

LEG. FINANCE - BILLS

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1 of Revenue, and (3) the division of Alaska loan programs in the De-  
2 partment of Commerce and Economic Development.

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

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

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

24 Sec. 45.26.240. COLLECTIONS; DIVISION OF COLLECTIONS. (a) There  
25 is established within the Department of Revenue the division of col-  
26 lections. The director of the division is in the classified service  
27 under AS 39.25 and shall receive an annual salary within range 27 of the  
28 salary schedule established in AS 39.27.011 or within one range below  
29 the range on which the highest paid deputy commissioner in the depart-

1 ment is paid if that range is higher than range 27. In order to qual\_ify  
2 for the position of director, a person must be an attorney licensed to  
3 practice in this state with at least four years of practice in business  
4 law and business practices.

5 (b) If a borrower who has received notification of delinquency in  
6 accordance with AS 45.96.220 does not request reevaluation, or if the  
7 evaluation committee determines that renegotiation of the existing terms  
8 and conditions is not feasible or justified, and the loan is not brought  
9 current within 30 days after the notification of delinquency is sent,  
10 the loan shall be transferred to the loss reserve account and trans-  
11 mitted for collection to the division of collections. A monthly report  
12 of the status of the collection effort shall be made to the Legislative  
13 Budget and Audit Committee. The total principal and interest due shall  
14 be transferred from the loss reserve account to the fund upon assignment  
15 of each loan.

16 Sec. 45.96.250. LOAN PURPOSES. Loans may be made from the fund  
17 for residential housing, commercial purposes, public purposes, and  
18 education.

19 Sec. 45.96.260. RESIDENTIAL HOUSING. In addition to other powers  
20 granted in this chapter, the director of the division of Alaska loan  
21 programs may, for the purpose of providing housing for persons who meet  
22 the eligibility requirements of AS 45.96.370,

23 (1) make or participate in the making of construction loans  
24 from the fund to sponsors, developers, and builders of residential  
25 housing;

26 (2) make or participate in the making of mortgage loans from  
27 the fund to sponsors, developers, builders, and purchasers of residen-  
28 tial housing;

29 (3) purchase or participate in the purchase of mortgage loans

1 made from the fund to sponsors, developers, builders, owners, and pur-  
2 chasers of residential housing;

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

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

15 (6) purchase, in order to meet the requirements of the sale  
16 of its mortgages to the Federal National Mortgage Association, stock of  
17 the Federal National Mortgage Association;

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

26 Sec. 45.96.270. COMMERCIAL LOANS. (a) In addition to other  
27 powers granted in this chapter, the director of the division of Alaska  
28 loan programs may make loans from the fund to

29 (1) individual farmers, homesteaders, and partnerships or

1 corporations composed of farmers and homesteaders, for development of  
2 farms, storage and processing of farm produce, livestock, machinery and  
3 equipment, and farm irrigation;

4 (2) individual commercial fishermen who have had a commercial  
5 fishing license for at least one of the previous five years, for the  
6 repair, restoration or upgrading of existing vessels and gear and for  
7 the purchase of entry permits and gear and the construction and purchase  
8 of vessels; loans made under this paragraph are subject to the provi-  
9 sions of AS 45.96.295 and 45.96.297;

10 (3) local development companies to assist the new financing  
11 of industrial and manufacturing plant construction, conversion or ex-  
12 pansion, including the acquisition of land, to the extent necessary to  
13 secure a loan for a portion of the cost by the Small Business Adminis-  
14 tration under 15 U.S.C. sec. 696 (Section 502 of the Act of Congress  
15 entitled "Small Business Investment Company Act of 1958" as amended);

16 (4) develop, rehabilitate, and expand business activities in  
17 the state;

18 (5) child care facilities in the state to comply with the  
19 appropriate licensing standards for child care facilities or to comply  
20 with the requirements for certification by the Department of Education  
21 subject to the following conditions:

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

25 (B) the applicant shall demonstrate that the proposed  
26 loan will enable the child care facility to obtain a license from  
27 the Department of Health and Social Services or a certificate from  
28 the Department of Education;

29 (C) the applicant shall apply to the Department of

1           Community and Regional Affairs for and receive a certificate of  
2           need;

3           (6) small businesses to acquire, finance or refinance or  
4           equip businesses;

5           (7) loggers and forest products manufacturers and processors  
6           for logging operations and equipment, forest products manufacturing or  
7           processing plants, and for working capital for logging operations and  
8           forest products manufacturing or processing;

9           (8) other businesses for equipment and operations related to  
10          harvesting, manufacturing and processing other renewable or nonrenewable  
11          resources in the state.

12          (b) Notwithstanding the provisions of AS 45.96.410 and 45.96.420,  
13          a loan under (a)(2) of this section may not run longer than 15 years or  
14          exceed 90 per cent of the appraised value of the collateral used to  
15          secure the loan.

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

17          (a) The Department of Community and Regional Affairs shall determine  
18          whether to award a certificate of need to child care facilities applying  
19          for a loan under AS 45.96.270(5) on the basis of the following criteria:

20                  (1) the number of existing slots in licensed child care  
21                  facilities in the geographic area of the applicant;

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

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

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

28          (b) The Department of Community and Regional Affairs shall submit  
29          its decision and the reasons for it to the applicant within 60 days of

1 receipt of the application.

2 Sec. 45.96.295. LOANS MADE TO COMMERCIAL FISHERMEN. A loan under  
3 AS 45.96.270(2) shall be secured by a first lien and appropriate  
4 security agreements, except that a lien in favor of the state is not  
5 required for loans guaranteed fully by the federal government under the  
6 Federal Ship Financing Act of 1972 (46 U.S.C. secs. 1271 - 1279b; 86  
7 Stat. 909), as amended. In the case of a security agreement given to  
8 secure a loan made under AS 45.96.270(2) and covering a vessel docu-  
9 mented under the laws of the United States and so long as the Ship  
10 Mortgage Act of 1920 (46 U.S.C. secs. 911 - 984; 41 Stat. 1000), as  
11 amended, and the Shipping Act of 1916 (46 U.S.C. secs. 801 - 842; 39  
12 Stat. 728), as amended, remain ambiguous with respect to whether or not  
13 a state or state agency qualifies as a citizen of the United States for  
14 purposes of those Acts, the first lien requirement of this section may  
15 be satisfied by the recordation and endorsement of a first preferred  
16 ship mortgage under the Ship Mortgage Act of 1920, and by perfection of  
17 a security interest under the Uniform Commercial Code - Secured Trans-  
18 actions (AS 45.05.690 - 45.05.794), if the approval of the Secretary of  
19 Commerce is obtained under 46 U.S.C. sec. 839 for the transfer to the  
20 department of the interest in a vessel documented under the laws of the  
21 United States. In the case of a security agreement given to secure a  
22 loan made under AS 45.96.270(2) and covering a vessel documented under  
23 the laws of the United States, the first lien requirement of this sec-  
24 tion may also be satisfied by use of a trust deed and bond issue under  
25 it, if the trustee is a citizen of the United States and obtains a first  
26 preferred ship mortgage on the vessel under the Ship Mortgage Act of  
27 1920, and the approval of the Secretary of Commerce is obtained under 46  
28 U.S.C. secs. 839 and 961 for the transfer of the bond or bonds to the  
29 department if the trustee is not a trustee approved by the Secretary of

1 Commerce under 46 U.S.C. secs. 808, 835 and 961.

2 Sec. 45.96.297. LOANS FOR PURCHASE OF LIMITED ENTRY PERMITS. (a)  
3 Loans under AS 45.96.270(2) for the purchase of a limited entry permit  
4 may be made only upon certification by the Alaska Commercial Fisheries  
5 Entry Commission (AS 16.43.020) that the fisherman is a person who  
6 qualifies as a transferee for the permit under AS 16.43 and the regula-  
7 tions adopted by the commission.

8 (b) Upon approval by the director of the division of Alaska loan  
9 programs, the permit to be purchased may be pledged as security for a  
10 loan under (a) of this section, if

11 (1) the certificate for the pledged permit lists the director  
12 as the legal owner of the permit;

13 (2) the certificate for the pledged permit lists the debtor  
14 as the equitable owner of the permit;

15 (3) all annual permit cards issued under the pledged permit  
16 list the name of the debtor;

17 (4) all obligations and responsibilities of a permit owner  
18 are assumed by the debtor;

19 (5) co-signers or other sureties for performance under the  
20 note are not vested with any rights in the pledged permit and their  
21 obligation is limited to satisfaction of the note and payment of costs  
22 directly incurred by the division in administering the loan.

23 (c) The director of the division of Alaska loan programs is not  
24 liable for any act or omission resulting from permit ownership nor will  
25 that act or omission affect his title to the permit or his rights under  
26 it.

27 (d) Upon satisfaction of the note by the debtor, the director of  
28 the division of Alaska loan programs shall certify to the Alaska Commer-  
29 cial Fisheries Entry Commission that the note has been satisfied.

1 (e) Upon certification as provided in (d) of this section, the  
2 Alaska Commercial Fisheries Entry Commission shall amend the permit  
3 certificate to list the debtor as the legal owner.

4 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-  
5 sion of Alaska loan programs shall lend money to municipalities with  
6 populations of less than 5,000 according to the most recent survey  
7 conducted by the United States Census Bureau and to those corporations  
8 eligible under (d) of this section. Loans to municipalities shall be  
9 made through the purchase by the fund of municipal bonds. Loans to  
10 nonprofit corporations shall be made through purchase by the fund of  
11 revenue bonds issued on behalf of the corporation by the municipality in  
12 which the project to be financed by the loan is constructed. If the  
13 loan to a nonprofit corporation is for construction outside a munici-  
14 pality, the revenue bonds to be purchased by the fund shall be issued by  
15 the state bond committee on behalf of the nonprofit corporation. The  
16 cost of a loan made under this subsection shall be the same as the cost  
17 of borrowing to the fund. Loans made under this subsection may not  
18 exceed \$5,000,000 and are subject to the following conditions:

19 (1) The borough or city attorney shall certify that all legal  
20 requirements relating to required bond elections, if necessary, and to  
21 bond issuance have been met, or if the bonds are issued outside a muni-  
22 cipality, certification shall be made by the Department of Law.

