notes, make covenants as may be necessary or desirable, to better
12 secure bonds or notes or which, in the discretion of the committee, will
13 tend to make bonds or notes more marketable and shall, for each issue,
14 create a principal and interest account for repayment of the principal
15 and interest of that issue.

16 Sec. 45.96.040. VALIDITY OF PLEDGE. The pledge of assets or
17 revenues of the fund to the payment of the principal or interest of
18 obligations of the fund is valid and binding from the time the pledge is
19 made, and assets or revenues pledged are immediately subject to the lien
20 of the pledge without physical delivery or further action. The lien of
21 a pledge is valid and binding against all parties having claims of any
22 kind in tort, contract or otherwise against the fund, regardless of
23 whether those parties have notice of the lien of the pledge. Nothing
24 prohibits the fund from selling assets subject to a pledge, except that
25 a sale may be restricted by the resolution providing for the issuance of
26 the obligations.

27 Sec. 45.96.050. REMEDIES. A holder of obligations issued under
28 the provisions of this chapter or coupons attached to them if not re-
29 stricted by the resolution, either at law or in equity, may enforce all

1 rights granted under the coupons or under any other contract executed by
2 the fund under this chapter, and may enforce and compel the performance
3 of all duties required by this chapter to be performed by the fund or by
4 an officer of it.

5 Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations and
6 interest coupons attached to the obligations are negotiable instruments
7 under the laws of this state, subject only to applicable registration
8 provisions.

9 Sec. 45.96.070. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
10 issued under the provisions of this chapter are securities in which all
11 public officers and public bodies of the state and its political sub-
12 divisions, all insurance companies, trust companies, banking associ-
13 ations, investment companies, executors, administrators, trustees and
14 other fiduciaries may properly and legally invest funds, including
15 capital in their control or belonging to them. These obligations may be
16 deposited with the state or municipal officer of an agency or political
17 subdivision of the state for any purpose for which the deposit of bonds,
18 notes or obligations of the state is authorized by law.

19 Sec. 45.96.080. REFUNDING OBLIGATIONS. (a) The fund may provide
20 for the issuance of refunding obligations for the purpose of refunding
21 outstanding obligations issued under the provisions of this chapter, or
22 bonds issued by the state, political subdivisions of the state, or
23 agencies or instrumentalities of the state, including the payment of
24 redemption premium on them and interest accrued or to accrue to the date
25 of redemption of the obligations. The issuance of the obligations, the
26 maturities and other details of them, the rights of the holders of them,
27 and the rights, duties and obligations of the fund in respect of them
28 are governed by the provisions of this chapter which relate to the
29 issuance of appropriate obligations.

1 (b) Refunding obligations may be sold or exchanged for outstanding
2 obligations issued under this chapter. If sold, the proceeds may be
3 applied, in addition to other authorized purposes, to the purchase,
4 redemption or payment of the outstanding obligations. Pending the
5 application of the proceeds of refunding obligations, with any other
6 available funds, to the payment of the principal (accrued interest and
7 any redemption premium on the obligations being refunded, and if so
8 provided or permitted in the authorization for issuance of the refunding
9 obligations, to the payment of any interest on the refunding obligations
10 and any expenses in connection with the refunding), the proceeds may be
11 invested in direct obligations of, or obligations the principal of and
12 the interest on which are unconditionally guaranteed by, the United
13 States of America which mature or which will be subject to redemption,
14 at the option of the holders of them, not later than the respective
15 dates when the proceeds, together with the interest accruing on them,
16 will be required for the purposes intended.

17 Sec. 45.96.090. CREDIT OF STATE NOT PLEDGED. Obligations issued
18 under the provisions of this chapter are not a debt, liability or obli-
19 gation of the state but are payable solely from the revenues or assets
20 of the fund. Each obligation issued under this chapter shall contain on
21 its face a statement that the fund is not obligated to pay it nor the
22 interest on it except from the revenues or assets pledged for it and
23 that neither the faith and credit nor the taxing power of the state or
24 of a political subdivision of the state is pledged to the payment of the
25 principal of or interest on the obligation.

26 Sec. 45.96.100. TAX EXEMPTION. All property of the fund is public
27 property devoted to an essential public and governmental function and
28 purpose and is exempt from all taxes of the state or a political sub-
29 division of the state. All bonds issued under this chapter are issued

1 by a body corporate and public of this state and for an essential public
2 and governmental purpose, and the bond and the interest and income on
3 and from the bonds and all income of the fund are exempt from taxation
4 except for transfer, inheritance and estate taxes.