23 (2) The bonds shall be prepared by the municipality's attor-  
24 ney, approved by the attorney general and need not be in definitive  
25 form.

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

28 (b) The director of the division of Alaska loan programs shall  
29 submit a bid for all general obligation bonds offered on a competitive

1 basis by a home rule borough or city or general law borough or city of  
2 any class incorporated under the laws of the state if the borough or  
3 city provides its bid form to the director at least 10 days before the  
4 opening of the bid. The request for bids and the bid proposal shall  
5 provide for issuing all or a portion of the bonds based upon the best  
6 combination of bids. The bid shall be determined on the basis of the  
7 Daily Bond Buyer 20 bond average as follows:

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

10 (A) 100 points under the average for the first five  
11 years maturity;

12 (B) 75 Points under the average for the next five years  
13 maturity;

14 (C) 50 points under the average for the next five years  
15 maturity;

16 (D) 25 points under the average for the next five years  
17 maturity;

18 (E) 0 points under the average for the next five years  
19 maturity;

20 (F) 25 points above the average for the next five years  
21 maturity.

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

24 (A) 50 points under the average for the first five years  
25 maturity;

26 (B) 25 points under the average for the next five years  
27 maturity;

28 (C) 0 points under the average for the next five years  
29 maturity;

1 (D) 25 points above the average for the next five years  
2 maturity;

3 (E) 50 points above the average for the next five years  
4 maturity;

5 (F) 75 points above the average for the next five years  
6 maturity.

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

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

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

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

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

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

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

1 maturity;

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

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

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

8 (3) it is created by statute and performs a state function.

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

13 (f) The limitations in AS 45.96.400 - 45.96.430 do not apply to  
14 loans or purchases made under this section.

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

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

1 default occurs, the office is forfeited and is filled as provided by law  
2 for filling vacancies.

3       Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the  
4 purpose of securing each tax exempt bond issue of municipalities of the  
5 state and those bonds on behalf of nonprofit corporations guaranteed or  
6 issued under this chapter there is established a special account called  
7 the municipal bond capital reserve account. The commissioner of revenue  
8 shall pay into that account from the unallocated reserve account upon  
9 establishment an amount equal to five per cent of the obligations issued  
10 and sold after July 1, 1979 and upon subsequent sales, if any, of obli-  
11 gations of the issue secured an additional amount equal to five per cent  
12 of the obligations sold. At the end of each fiscal year the commis-  
13 sioner of revenue shall withdraw from the municipal bond capital reserve  
14 account and pay to the unallocated reserve account any amount in the  
15 account in excess of five per cent of the obligations secured or, if the  
16 amount in the account is less than five per cent of the obligations  
17 secured, pay into the account from the unallocated reserve account the  
18 amount necessary to bring the reserve to five per cent. All money held  
19 in a municipal bond capital reserve account shall be used as required,  
20 when money is not available from the principal and interest account,  
21 solely for (1) the payment of the principal of obligations, (2) the  
22 purchase or redemption of obligations, (3) the payment of interest on  
23 obligations, or (4) the payment of any redemption premium required to be  
24 paid when those obligations are redeemed before maturity. Any income or  
25 interest earned by the account shall be paid to the unallocated reserve  
26 account. Any amount remaining in a municipal bond capital reserve ac-  
27 count when the issue the account secures is fully retired shall be paid  
28 to the unallocated reserve account.

29       Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director

1 of the division of Alaska loan programs may lend money from the fund to  
2 businesses conducting exempt activities under sec. 103(b)(4) and (5) of  
3 the Internal Revenue Code of 1954 for those activities either directly  
4 or through purchase by the fund of industrial development bonds issued  
5 on behalf of the business by the state bond committee.

6 (b) A loan may be made under this section only if upon payment of  
7 the loan the project financed by the loan will be the property of

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

11 (2) the state if the activity is not conducted within a  
12 municipality.

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

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

20 (2) when the activity to be financed by the loan is not  
21 performed within a municipality, the commissioner of community and  
22 regional affairs approves the project.

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

1 a credit rating of "A" or better.

2 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition  
3 to costs directly related to a project, the sum total of all costs of  
4 financing and carrying out a project are eligible for bonding under AS  
5 45.96.300 - 45.96.330. These include, but are not limited to, the costs  
6 of all necessary studies, surveys, plans and specifications, architec-  
7 tural, engineering or other special services, acquisition of real pro-  
8 perty, site preparation and development, purchase, construction,  
9 reconstruction and improvement of real property and the acquisition of  
10 machinery and equipment as may be necessary in connection with a pro-  
11 ject; an allocable portion of the administrative and operating expenses  
12 of the issuer; the cost of financing the project, including interest on  
13 bonds issued to finance the project; and the cost of other items, in-  
14 cluding any indemnity and surety bonds and premiums on insurance, legal  
15 fees, fees and expenses of trustees, depositaries, financial advisors,  
16 and paying agents for the bonds issued as the issuer considers neces-  
17 sary.

18 Sec. 45.96.350. EDUCATION. (a) In addition to other powers  
19 granted in this chapter, the director of the division of Alaska loan  
20 programs may make scholarship loans from the fund to students selected  
21 under (b) - (g) of this section.

22 (b) Proceeds from scholarship loans may only be used for trans-  
23 portation, books, tuition and required fees, and for room and board.  
24 The loans may only be used to attend a career education program approved  
25 by the Alaska Commission on Postsecondary Education or a college or  
26 university accredited by the accreditation association for the region in  
27 which the college or university is located or approved by the commis-  
28 sion.

29 (c) To maintain a loan the student must continue to be enrolled as

1 a full-time student in good standing in a work study program approved by  
2 the Department of Education, in a career education program, or in a  
3 college or university designated under (b) of this section.

4 (d) Loans are noninterest bearing while a student is enrolled  
5 under (c) of this section or is receiving a deferment of payments under  
6 (g) of this section if appropriated funds are available for payment to  
7 the fund of the interest.

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

13 (f) If, upon completion of the course of study for which the loan  
14 was granted, the borrower repays 60 per cent of the principal amount of  
15 the loan with interest with no delinquency, the remaining 40 per cent  
16 owing shall be forgiven if appropriated funds are available for payment  
17 to the fund of the amount forgiven.

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

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

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

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

25 (4) 50 per cent or greater disability of the student, as  
26 certified by competent medical authority.

27 Sec. 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a) In  
28 addition to other powers granted in this chapter, the director of the  
29 division of Alaska loan programs may make loans from the fund to a

1 business directly involved in the tourist industry.

2 (b) Upon endorsement and plan approval by a local historical  
3 district commission established under AS 29.48.108 and the recommend-  
4 ation of a majority of the members of the Historic Sites Advisory Com-  
5 mittee, loans may be made from the fund to a person, firm, business or  
6 municipality subject to applicable laws for the restoration, improve-  
7 ment, rehabilitation, or maintenance of a structure which is

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

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

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

16 (c) Loans may be made from the fund for the nonfederal share of  
17 costs of projects to acquire, develop, or extend outdoor recreation  
18 sites and facilities.

19 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan  
20 under this chapter, other than a loan made under AS 45.96.350, a person  
21 must have been a resident of the state for at least five years on the  
22 date of application for the loan and must be 18 years of age or older.  
23 Except for loans made under AS 45.96.330, a corporation is eligible for  
24 a loan if more than 60 per cent of its shareholders have been residents  
25 of the state for at least five years on the date of the application for  
26 the loan, the chief executive officer and all members of the governing  
27 board of the corporation have been residents of the state for at least  
28 five years on the date of application for the loan, and the chief  
29 executive officer and members of the governing board assume full indi-

1       vidual liability for repayment of the loan. A loan to a corporation is  
2       immediately due and payable if it ceases to meet these eligibility  
3       requirements. An individual is ineligible for a loan under this chapter  
4       if an earlier loan to the individual from the state or an agency of the  
5       state has been discharged in bankruptcy unless the defaulted loan has  
6       been repaid in full and 10 years have elapsed from the date of repay-  
7       ment.

8               Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the  
9       authority of AS 45.96.260 for the purchase or construction of residen-  
10      tial housing may not exceed: (1) \$90,000 for a single family dwelling;  
11      (2) \$130,000 for a duplex; (3) \$170,000 for a triplex; (4) \$210,000 for  
12      a fourplex. A loan made for the purchase or construction of residential  
13      facilities in excess of four units shall be treated as a commercial  
14      building loan subject to the limitations placed on such loans in (b)(1)  
15      of this section.

16              (b) Commercial loans made under the authority of AS 45.96.270 may  
17      not exceed:

18              (1) \$500,000 per individual for business activities; farm  
19      development; agricultural irrigation systems; purchase, construction,  
20      renovation, or repair of commercial buildings; fish manufacturing and  
21      processing; fishing vessels and gear; logging operations and equipment;  
22      timber manufacturing and processing; nonrenewable resource extraction;  
23      or any other activity not otherwise specifically provided for in this  
24      section;

25              (2) \$350,000 per individual for farm chattel other than for  
26      irrigation systems.

27              (c) Loans for a single project under (b)(1) of this section may  
28      exceed \$500,000 but may not exceed \$3,000,000 if

29              (1) the loan is made to more than one but not more than 10

1 individuals participating in the project and the loan to each individual  
2 does not exceed the maximum limit under (b)(1) of this section; or

3 (2) the loan is made to a corporation and no more than 10  
4 individuals owning stock in that corporation assume personal liability  
5 for the loan in an amount which as to each individual does not exceed  
6 the maximum limit under (b)(1) of this section.

7 (d) Educational loans made under the authority of AS 45.96.350 may  
8 not exceed:

- 9 (1) \$4,000 per individual per year for undergraduate studies;  
10 (2) \$8,000 per individual per year for graduate studies;  
11 (3) \$4,000 per individual per year for vocational studies;  
12 (4) \$4,000 per individual per year for work studies.

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

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

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

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

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

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

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

2 (f) The maximum loan amounts established in (a) - (d) of this  
3 section shall increase in proportion to increases in the consumer price  
4 index for Anchorage. The consumer price index for Anchorage for July 1,  
5 1979 shall be the basis for determining annual percentage increases in  
6 the maximum loan amounts.

7 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan  
8 amounts established in AS 45.96.380(a) and (b) shall be increased by the  
9 area cost differential (ACD) determined by the formula  $ACD = LCC/BCC \times$   
10  $LCOL/BCOL$  where

11 (1) LCC is the cost of construction in the area in which the  
12 facility to be financed by the loan is located;

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

15 (3) LCOL is the cost of living in the area in which the  
16 facility to be financed by the loan is located;

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

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

24 Sec. 45.96.400. ADDITIONAL LOAN LIMITATIONS. The maximum loan  
25 amounts established in AS 45.96.380(b) and 45.96.390 shall be further  
26 limited, based upon the actual technical and managerial experience of  
27 the borrower relating to the project or activity for which the loan is  
28 made, as follows:

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

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

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

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

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

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

10 Sec. 45.96.410. VALUE LIMITATION. The provisions of AS 45.96.-  
11 380 - 45.96.400 notwithstanding, no loan made under this chapter, unless  
12 it is a loan made under the provision of AS 45.96.330, may exceed

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

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

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

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

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

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

27 (3) seven years on a loan secured by tangible personal pro-  
28 perty.

29 Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest

1 charged to borrowers under this chapter shall be the amount determined  
2 by the commissioner of revenue to be sufficient to cover anticipated  
3 cost of money to the fund and, for borrowers other than municipalities,  
4 one per cent over the anticipated cost for the loss reserve account plus  
5 the amount required for any necessary insurance, but the rate of in-  
6 terest charged may be lower if necessary to prevent bonds issued under  
7 this Act from being arbitrage bonds under the provisions of and regula-  
8 tions under section 103(c) of the Internal Revenue Code of 1954, as  
9 amended. The determination of the anticipated cost by the commissioner  
10 is conclusive. Rates of interest less than that, except as provided in  
11 (b) of this section, may be charged if the renewable resource develop-  
12 ment fund or another state fund agrees to pay the difference between  
13 cost and the interest rate to be charged or if appropriation for the  
14 purpose of paying the difference has been made.

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

27 (c) When the World War II veterans' revolving fund's assets become  
28 depleted so that it can no longer pay the difference, the provisions of  
29 (b) of this section relating to loans made to veterans apply only if

1 appropriation is made for the purpose of paying the difference. When  
2 the agricultural revolving loan fund's assets become depleted so that it  
3 can no longer pay the difference, the provisions of (b) of this section  
4 relating to loans made for agricultural purposes apply only if appro-  
5 priation is made for the purpose of paying the difference.

6 Sec. 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE. (a) The  
7 following persons are eligible for special interest rates for veterans  
8 established in AS 45.96.430(b);

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

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

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

25 (2) a person who was dependent on a member of the armed  
26 forces or a veteran of World War II at the time of the member's or  
27 veteran's death if

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

1 (B) he served in the armed forces for at least 90 days  
2 between September 16, 1940, and July 25, 1947, but no benefits for  
3 loan. accrue to dependents of an enlistee or reenlistee for time  
4 served after November 1, 1945, regardless of whether the enlistment  
5 or reenlistment was before or after November 1, 1945;

6 (C) he died before the official date of the termination  
7 of that war; and

8 (D) his discharge was not dishonorable;

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

13 (b) The provisions of AS 45.96.430(b) are extended to persons who  
14 served other than dishonorably on active duty between June 25, 1950, and  
15 January 31, 1955, who served other than dishonorably on active duty  
16 between August 4, 1964, and six months after termination of hostilities  
17 involving forces of the United States, and to dependents of those per-  
18 sons, subject to the following provisions and eligibility qualifica-  
19 tions:

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

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

29 (3) service in the armed forces of the United States for

1 90 days or more, or service for a lesser period because of injury or  
2 disability incurred in line of duty, between June 25, 1950, and Janu-  
3 ary 31, 1955, or service in the armed forces of the United States for  
4 90 days or more or service for a lesser period because of injury or  
5 disability incurred in line of duty, between August 4, 1964, and July 1,  
6 1977.

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

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

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

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

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

1           Sec. 45.96.460. COOPERATION WITH OTHER AGENCIES. All departments,  
2 agencies and public corporations of the state shall provide information,  
3 services and facilities to the fund on its request. The fund shall  
4 reimburse the department, agency or corporation for expenses reasonably  
5 incurred on the fund's behalf.

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

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

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

20           (d) The maximum service fee for administering a loan which may be  
21 charged by a participating financial institution shall be set by the  
22 director of the division of Alaska loan programs.

23           Sec. 45.96.480. ASSURANCE REQUIRED. (a) For each loan made from  
24 the fund the loan agreement shall include an assurance by the borrower  
25 that no person who provides services to the borrower in preliminary  
26 phases of a project for which the loan is made, including all studies  
27 made in connection with the project,

28           (1) may participate in the implementation stages of that  
29 project; or

1 (2) may represent more than one interest in connection with  
2 the project.

3 (b) A list of all persons performing preliminary services for a  
4 loan applicant shall be furnished to the division of Alaska loan pro-  
5 grams as part of the loan application, and a list of all persons with  
6 whom the borrower has contractual relations in respect to the project  
7 after the application for loan shall be submitted to the division at  
8 intervals set by the division of Alaska loan programs.

9 Sec. 45.96.490. DEFINITIONS. For purposes of this chapter, "the  
10 fund" and "the loan programs fund" mean the Alaska loans program fund  
11 created in AS 45.96.020.

12 \* Sec. 7. AS 03.10.050 is repealed and re-enacted to read:

13 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall  
14 administer the loan fund.

15 \* Sec. 8. AS 14.40.751(a) is amended to read:

16 (a) There is created a scholarship revolving loan fund. [THE FUND  
17 SHALL BE USED TO MAKE SCHOLARSHIP LOANS TO STUDENTS SELECTED UNDER  
18 AS 14.40.751 - 14.40.806. ALL REPAYMENTS OF PRINCIPAL AND INTEREST ON  
19 SCHOLARSHIP LOANS SHALL BE PAID INTO THE SCHOLARSHIP REVOLVING LOAN FUND  
20 AND SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS. IF ESTIMATED FUNDS  
21 AVAILABLE FROM SCHOLARSHIP LOAN REPAYMENTS ARE INADEQUATE TO FULLY FUND  
22 ESTIMATED SCHOLARSHIP LOANS FOR ANY FISCAL YEAR, ADDITIONAL FUNDING FROM  
23 THE GENERAL FUND MAY BE REQUESTED AND APPROPRIATED FOR THAT YEAR.]

24 \* Sec. 9. AS 14.40.755(b) is amended to read:

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

29 \* Sec. 10. AS 18.100.050 is amended to read:

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

6 \* Sec. 11. AS 18.100.070(a) is amended to read:

7           (a) There is created within the Department of Community and Re-  
8 gional Affairs a senior citizens housing development fund. Subject to  
9 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-  
10 partment shall make grants [OR LOANS] to municipalities or to corpora-  
11 tions designated as tax exempt under sec. 501(c)(3) and (4) of the  
12 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER AS 18.100.050]  
13 for the purpose of developing senior citizen housing. [A GRANT FROM THE  
14 PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

15 \* Sec. 12. AS 18.100.070(b) is amended to read:

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

22 \* Sec. 13. AS 29.13.100 is amended by adding a new paragraph to read:

23           (39) AS 29.58.290 (industrial development bonds)

24 \* Sec. 14. AS 29.58 is amended by adding a new section to read:

25           Sec. 29.58.290. INDUSTRIAL DEVELOPMENT BONDS. No municipality,  
26 home rule or otherwise, may issue a revenue bond which is an industrial  
27 development bond under the provisions of the Internal Revenue Code of  
28 1954 (26 U.S.C. 103).

29 \* Sec. 15. AS 37.10.050 is amended to read:

1           Sec. 37.10.050. ACCOUNTING FOR STATE MONEY AND PAYMENT TO DIVISION  
2 OF TREASURY [DEPARTMENT OF REVENUE] FOR DEPOSIT IN PROPER FUND. (a)

3 Each office, board, commission, or bureau authorized to collect or  
4 receive fees, licenses, taxes or other money belonging to the state  
5 shall account for and pay the fees, licenses, taxes or other money, less  
6 fees to which he is entitled by law to the division of treasury of the  
7 Department of Revenue at least once each month.

8           (b) Money collected for the state shall be deposited by the col-  
9 lector in the nearest bank to the account of the division of treasury  
10 [DEPARTMENT OF REVENUE] when the division of treasury [DEPARTMENT OF  
11 REVENUE] directs this to be done.

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

20 \* Sec. 16. AS 37.10.070(a) is amended to read:

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

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 obli-

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

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

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

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

8 (6) other securities, including corporate securities;

9 (7) Federal Housing Administration mortgages;

10 (8) Federal Veterans Administration mortgages;

11 (9) loans made under the provisions of the Alaska loan pro-  
12 grams fund (AS 45.96) [AS 03.10 AND AS 26.15];

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

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

17 (12) mortgages of the Alaska Rural Rehabilitation Corporation  
18 which secure agricultural loans, agricultural business loans and agri-  
19 cultural processing loans;

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

22 (14) repurchase agreements, reverse repurchase agreements, or  
23 any trading practice or instrumentalities that may evolve investment  
24 management.

25 \* Sec. 17. AS 37.10.070(f) is repealed and re-enacted to read:

26 (f) Investment policy shall be formulated by the director of the  
27 division of treasury of the Department of Revenue subject to the ap-  
28 proval of the commissioner of revenue. In formulating investment policy  
29 the director of the division of treasury shall consider maximum income

1 and safety as governed by the prudent-man rule. The investment policy  
2 shall be proposed to the legislature during the first 10 days of any  
3 regular session. Investment policy only becomes effective 60 days after  
4 presentation to the legislature or at the end of that session, whichever  
5 is earlier, unless disapproved by a resolution concurred in by a major-  
6 ity of the members of each house.