5 Sec. 45.96.110. SALE OF BONDS. (a) The state bond committee may
6 sell bonds at public or private sale until July 1, 1984. After July 1,
7 1984, the state bond committee may sell bonds only at public sale.

8 (b) Before selling an issue or series of bonds at public sale, the
9 state bond committee shall give notice inviting sealed bids in such
10 manner as it may prescribe. If satisfactory bids are received, the
11 bonds offered for sale shall be awarded to the highest responsible
12 bidder. If the state bond committee determines that the bids received
13 are not satisfactory as to price or responsibility of the bidders, it
14 may reject all bids received.

15 Sec. 45.96.120. ALLOCATED RESERVE ACCOUNT. For the purpose of
16 securing obligations of the fund, a special account within the general
17 fund called the allocated reserve account is established. The income
18 from the Alaska permanent fund established in AS 37.13.010 is allocated
19 to the account. Other money may be appropriated to the account. The
20 amounts necessary to fund the capital reserve account established under
21 AS 45.96.140, the fire insurance and liability reserve account under AS
22 45.96.160, and the loss reserve account under AS 45.96.150 are allocated
23 to those accounts from the allocated reserve account. All other expen-
24 ditures from the allocated reserve account shall be in accordance with
25 annual appropriations.

26 Sec. 45.96.125. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose
27 of securing obligations of the fund, a special account within the general
28 fund called the unallocated reserve account is established. The un-
29 allocated reserve account consists of any amounts remaining in the

1 general fund at the end of a fiscal year which have not been obligated.

2 (b) The legislature may, by appropriation, fund the allocated
3 reserve account created in AS 45.96.120 from funds in the unallocated
4 reserve account.

5 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of
6 securing each issue of its obligations, the fund shall establish a
7 special account called the debt service reserve account and shall pay
8 into the account from the proceeds of the sale of that issue of its
9 obligations the maximum amount permissible under federal law and regu-
10 lations for tax exempt obligations which may be invested without limi-
11 tation as to yield. All money held in a debt service reserve account
12 may be used as required, when money is not available from the principal
13 and interest account or the capital reserve account, solely for (1) the
14 payment of the principal of obligations, (2) the purchase or redemption
15 of obligations, (3) the payment of interest on obligations, or (4) the
16 payment of any redemption premium required to be paid when those obli-
17 gations are redeemed before maturity. Any amount remaining in a debt
18 service reserve account when the issue the account secures is fully
19 retired shall be paid to the allocated reserve account.

20 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-
21 curing each issue of its obligations, the fund shall establish a special
22 account called the capital reserve account. The commissioner of revenue
23 shall pay into the capital reserve account from the allocated reserve
24 account upon establishment an amount equal to five per cent of the
25 principal amount of the obligations issued and sold and upon subsequent
26 sales, if any, of obligations of the issue secured, an additional amount
27 equal to five per cent of the principal amount of the obligations sold.
28 At the end of each fiscal year the commissioner of revenue shall with-
29 draw from each capital reserve account and pay to the allocated reserve

1 account any amount in the capital reserve account in excess of five per
2 cent of the remaining principal balance of the obligations secured or,
3 if the amount in the account is less than five per cent of the remaining
4 principal balance of the obligations secured, pay into the account from
5 the allocated reserve account the amount necessary to bring the reserve
6 to five per cent. All money held in a capital reserve account may be
7 used as required, when money is not available from the principal and
8 interest account, solely for (1) the payment of the principal of obliga-
9 tions, (2) the purchase or redemption of obligations, (3) the payment of
10 interest on obligations or (4) the payment of any redemption premium
11 required to be paid when those obligations are redeemed before maturity.
12 Income or interest earned by a capital reserve account shall be paid to
13 the allocated reserve account established by AS 45.96.120. Any amount
14 remaining in a capital reserve account when the issue the account se-
15 cures is fully retired shall be paid to the allocated reserve account.