7 \* Sec. 18. AS 37.10.070(g) is amended to read:

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

12 \* Sec. 19. AS 37.10.070(i) is amended to read:

13 (i) The director of the division of treasury [COMMISSIONER] shall  
14 purchase notes and mortgages under (a) of this section at a rate con-  
15 ductive to develop and benefit Alaska and Alaska residents and this rate  
16 may be less than the market rate.

17 \* Sec. 20. AS 37.10.070 is amended by adding a new subsection to read:

18 (k) In making investments under (a) of this section, the director  
19 of the division of treasury may pool the surplus assets of the state  
20 funds but shall maintain separate accounts for each fund.

21 \* Sec. 21. AS 37.10.075(a) is amended to read:

22 (a) When the commissioner of revenue determines that there are  
23 funds in the state treasury which are not being used for the purposes  
24 provided for in AS 37.10.070, he may direct the director of the divi-  
25 sion of treasury to deposit the funds [THEY MAY BE DEPOSITED] in finan-  
26 cial institutions in the state which offer the highest bid for the  
27 state funds. Collateral may be required by the commissioner to secure  
28 state deposits provided for under this section.

29 \* Sec. 22. AS 39.25.120(2) is amended to read:

1 (2) the directors, division of personnel, division of public  
2 health, division of medical assistance, and those other directors of the  
3 major divisions of the principal departments of the executive branch as  
4 are specifically designated by the governor, except the directors of the  
5 division of Alaska loan programs, division of treasury and division of  
6 collections are in the classified service and may not be designated as  
7 partially exempt;

8 \* Sec. 23. AS 41.22.020(a) is amended to read:

9 (a) In addition to uses of fund money authorized in sec. 10 of  
10 this chapter, money of the fund shall be utilized to make grants to  
11 municipalities, of up to one-half the nonfederal share of costs of pro-  
12 jects described in AS 41.22.010 which are initiated by a municipality [,  
13 AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE OPTION  
14 PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF WHICH  
15 FEDERAL FUNDS ARE ANTICIPATED].

16 \* Sec. 24. AS 41 35.180(5) is repealed and re-enacted to read:

17 (5) consult with local historical district commissions re-  
18 garding the establishment of historical districts under AS 29.48.108 -  
19 29.48.110 and recommend, if appropriate, the formulation of additional  
20 criteria for the designation of historical districts under AS 29.48.-  
21 110(b).

22 \* Sec. 25. AS 44.21.020 is amended by adding new paragraphs to read:

23 (13) provide accounting services for the permanent fund (AS  
24 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-  
25 sources development fund (AS 37.11), and all other state funds;

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

28 \* Sec. 26. AS 44.25 is amended by adding a new section to read:

29 Sec. 44.25.025. DIVISION OF TREASURY. (a) There is established

1 within the Department of Revenue the division of treasury. The director  
2 of the division is in the classified service under AS 39.25 and shall  
3 receive an annual salary within range 27 of the salary schedule estab-  
4 lished in AS 39.27.011 or within one range below that on which the  
5 highest paid deputy commissioner in the Department of Revenue is paid if  
6 that range is higher than range 27.

7 (b) In order to qualify for the position of director of the divi-  
8 sion, a person must

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

12 (2) have 10 years of experience in banking or investment  
13 management involving review, analysis, purchase and sell recommenda-  
14 tions, and responsibility for performance with at least four of the  
15 years in a managerial capacity.

16 (c) The director of the division of treasury shall collect, ac-  
17 count for, have custody of, invest, and manage all state funds and all  
18 revenues of the state except revenues incidental to a program of licen-  
19 sing and regulation carried on by another state department, except that  
20 the division shall issue fish and game licenses, collect fish and game  
21 license revenues, and do all other acts incidental to the performance of  
22 these functions.

23 \* Sec. 27. AS 44.33.020 is amended by adding a new paragraph to read:

24 (22) administer the Alaska loan programs fund (AS 45.96).

25 \* Sec. 28. AS 18.56.110(a) is amended to read:

26 (a) The corporation, by resolution, may issue bonds and bond  
27 anticipation notes in order to provide funds to carry out and effectuate  
28 its purposes only if the state bond committee finds that the issuance  
29 is consistent with the bond program of the Alaska loan programs fund.

1 \* Sec. 29. All state agencies, departments, commissions, corporations,  
2 divisions or other instrumentalities administering or having authority over  
3 or control of a loan program or loan fund affected by secs. 7 - 12, 23 - 24,  
4 and 30 of this Act shall cease accepting applications for loans no later than  
5 January 1, 1980. The division of Alaska loan programs shall begin to accept  
6 applications for loans from the Alaska loan programs fund no later than  
7 January 1, 1980.

8 \* Sec. 30. The following laws are repealed: AS 03.10.010; 03.10.020(1),  
9 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;  
10 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; AS 18.100.030(1) and (4),  
11 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060,  
12 26.15.110 - 26.15.160; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080;  
13 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.260;  
14 AS 44.59.140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS  
15 44.60.010, 44.60.130(7) - (13), 44.60.160 - 44.60.260, 44.60.310 - 44.60.320;  
16 AS 44.61.010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c),  
17 45.86.050 - 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4),  
18 45.90.030; AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040,  
19 45.98.060.

20 \* Sec. 31. AS 37.10.065, 37.10.075(b) - (d), 37.10.079; and AS 44.25.-  
21 020(2) are repealed.

22 \* Sec. 32. Sections 1 - 6, 13 - 22, 25 - 29, and 31 of this Act take  
23 effect June 30, 1979. The unobligated general fund surplus as of June 30,  
24 1979 shall lapse into the unallocated reserve account created in AS 45.96.125  
25 on June 30, 1979.

26 \* Sec. 33. Sections 7 - 12, 23, 24 and 30 of this Act take effect June  
27 30, 1980.

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. H CS CS SS SB 1  
 Title An Act relating to State loan programs....  
 Requested by House Finance Date 5/23/80

II. FISCAL DETAIL  
 Agency Affected Community & Regional Affairs  
 Program Category Affected Development  
 Budget Request Unit(s) Affected \_\_\_\_\_

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES	-0-	-0-	-0-	383.2	421.5	463.7
200 TRAVEL	-0-	-0-	-0-	50.0	56.5	63.8
300 CONTRACTUAL	-0-	-0-	-0-	116.4	131.5	148.6
400 COMMODITIES	-0-	-0-	-0-	4.0	4.5	5.1
500 EQUIPMENT	-0-	-0-	-0-	28.0	3.0	3.4
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>581.6</b>	<b>617.0</b>	<b>684.5</b>

FUNDING (Thousands of Dollars)

GENERAL FUND				581.6	617.0	684.5
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME				11.0	11.0	11.0
PART TIME						
TEMPORARY						

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

Assumptions

Loan servicing would be administered by private financial institutions.

This fiscal analysis was compiled after discussions and advice from members of the banking community and the Alaska Housing Finance Corporation. To adequately address all provisions of the Nonconforming Housing Loan Program, the following would be required by the Department based on operation from Anchorage:

Personal Services

Director R 26 50,640  
 Deputy Director R 23 42,216  
 Secretary R 10 17,562

IV. DATE May 23, 1980 PREPARED BY Lynn A. Wegener, Director  
 AGENCY Dept. of Community & Regional Affairs  
 PHONE 465-4709

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

Personal Services

Loan Officer	R 19	31,824
Loan Officer	R 19	31,824
Loan Processor	R 16	25,548
Loan Processor	R 16	25,548
Clerk Typist III	R 8	15,552
Clerk Typist III	R 8	15,552
*Accounting Technician III	R 16	25,548
*Accounting Clerk III	R 10	17,562
		<u>299,376</u>

Benefits @ 28%		<u>83,825</u>
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TOTAL	<u>\$383,201</u>	\$383,201
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Travel

Regulation Hearing, public information, technical assistance and inspections		\$ 50,000
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Contractual

Anchorage Office rent 1400 sq. ft. X 1.35	22,680	
Postage, copier, etc.	4,700	
Phone and long distance	9,000	
Toll free line	5,000	

Contracted professional services for appraiser and engineering required services	25,000	
---	--------	--

Development, advertising and printing of regulations, hearing notices, forms, and program information	30,000	
---	--------	--

Mobile Home study	20,000	
TOTAL	<u>\$116,380</u>	\$116,380

<u>Commodities</u>		\$ 4,000
--------------------	--	----------

Equipment

Office furniture, calculators, file		<u>\$ 28,000</u>
-------------------------------------	--	------------------

TOTAL		<u>\$581,581</u>
-------	--	------------------

\*Division of Administrative Services Central Support.

It is the Department's understanding that Sec. 44.47.420(b)(2) page 57 refers to lands conveyed on restricted deed from the U.S. Department of Interior. Sec. 44.47.390 limits nonconforming housing loans for structures on such lands to 10 times the amount of money appropriated to the Restricted Title Loss Reserve Account. Currently, there are no funds appropriated to the Reserve Account.

For maximum flexibility in operating the loan program and reaching all potential borrowers, the Department requests an appropriation to the Restricted Title Loss Reserve Account, Sec. 44.47.430.

I. REQUEST  
 Bill/Resolution No. SB 324  
 Title Amending the Formula for Property Tax Equivalency Payments for Senior Citizens  
 Requested by Rules Committee (Interim Committee on Services to the Elderly) Date 1-21-80

II. FISCAL DETAIL  
 Agency Affected Department of Community & Regional Affairs  
 Program Category Affected Social Services  
 BRU, Program, or Subprogram(s) Affected Senior Citizen Property Tax Exemption  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)  
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		158,000	177,000	198,000	212,000	227,000
<b>TOTAL</b>	<b>0</b>	<b>158,000</b>	<b>177,000</b>	<b>198,000</b>	<b>212,000</b>	<b>227,000</b>

FUNDING (Thousands of Dollars)

GENERAL FUND	0	158,000	177,000	198,000	212,000	227,000
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)  
 Assume 12% increase in program through FY 83 and 7% increase thereafter.

The bill effectively doubles payment to program beneficiaries and removes the \$375 limit on each payment. Assume that grant requirement will double. No fiscal impact to administration.

In line 14, mil should be spelled mill.

IV. DATE 1-21-80 PREPARED BY LaDonna Brown  
 AGENCY Local Government Assistance  
 PHONE 465-4739  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)



DIVISION OF TREASURY

100 - Personal Services

(1) Director - Range 27	\$3,940	\$ 47,280
(1) Investment Officer III - Range 24	3,401	40,812
(1) Loan Examiner III - Range 19	2,355	28,260
(1) Accountant IV - Range 18	2,186	26,232
(1) Accounting Technician III- Range 16	1,888	22,656
(1) Accounting Technician II - Range 14	1,629	19,548
(1) Secretary II - Range 11	1,339	16,068
(2) Accounting Clerk III - Range 10	1,254	30,096
(2) Clerk Typist II - Range 7	1,045	<u>25,080</u>
		256,032
	Bennefits	<u>79,370</u>
	TOTAL	<u>\$335,402</u>

200 - Travel

Legislative Budget and Audit Meetings:

Travel	\$ 4,150
Per Diem	2,400

Field/Administrative Travel in State:

Travel	4,900
Per Diem	4,200

Field/Administrative Travel out of State:

Travel	3,960
Per Diem	2,200

Conventions/Meetings out of State:

Travel	10,560
Per Diem	<u>4,200</u>

TOTAL \$ 36,570

300 - Contractual

Communications	\$ 22,000
Printing/Advertising	21,500
Repairs/Maintenance	2,800
Equipment Rental - Word Processing	14,300
Safekeeping	50,000
Consulting	175,000
Other Fees and Expenses	<u>27,100</u>

TOTAL \$312,700

400 - Commodities	<u>\$ 11,200</u>
500 - Equipment	<u>\$ 12,500</u>
600 - Office Space	<u>\$ 15,000</u>
TOTAL	<u>\$723,372</u>

RELEASE FROM  
COURTNEY CO. INC.  
1994 COTTON PAPER

	<u>Total</u>	<u>Loan Programs</u>	<u>Collections</u>	<u>Investment Oversight</u>	<u>Treasury</u>
100 - Personal	\$2,309,684	\$ 768,576	\$ 917,814	\$ 287,892	\$ 335,402
200 - Travel	155,420	57,800	40,000	21,050	36,570
300 - Contractual	884,600	86,500	369,500	115,900	312,700
400 - Commodities	40,300	15,000	10,000	4,100	11,200
500 - Equipment	104,800	50,000	35,800	6,500	12,500
600 - Office Space	<u>202,000</u>	<u>75,000</u>	<u>81,000</u>	<u>31,000</u>	<u>15,000</u>
TOTAL	<u>\$3,696,804</u>	<u>\$1,052,876</u>	<u>\$1,454,114</u>	<u>\$ 446,442</u>	<u>\$ 723,372</u>



Official Business

# Alaska State Legislature

## Senate

### Committee on Finance

March 5, 1979

Pouch V  
State Capitol  
Juneau, Alaska 99811

#### MEMORANDUM

TO: John Sackett, Chairman  
Senate Finance Committee

FROM: Garrey Peska *[Signature]*  
Administrative Assistant

Following are major points covered in Senator Hohman's Senate Bill 1 (attached).

Types of loans allowed by the bill are:

- Residential Housing
- Agricultural
- Commercial Fishing
- Small Business
- Child Care Facilities
- Logging Operations
- Renewable and Non Renewable Resource Operations
- Municipal Bonds
- Industrial Development Bonds
- Scholarship Loans
- Tourism
- Historical Site and Oper. Space (Recreational site) Loans

Provides low interest (1% above the cost of operating the loan fund) loans to Alaska residents.

Consolidates all the various loan programs in one division in the Dept. of Commerce.

Allows very few alternatives for investment of Permanent Fund principal. The major direction being that Permanent Fund assets be invested in F.H.A.; Federal V.A. and conventional residential mortgages provided that mortgagors be Alaska residents.

Provides for selling revenue bonds to make loan money available. Security is to be:

Income from the Permanent Fund  
All assets of the Loan Fund  
General Fund surplus

Creates an "Investment Oversight Division" under the Budget & Audit Committee. The staff of this division has no duties other than to review reports prepared by the Executive branch on investment and loan activity and submit a consolidated report to the budget & Audit Committee.

Requires that each loan office include a separate veteran's loans section. The veterans groups are well organized and this feature will give them an edge in competing with others for loans (when money available is limited) and for preferential terms.

Provides that if homeowners are delinquent in payments, he may request reevaluation of his loan. His loan must be reevaluated and may be rewritten with "terms and conditions...available which will protect the interest of the state and prevent default of the loan."

Splits responsibility for operation of the loan fund between three different departments. Commerce & Economic Development makes the loans, Revenue enforces collection of delinquent loans, Administration does all detailed accounting for the loans.

Requires loans made to veterans and farmers to carry an interest rate 1% lower than the cost of operating the fund.

Generally, the past approach to this problem has been  
✓ ① ~~An alternative to this approach could be~~  
that; If a project isn't able to attract  
private financing on its merits, it would  
be built by direct state grant and ~~the~~  
ownership of ~~the~~ the resulting facilities be given to the  
local unit of government

✓ ② This section could include a provision  
requiring legislative approval (by resolution)  
before any such bonds may be issued.

✓ ③ 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.

# COMMITTEE REPORT

## SENATE

FURTHER:

3/14/79

Date: March 15, 1979

Mr. President:

The Committee on FINANCE has had SSSB 1 relating to the 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 CS for Spencer Sub. SB 1 - Finance  same title  
 new title
- and recommends No Pass.
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

**MEMBERS SIGNING  
DO PASS**

Johnson  
McCain  
Wicks  
Wendell  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**MEMBERS HAVING  
OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

John Dickel  
 CHAIRMAN  
No Pass.

Original sponsor: Hohman

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR 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 State Permanent Fund;  
7 and providing for an effective date."

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

9 \* Section 1. AS 37.10.065(a) is amended to read:

10 Sec. 37.10.065. INVESTMENT OF THE ALASKA STATE PERMANENT FUND.

11 (a) The Alaska State Permanent Fund consists of 25 per cent of all  
12 mineral lease rentals, royalties, royalty sale proceeds, federal mineral  
13 revenue sharing payments and bonuses received by the state. The commis-  
14 sioner of revenue shall deposit in the Alaska State Permanent Fund 25  
15 per cent of the receipts from these sources at least once each month.  
16 The commissioner of revenue shall invest the money in the Alaska State  
17 Permanent Fund in income-producing investments of the following types:

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

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

24 (3) certificates of deposits issued by United States domestic  
25 banks which are members of the Federal Deposit Insurance Corporation and  
26 secured as to the payment of principal and interest in accordance with  
27 Alaska law;

28 (4) corporate investment-grade securities;

29 (5) bankers' acceptance drawn on and accepted by United

1 States banks which each have a combined capital and surplus aggregating  
2 at least \$100,000,000;

3 (6) repurchase agreements, the securities underlying the  
4 agreements being any of the items in (1) - (5) of this subsection;

5 (7) deposits of federally insured savings and loan associa-  
6 tions not to exceed 10 per cent of each savings and loan association's  
7 deposits exclusive of federal, state, and municipal deposits;

8 (8) fixed-term certificates of debentures of federally  
9 insured credit unions not to exceed 10 per cent of each credit union's  
10 shares.

11 \* Sec. 2. AS 37.10.065(c) is amended to read:

12 (c) The commissioner of revenue shall transfer to whatever agency  
13 is established for the express purpose of managing and investing the  
14 Alaska State Permanent Fund all or part of the securities and money in  
15 the Alaska State Permanent Fund in accordance with Alaska law no later  
16 than two weeks after receipt of written notice from that agency.

17 \* Sec. 3. This Act takes effect July 1, 1979.  
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28  
29

BY HOHMAN

1 IN THE SENATE

BY FINANCE COMMITTEE

2 COMMITTEE SUBSTITUTE FOR 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 State permanent fund;  
7 and providing for an effective date."

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

9 \*Section 1. AS 37.10.065 is amended to read:

10 (The attached section from the existing statutes  
11 is amended as follows: In every case where the  
12 title "Alaska permanent fund" appears, the title  
13 is changed to read "Alaska State permanent fund.")

14 \*Sec. 2. This Act takes effect July 1, 1979.  
15  
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### Article 3. Investment and Deposit of State Funds.

Section	Section
65. Investment of the Alaska Permanent Fund	85. Financial aid to corporations by state or political subdivision
70. Investment of surplus funds	87. Loans to bond construction funds
75. Deposit of state funds	88. Department of Administration authorized to make advances to the University
79. Purchase of bonds	
80. Sale of bonds held as investments	

**Sec. 37.10.065. Investment of the Alaska Permanent Fund.** (a) The Alaska Permanent Fund consists of 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state. The commissioner of revenue shall deposit in the Alaska Permanent Fund 25 per cent of the receipts from these sources at least once each month. The commissioner of revenue shall invest the money in the Alaska Permanent Fund in income-producing investments of the following types:

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

(2) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;

(3) certificates of deposits issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation and secured as to the payment of principal and interest in accordance with Alaska law;

(4) corporate investment-grade securities;

(5) bankers' acceptance drawn on and accepted by United States banks which each have a combined capital and surplus aggregating at least \$100,000,000;

(6) repurchase agreements, the securities underlying the agreements being any of the items in (1) — (5) of this subsection;

(7) deposits of federally insured savings and loan associations not to exceed 10 per cent of each savings and loan association's deposits exclusive of federal, state, and municipal deposits;

(8) fixed-term certificates of debentures of federally insured credit unions not to exceed 10 per cent of each credit union's shares.

(b) The commissioner of revenue may enter into contracts providing for custody of securities and execution of transactions.

(c) The commissioner of revenue shall transfer to whatever agency is established for the express purpose of managing and investing the Alaska Permanent Fund all or part of the securities and money in the Alaska Permanent Fund in accordance with Alaska law no later than two weeks after receipt of written notice from that agency. (§ 1 ch 6 SLA 1977)

Legislative committee report. — For Senate Journal, p. 575; 1977 House Journal, report on ch. 6, SLA 1977 (HB 210), see 1977 p. 279.

# STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S - JUNEAU 99811

February 5, 1979

The Honorable Bob Mulcahy  
Chairman  
Senate State Affairs Committee  
Room 651 - Court Office Building  
Juneau, AK 99811

Dear Senator Mulcahy:

SENATE BILL NO. 1

Senate Bill No. 1, an Act relating to the Alaska loan programs fund, the Alaska permanent fund, and state investment policy and other State revenues, was introduced in the Senate on January 15, 1979 and was referred to the Senate State Affairs and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Peter A. Bushre, Deputy Commissioner, Department of Revenue concerning the proposed legislation.

Sincerely,

R. D. Stevenson  
Special Assistant

cc: The Honorable John C. Sackett  
Chairman  
Senate Finance Committee

Sterling Gallagher  
Commissioner  
Department of Revenue

Peter A. Bushre  
Deputy Commissioner  
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA  
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB1 - An Act relating to the Alaska loan programs fund, the Alaska per-  
 Title manent fund, and state investment policy and other state revenues; and providing  
 For an effective date \_\_\_\_\_  
 Requested by Hohman Date February 2, 1978

II. FISCAL DETAIL

Agency Affected Department of REvenue, Department of Commerce & Economic Development  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		2667.7	2667.7	2667.7	2667.7	2667.7
200 TRAVEL		210.7	21.0	21.0	21.0	21.0
300 CONTRACTUAL		1481.7	1481.7	1481.7	1481.7	1481.7
400 COMMODITIES		48.3	48.3	48.3	48.3	48.3
500 EQUIPMENT		111.8	6.0	3.5	2.0	1.5
600 LAND & STRUCTURES		248.1	167.1	167.1	167.1	167.1
700 GRANTS, CLAIMS, ETC						
TOTAL		4768.3	4662.5	4660.0	4658.5	4658.0

FUNDING (Thousands of Dollars)

GENERAL FUND		3329.2	2961.7	2959.2	2958.7	2958.2
FEDERAL FUNDS						
OTHER (Specify)						
Permanent Fund		1439.1	1430.1	1430.1	1429.1	1429.1
TOTAL		4768.3	4391.8	4389.3	4387.8	4387.3

POSITIONS

FULL TIME		95	95	95	95	95
PART TIME						
TEMPORARY						

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

All costs represented herein are incremented and pertain only to those charges added by the subject legislation. Existing agency budgets remain in effect. See attached for analysis.

IV. DATE February 2, 1979 PREPARED BY Peter A. Bushre, Deputy Commissioner  
 AGENCY Division of Treasury  
 Original: Legislative Finance PHONE 465-2350  
 cc: Budget and Management  
Prime Sponsor (First Legislator Named)

	<u>Total</u>	<u>Loan Programs</u>	<u>Collections</u>	<u>Investment Oversight</u>	<u>Permanent Fund Corp.</u>	<u>Treasury</u>
100 - Personal	\$2,667,703	\$ 768,576	\$ 917,814	\$ 287,892	\$ 510,102	\$ 183,319
200 - Travel	210,750	57,800	40,000	21,050	80,460	11,440
300 - Contractual	1,481,700	86,500	369,500	115,900	776,400	133,400
400 - Commodities	48,300	15,000	10,000	4,100	16,000	3,200
500 - Equipment	111,800	50,000	35,800	6,500	10,000	9,500
600 - Office Space	<u>248,100</u>	<u>75,000</u>	<u>81,000</u>	<u>31,000</u>	<u>46,100</u>	<u>15,000</u>
	<u>\$ 4,768,353</u>	<u>\$1,052,876</u>	<u>\$ 1,454,114</u>	<u>\$466,442</u>	<u>\$1,439,062</u>	<u>\$ 355,859</u>

DIVISION OF ALASKA LOANS

100 - Personal

	<u>Per Position (wages)</u>	<u>Employer Charges</u>	<u>Annualized</u>
(1) Director - Range 27	\$ 3,752	\$ 669.05	\$ 53,052
(1) Secretary - Range 10	1,254	274.16	18,348
(1) Comptroller - Range 24	3,401	623.82	48,300
(2) Loan Examiner - Range 19	2,355	468.18	67,764
(1) Bond Specialist - Range 23	3,161	588.10	45,000
(1) Muni. Finn. Analyst - Range 18	2,186	443.03	31,560
(4) Loan Examiner II - Range 17	2,031	419.96	117,648
(2) Ind. Dev. Specialist - Range 16	1,888	588.10	59,436
(5) Loan Examiner I - Range 15	1,751	378.29	127,764
(3) Ed. Loan Specialist - Range 14	1,629	360.15	71,616
(7) Process Clerk - Range 10	1,254	270.78	128,088
	<u>\$ 24,662</u>	<u>\$5,083.62</u>	<u>\$ 768,576</u>

200 - Travel

12 trips per year for 1 Director in Alaska	\$ 2,400
4 trips per year outside Alaska for 1 Director	2,400
12 trips per year for loan examiner in Alaska	26,400
6 trips per year for muni. Finn Analyst	1,200
12 trips per year for 2 Indus. Dev. Specialists in Alaska	4,800
4 trips per year for Bond Specialist outside Alaska	<u>2,400</u>

364 day per diem at \$50 per day 18,200  
\$ 57,800

300 - Contractual

Telephone	\$ 30,000
Postage	3,500
Printing/Production	15,000
Auditing	20,000
Equipment Rental	15,000
Miscellaneous	3,000
	<u>\$ 86,500</u>

400 - Commodities \$ 15,000

500 - Equipment \$ 50,000

600 - Office Space \$ 75,000

DIVISION OF COLLECTION

100 - Personal Services

Director - Range 27	\$ 3,940
Secretary I - Range 10	1,254
Administrative Officer III - Range 21	2,728
Collection Officer IV - Range 20	2,532
Accountant IV - Range 18	2,186
Accountant II - Range 14	1,629
Accounting Clerk II - Range 9	1,178
Accounting Clerk II - Range 9	1,178
Accounting Clerk II - Range 9	1,178
Data Control Clerk - Range 8	1,108
Collection Specialist - Range 12	1,426
Collection Specialist - Range 12	1,426
Collection Specialist - Range 12	1,426
Collection Specialist - Range 12	1,426
Clerk Typist III - Range 8	1,108
Clerk Typist III - Range 8	1,108
Clerk Typist III - Range 8	1,108
Collection Officer III - Range 18	2,186
Clerk Typist III - Range 8	1,108

Anchorage:

Collection Officer IV - Range 20	2,532
Collection Officer III - Range 18	2,186
Collection Officer II - Range 16	1,888
Accountant III - Range 16	1,888
Clerk Typist III - Range 8	1,108
Clerk Typist III - Range 8	1,108
Clerk Typist III - Range 8	1,108
Collection Specialist - Range 12	1,426
Accounting Clerk II - Range 9	1,178

Fairbanks:

Collection Officer IV - Range 20	2,934
Collection Officer II - Range 16	2,186
Accountant III - Range 16	2,186
Clerk Typist III - Range 8	1,254
Clerk Typist III - Range 8	1,254
Accounting Clerk II - Range 9	1,339
Collection Specialist - Range 12	1,629

\$ 58,437

Total for 12 Month Period 701,244

Benefits at 17.70 124,120

Health 420 mo. 49,464

FICA at .0613 42,986

\$917,814

200 - Travel

Field (210) 65%	\$ 26,000
Administration (220) 30%	12,000
Conventions (230) 5%	2,000
	<u>\$ 40,000</u>

300 - Contractual

Postage, Telephone, Etc. (310)	\$ 56,000
Printing Forms, Etc. (320)	15,000

300 - Contractual (cont'd)

Space Expense (Rent) (330)	\$ 60,000
Copiers (360)	14,500
Date Entry - 3742	8,300
Terminals	44,400
Printers	4,500
(6) Mag Card "A" (364)	16,800
Contract for Legal Service (380)	150,000
	<u>\$369,500</u>

400 - Commodities \$ 10,000

500 - Equipment

Desk, Executive	\$ 8,515
Desk, Secretary	4,180
Chairs	6,830
Calculators	5,465
Side Chairs	1,650
Filing Cabinets, Legal	4,280
Typewriters	3,285
Bookcases	720
Tables, 70 x 36	820
	<u>\$ 35,800</u>

600 - Office Space \$ 81,000

INVESTMENT OVERSIGHT DIVISION

100 - Personal Services

(1) Director - Range 27	\$ 3,940	\$ 47,280
(1) Secretary II - Range 11	1,339	16,068
(3) Investment Analyst II - Range 18	2,186	78,696
(2) Clerk Typist II - Range 7	1,045	25,080
(1) Investment Analyst III - Range 20	2,532	30,384
(1) Investment Analyst I - Range 16	1,888	<u>22,656</u>
		220,164
	Benefits	<u>67,728</u>
		<u>\$287,892</u>

200 - Travel

Legislative Budget & Audit Meetings:		
Travel		\$ 3,150
Per Diem		1,800
Field/Administrative Travel:		
Travel		3,500
Per Diem		4,000
Conventions/Meetings:		
Travel		6,600
Per Diem		2,000
		<u>\$ 21,050</u>

300 - Contractual

Communications		\$ 8,000
Printing/Advertising		9,500
Repairs/Maintenance		2,300
Equipment Rental - Word Processing		7,900
Financial Consulting		85,000
Other Fees and Expenses		3,200
		<u>\$115,900</u>

400 - Commodities

\$ 4,100

500 - Equipment

\$ 6,500

600 - Office Space

\$ 31,000

TOTAL \$446,442

PERMANENT FUND CORP.