16 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of
17 protecting the financial integrity of the fund, a special account called
18 the loss reserve account is established. The commissioner of revenue
19 shall pay into the loss reserve account from the allocated reserve
20 account an amount equal to five per cent of the estimated total amount
21 of all loans to be made by the fund during the first fiscal year of
22 operation. At the first of the succeeding fiscal year and each fiscal
23 year thereafter, the commissioner shall pay into the loss reserve
24 account from the allocated reserve account the amount necessary to bring
25 the balance of the loss reserve account to five per cent of the total
26 amount of loans projected to be outstanding during that fiscal year.

27 (b) If during the fiscal year the total amount of loans outstand-
28 ing exceeds the amount projected to be outstanding, the commissioner of
29 revenue shall pay into the loss reserve account from the allocated

1 reserve account the amount needed to bring the balance of the loss
2 reserve account to five per cent of the amount of loans outstanding.

3 (c) The one per cent difference between the rate of interest paid
4 by a borrower and the rate of interest paid by the fund required by
5 sec. 430 of this chapter shall be allocated to the loss reserve account.

6 (d) Money in the loss reserve account may only be used for losses
7 realized from loans made under this chapter, except when, at the begin-
8 ning of a fiscal year, the balance of the loss reserve account exceeds
9 five per cent of the remaining principal balance of the total amount of
10 loans projected to be outstanding during the fiscal year, the amount in
11 excess of five per cent shall be paid to the allocated reserve account
12 until all amounts paid to the loss reserve account and the capital
13 reserve account have been paid and then to the earned income account of
14 the loan programs fund.

15 Sec. 45.96.160. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The
16 fund may issue loans without requiring proof of insurance against fire
17 and liability if an additional charge of six-tenths of one per cent per
18 year is made. The receipts from this charge shall be deposited in the
19 fire insurance and liability reserve account and may only be used to
20 reimburse the fund for losses which occur on property for which the
21 charge provided by this section was in effect at the time of loss.

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

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

28 (2) obligations secured by reserves paid in by the United
29 States or agencies or instrumentalities of the United States or obliga-

1 tions of corporations in which the United States is a shareholder or
2 member; or

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

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

7 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund
8 cash balances and of reserves for specific bond issues or statutorily
9 required reserves are managed for the fund by the director of the divi-
10 sion of treasury in the Department of Revenue. The director shall
11 determine investment policy and manage the investments of the fund under
12 the same criteria applicable to other state investments he manages.

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

- 16 (1) a summary of long-range and short-term investment policy;
17 (2) a list of investments made during the previous month;
18 (3) an evaluation of the performance of investments made;
19 (4) other information requested by the budget and audit
20 committee.

21 Sec. 45.96.190. BUDGET. The operating budget is by appropriation
22 from the general fund unless the legislature specifically appropriates
23 from the unallocated reserve account. The operating budget is subject
24 to the Executive Budget Act (AS 37.07).

25 Sec. 45.96.200. ACCOUNTING AND REPORTS. Accounting for the fund
26 shall be provided by the Department of Administration. Reports shall be
27 made by that department to the Department of Revenue, the Department of
28 Commerce and Economic Development, and the Legislative Budget and Audit
29 Committee at least once a month. These reports shall include an itemi-

1 zation of each loan which has been in default for a period in excess of
2 30 days and the measures taken for each to insure compliance with terms
3 and conditions of the loan. The Legislative Budget and Audit Committee
4 shall provide quarterly reports to the legislature summarizing the
5 information it receives under this section and under AS 45.96.180(b) and
6 45.96.240(b) and including comments and suggestions the committee deter-
7 mines to be of interest to the legislature relating to the administra-
8 tion of the loan program. Other reports shall be made as prescribed by
9 the Department of Commerce and Economic Development.

10 Sec. 45.96.210. LOAN PROCEDURES. (a) The director of the divi-
11 sion of Alaska loan programs shall establish district loan offices in
12 Juneau, Fairbanks, and Anchorage and may establish other loan offices as
13 necessary which shall be headed by district directors. The office shall
14 provide information concerning the loan programs under this chapter,
15 other state loan programs, state grant programs, federal loan or grant
16 programs, and, to the extent feasible, private loans.

17 (b) Each district loan office shall include a veterans' loans
18 section. The veterans' loans section shall process loan applications
19 from applicants who meet the eligibility requirement of AS 45.96.440.
20 The veterans' loan section shall also provide information and assistance
21 to veterans relating to loan applications under this chapter, other
22 state loan programs or state grant programs, federal loan or grant
23 programs, and to the extent feasible, private loans.

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