100 - Personal Services

(1) Director - Range 27	\$ 3,940	\$ 47,280
(1) Secretary II - Range 11	1,339	16,068
(1) Comptroller - Range 24	3,401	40,812
(1) Secretary I - Range 10	1,254	15,048
(1) Accountant IV - Range 18	2,186	26,232
(2) Investment Officer III - Range 24	3,401	81,624
(2) Accounting Technician II - Range 14	1,629	29,096
(2) Accounting Clerk III - Range 10	1,254	30,096
(2) Accounting Clerk I - Range 8	1,105	26,520
(2) Clerk Typist II - Range 7	1,045	25,080
(1) Clerk Typist II - Range 7	1,045	12,540
(1) Loan Examiner III - Range 19	2,355	28,262
		<u>388,656</u>
	Benefits	<u>121,446</u>
		<u>\$ 510,102</u>

200 - Travel

Board Meetings In State:		
Travel		\$ 6,300
Travel/Director and Staff		6,300
Per Diem		7,200
Honorarium		18,000
Field/Administrative Travel In State:		
Travel		6,300
Per Diem		5,400
Field/Administrative Travel Out of State:		
Travel		7,920
Per Diem		2,400
Conventions/Meetings Out of State:		
Travel		15,840
Per Diem		4,800
		<u>\$ 80,460</u>

300 - Contractual

Communications		\$ 49,200
Printing/Advertising		16,500
Repairs/Maintenance		2,600
Equipment Rental - Word Processing		8,700
Equipment Rental - Computer		65,000
Software Design and Installation		450,000
Safekeeping		50,000
Consulting		104,600
Other Fees and Expenses		25,000
		<u>\$ 776,400</u>

400 - Commodities

\$ 16,000

500 - Equipment

\$ 10,000

600 - Office Space

\$ 46,100

TOTAL

\$1,439,062

DIVISION OF TREASURY

100 - Personal Services

(1) Director - Range 27	\$ 3,940	\$ 47,280
(1) Secretary II - Range 11	1,339	16,068
(1) Accountant IV - Range 18	2,186	26,232
(1) Accounting Technician III - Range 16	1,888	22,656
(1) Accounting Clerk III - Range 10	1,254	15,048
(1) Clerk Typist II - Range 7	1,045	12,540
		<u>139,824</u>
	Benefits	43,495
		<u>\$ 183,319</u>

200 - Travel

Legislative Budget and Audit Meetings:		
Travel		\$ 3,150
Per Diem		1,800
Field/Administrative Travel:		
Travel		1,750
Per Diem		1,500
Conventions/Meetings:		
Travel		2,640
Per Diem		600
		<u>\$ 11,440</u>

300 - Contractual

Communications	\$ 12,000
Printing/Advertising	16,500
Repairs/Maintenance	1,100
Equipment Rental - Word Processing	8,700
Consulting	93,000
Other Fees and Expenses	2,100
	<u>\$ 133,400</u>

400 - Commodities

\$ 3,200

500 - Equipment

\$ 9,500

600 - Office Space

\$ 15,000

TOTAL

\$ 355,859

Original sponsor: Hohman

Offered: 3/15/79  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR 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 State Permanent Fund;  
7 and providing for an effective date."

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

9 \* Section 1. AS 37.10.065(a) is amended to read:

10 Sec. 37.10.065. INVESTMENT OF THE ALASKA STATE PERMANENT FUND.

11 (a) The Alaska State Permanent Fund consists of 25 per cent of all  
12 mineral lease rentals, royalties, royalty sale proceeds, federal mineral  
13 revenue sharing payments and bonuses received by the state. The commis-  
14 sioner of revenue shall deposit in the Alaska State Permanent Fund 25  
15 per cent of the receipts from these sources at least once each month.

16 The commissioner of revenue shall invest the money in the Alaska State  
17 Permanent Fund in income-producing investments of the following types:

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

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

24 (3) certificates of deposits issued by United States domestic  
25 banks which are members of the Federal Deposit Insurance Corporation and  
26 secured as to the payment of principal and interest in accordance with  
27 Alaska law;

28 (4) corporate investment-grade securities;

29 (5) bankers' acceptance drawn on and accepted by United

# **CORRECTION**

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Original sponsor: Hohman

Offered: 3/15/79  
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23 member;

24 (3) certificates of deposits issued by United States domestic  
25 banks which are members of the Federal Deposit Insurance Corporation and  
26 secured as to the payment of principal and interest in accordance with  
27 Alaska law;

28 (4) corporate investment-grade securities;

29 (5) bankers' acceptance drawn on and accepted by United

1 States banks which each have a combined capital and surplus aggregating  
2 at least \$100,000,000;

3 (6) repurchase agreements, the securities underlying the  
4 agreements being any of the items in (1) - (5) of this subsection;

5 (7) deposits of federally insured savings and loan associa-  
6 tions not to exceed 10 per cent of each savings and loan association's  
7 deposits exclusive of federal, state, and municipal deposits;

8 (8) fixed-term certificates of debentures of federally  
9 insured credit unions not to exceed 10 per cent of each credit union's  
10 shares.

11 \* Sec. 2. AS 37.10.065(c) is amended to read:

12 (c) The commissioner of revenue shall transfer to whatever agency  
13 is established for the express purpose of managing and investing the  
14 Alaska State Permanent Fund all or part of the securities and money in  
15 the Alaska State Permanent Fund in accordance with Alaska law no later  
16 than two weeks after receipt of written notice from that agency.

17 \* Sec. 3. This Act takes effect July 1, 1979.  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Introduced: 1/15/79  
Referred: State Affairs  
and Finance

1 IN THE SENATE

BY HOHMAN

2 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 (10) provide for an annual post audit and annual operational  
26 and performance evaluation of the Alaska Permanent Fund Corporation in-  
27 vestments and investment programs.

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

29 Sec. 24.20.321. INVESTMENT OVERSIGHT DIVISION. The investment

1 oversight division is established as a permanent staff agency respon-  
2 sible to the Legislative Budget and Audit Committee for the performance  
3 of oversight and review functions to provide information on the policy  
4 and performance of all agencies of the state which perform lending or  
5 investment functions.

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

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

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

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

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

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

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

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

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

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

6 (2) alternative investment policy for the general fund sur-  
7 plus.

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

9 CHAPTER 13. ALASKA PERMANENT FUND.

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

13 (1) one hundred per cent of mineral lease bonuses after  
14 deduction of amounts allocated

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

17 (B) in AS 37.11.020 to the Alaska renewable resources  
18 development fund;

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

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

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

26 (c) The Alaska permanent fund shall be managed by the Alaska  
27 Permanent Fund Corporation established in this chapter.

28 Sec. 37.13.020. FUNDINGS. The people of the state, by constitu-  
29 tional amendment, have required the placement of at least 25 per cent of

1 all mineral lease rentals, royalties, royalty sale proceeds, and federal  
2 mineral revenue sharing payments and bonuses received by the state into  
3 a permanent fund. The legislature finds with respect to the Alaska  
4 Permanent Fund Corporation that

5 (1) the corporation should provide a means of conserving a  
6 portion of the state's revenues from mineral resources to the ultimate  
7 benefit of future generations of Alaskans;

8 (2) the corporation's primary goal should be to maximize  
9 total return while maintaining safety of principal;

10 (3) the corporation should be used as a savings device  
11 managed to allow the maximum use of disposable income from the corpora-  
12 tion as needed for purposes designated by law.

13 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to  
14 provide a mechanism for the management and investment of those permanent  
15 fund assets allocated to the Alaska Permanent Fund Corporation in a  
16 manner consistent with the findings established in sec. 20 of this  
17 chapter.

18 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is  
19 established the Alaska Permanent Fund Corporation. The corporation is a  
20 public corporation and government instrumentality in the Department of  
21 Revenue managed by a board of trustees but has a legal existence inde-  
22 pendent of and separate from the state. The purpose of the board is to  
23 manage and invest the assets of the corporation in accordance with this  
24 chapter.

25 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board  
26 of trustees consists of three members appointed by the governor and  
27 confirmed by a majority of the members of the legislature in joint  
28 session.

29 (b) The board shall annually elect a chairman from among its

1 members.

2 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be  
3 appointed for terms of four years, and they may be reappointed. Terms  
4 shall be staggered. Initial terms shall be one member serving for two  
5 years, one member serving for three years, and one member serving for  
6 four years.

7 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may  
8 remove a member of the board from office by and with the consent of a  
9 majority of the members of the legislature in joint session. A removal  
10 by the governor shall be in writing and state the reason for removal.  
11 If the legislature is not in session, the governor may suspend a member  
12 of the board. Upon suspension, a vacancy is not created but the member  
13 of the board may not participate in board business and may not be  
14 counted for purposes of establishing a quorum. The joint session of the  
15 legislature shall be held within 30 days from the date of removal if the  
16 removal occurs while the legislature is in session or within 30 days of  
17 convening of the legislature if the legislature is not in session. If  
18 the legislature refuses to consent to his removal, the member of the  
19 board shall be reinstated to his position.

20 (b) A vacancy on the board shall be promptly filled by appointment  
21 by the governor and confirmation by a majority of the members of the  
22 legislature in joint session, and an appointee to fill a vacancy shall  
23 hold office for the balance of the term for which his predecessor on the  
24 board was appointed. If a vacancy arises on the board while the legis-  
25 lature is not in session, the governor may appoint an interim member of  
26 the board who shall exercise all powers of a permanent member of the  
27 board until such time as the legislature in joint session fails to  
28 confirm the interim appointment.

29 (c) A vacancy on the board does not impair the authority of a

1 quorum of the board to exercise all the powers and perform all the  
2 duties of the board.

3 Sec. 37.13.080. QUALIFICATIONS OF BOARD MEMBERS. (a) No person  
4 may be appointed to the board who has not been a resident of the state  
5 for at least three years.

6 (b) No member of the board may hold any other state or federal  
7 office, position or employment, either elective or appointive, except as  
8 a member of the armed forces of the United States or of this state.

9 (c) At least one member of the board shall have recognized compe-  
10 tence and wide experience in finance, investments, or other business  
11 management-related field. No two members may be appointed to the board  
12 who share substantially similar professional or occupational back-  
13 grounds.

14 Sec. 37.13.090. QUORUM. Two members of the board constitute a  
15 quorum for the transaction of business and the exercise of the powers  
16 and duties of the board.

17 Sec. 37.13.100. COMPENSATION. Each member of the board shall  
18 receive an honorarium of \$250 for each meeting day in attendance.  
19 Members of the board are entitled to per diem and travel allowances as  
20 provided by law for members of state boards and commissions.

21 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and  
22 determine the salary of an executive director. The executive director  
23 may, with the approval of the board, select and employ additional staff  
24 as necessary. No employee of the corporation, including the executive  
25 director, may be a member of the board. The executive director and all  
26 other employees of the board are in the exempt service under AS 39.25.

27 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board  
28 are subject to the provisions of AS 39.50.

29 (b) If a member of the board or an employee acquires, owns or

1 controls an interest, direct or indirect, in an entity or project in  
2 which corporation assets are invested, he shall immediately disclose the  
3 interest to the board. The disclosure is a matter of public record and  
4 shall be included in the minutes of the board meeting next following the  
5 disclosure.

6 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is  
7 applicable to the board in the management and investment of permanent  
8 fund assets. The prudent-man rule as applied to investments of the  
9 corporation means that in making investments the board shall exercise  
10 the judgment and care under the circumstances then prevailing which an  
11 institutional investor of ordinary prudence, discretion, and intel-  
12 ligence exercises in the management of large investments entrusted to it  
13 not in regard to speculation but in regard to the permanent disposition  
14 of funds, considering the probable income from them as well as probable  
15 safety of capital.

16 (b) The corporation assets may only be used for income-producing  
17 investments.

18 (c) The board shall seek to maintain a reasonable diversification  
19 among corporation investments unless under the circumstances it is  
20 clearly prudent not to do so.

21 (d) The board shall submit long-range and quarterly investment  
22 reports to the Legislative Budget and Audit Committee.

23 (e) The corporation may not borrow funds or guarantee from princi-  
24 pal of the fund the obligations of others.

25 (f) The board may enter into and enforce all contracts necessary,  
26 convenient or desirable for purposes of the corporation. It may con-  
27 tract with the division of treasury of the Department of Revenue for  
28 services.

29 (g) Subject to (a) and (b) of this section, the board may invest

1 corporation assets in obligations of, or obligations insured or guaran-  
2 teed by, the United States or agencies or instrumentalities of the  
3 United States; corporate securities which under the Securities Act of  
4 1933 are freely marketable; and short-term investments which meet the  
5 requirements of (a) and (b) of this section except for the term of the  
6 investments.

7 (1) No portion of the assets of the fund may be used in the  
8 purchase of stock of a corporation which is not paying dividends on that  
9 stock in cash at the time of purchase; nor in the purchase of bonds of a  
10 corporation, upon which any regular interest payment has been defaulted  
11 within five years before purchase, except bonds never in default but  
12 which have been outstanding for less than five years.

13 (2) No portion of the assets of the corporation may be used  
14 in the purchase of stock if immediately following the purchase the  
15 proportionate market value of all stocks held by the corporation would  
16 exceed 30 per cent of the assets of the corporation.

17 (h) Subject to (a) and (b) of this section, the board may invest  
18 corporation assets in

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

23 (i) To qualify as a mortgage or secured loan which may be pur-  
24 chased by the board under (h) of this section, the mortgage or secured  
25 loan shall

- 26 (1) be secured by real estate in the state;  
27 (2) have as a mortgagor an Alaska resident or a corporation  
28 in which at least 60 per cent of the stock is owned by Alaska residents;  
29 (3) be certified by the originating financial institution

1 that the loan being sold has been made in compliance with law and that  
2 liens supporting the loan have been perfected;

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

5 (j) The board may purchase loans provided for in (h) of this  
6 section only with the approval of each purchase by the division of  
7 Alaska loan programs of the Department of Commerce and Economic Develop-  
8 ment, and the loans may be purchased only from financial institutions  
9 which are operating under the national banking laws, federal savings and  
10 loan laws, or under the provisions of AS 06.05, AS 06.15, AS 06.25 or  
11 AS 06.30.

12 (k) The board shall establish and from time to time as necessary  
13 modify guidelines for the investment of the corporation's assets.  
14 Before adoption of any investment guidelines, the guidelines shall be  
15 reported to the Legislative Budget and Audit Committee for review and  
16 comment.

17 (l) Nothing in this section may be interpreted to preclude in-  
18 state investments that have a risk level and expected yield comparable  
19 to alternative investment opportunities.

20 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,  
21 the total amount of losses on the sales of securities, not offset by  
22 gains on the sales of securities during that year, shall be computed,  
23 with a portion of these losses to be deducted each fiscal year from the  
24 interest and dividend income and the resulting amount of interest and  
25 dividend income added to the principal of the fund. Losses taken on the  
26 sales of bonds shall be accumulated over a period equal to the average  
27 remaining life of the bonds sold, and losses taken on the sales of  
28 stocks shall be accumulated within a period of five years, unless these  
29 losses are offset by gains on future sales of securities. In any fiscal

1 year in which the gains on the sales of securities exceed the losses on  
2 the sales of securities, the excess shall be added to the principal of  
3 the fund.

4 Sec. 37.13.150. INCOME. (a) The interest and dividends received  
5 in a year are the income of the corporation for that year. The income  
6 available for disbursement shall be determined on an averaging basis.  
7 For the first five years, income will be the simple averaging of the  
8 annual current return at cost. Subsequently, there will be a moving  
9 average current return, in which the latest fiscal year will replace the  
10 oldest year. The income available for disbursement will be the lesser  
11 of the latest fiscal year's income, or the average annual current income  
12 for the past five fiscal years of the fund at cost, and after adjustment  
13 for capital losses charged to that fiscal year.

14 (b) When 50 per cent of the income of the corporation available  
15 for distribution, as certified by the commissioner of revenue, exceeds  
16 the amount estimated by the commissioner as equal to the amount of the  
17 tax credits allowed by AS 43.20.015, the credit allowed in AS 43.20.-  
18 015(b)(3) shall be \$300 plus an additional amount equal to the quotient  
19 obtained by dividing that excess by the number of eligible taxpayers  
20 claiming credit under AS 43.20.015(b)(3).

21 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may  
22 establish a mortgage loss reserve account for the purpose of protecting  
23 the financial integrity of the fund.

24 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is by  
25 appropriation from the general fund and is subject to the Executive  
26 Budget Act (AS 37.07).

27 Sec. 37.13.170. AUDITS. The Legislative Budget and Audit Commit-  
28 tee shall provide for an annual post audit and annual operational and  
29 performance evaluations of the corporation's investments and investment

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4 Sec. 37.13.150. INCOME. (a) The interest and dividends received  
5 in a year are the income of the corporation for that year. The income  
6 available for disbursement shall be determined on an averaging basis.  
7 For the first five years, income will be the simple averaging of the  
8 annual current return at cost. Subsequently, there will be a moving  
9 average current return, in which the latest fiscal year will replace the  
10 oldest year. The income available for disbursement will be the lesser  
11 of the latest fiscal year's income, or the average annual current income  
12 for the past five fiscal years of the fund at cost, and after adjustment  
13 for capital losses charged to that fiscal year.

14 (b) When 50 per cent of the income of the corporation available  
15 for distribution, as certified by the commissioner of revenue, exceeds  
16 the amount estimated by the commissioner as equal to the amount of the  
17 tax credits allowed by AS 43.20.015, the credit allowed in AS 43.20.-  
18 015(b)(3) shall be \$300 plus an additional amount equal to the quotient  
19 obtained by dividing that excess by the number of eligible taxpayers  
20 claiming credit under AS 43.20.015(b)(3).

21 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may  
22 establish a mortgage loss reserve account for the purpose of protecting  
23 the financial integrity of the fund.

24 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is by  
25 appropriation from the general fund and is subject to the Executive  
26 Budget Act (AS 37.07).

27 Sec. 37.13.170. AUDITS. The Legislative Budget and Audit Commit-  
28 tee shall provide for an annual post audit and annual operational and  
29 performance evaluations of the corporation's investments and investment

1 programs.

2 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-  
3 ber 30 of each year, the board shall publish a report of the corporation  
4 for distribution to the governor, legislature, and the public. The  
5 report shall be written in easily understandable language. The report  
6 must include financial statements audited by independent outside audi-  
7 tors, a statement of the amount of money received by the permanent fund  
8 from each investment during the period covered, a statement of corpora-  
9 tion investments including an appraisal at market value, a description  
10 of corporation investment activity during the period covered by the  
11 report, a comparison of the corporation performance with the intended  
12 goals contained in AS 37.13.020, an examination of the impact of the  
13 investment criteria of this chapter on the corporation portfolio with  
14 recommendations for any needed changes and any other information the  
15 board believes would be of interest to the governor, the legislature,  
16 and the public. The annual income statement and balance sheet of the  
17 corporation shall be published in at least one newspaper in each judi-  
18 cial district. The income statement and balance sheet for the two  
19 fiscal years preceding the publication of the election pamphlet under  
20 AS 15.57 shall be included in that pamphlet. The board may also publish  
21 other reports it considers desirable to carry out its purpose.

22 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all  
23 taxes and assessments in the state. All security instruments issued by  
24 the corporation, their transfer, and their income are exempt from all  
25 taxes and assessments in the state.

26 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of  
27 trustees and employees of the corporation may not engage in partisan  
28 political activities. The resources of the corporation may not be used  
29 to finance any partisan political activities.

1           Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the  
2 possession of the corporation is a public record, except that infor-  
3 mation which discloses the particulars of the business or affairs of a  
4 private enterprise or investor is confidential and is not a public  
5 record. Confidential information may be disclosed only for the purposes  
6 of an official law enforcement investigation or when its production is  
7 required in a court proceeding. These restrictions do not prohibit the  
8 publication of statistics presented in a manner that prevents the iden-  
9 tification of particular reports, items, persons, or enterprises.

10 \* Sec. 6. AS 39.25.110 is amended by adding a new paragraph to read:

11           (22) members of the board of trustees, the executive director,  
12 and staff of the Alaska Permanent Fund Corporation.

13 \* Sec. 7. AS 39.50.200(9) is amended by adding a new subparagraph to  
14 read:

15           (QQ) Alaska Permanent Fund Corporation Board of Trustees.

16 \* Sec. 8. TRANSITION. The commissioner of revenue shall transfer all  
17 funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation  
18 established by this Act after request for transfer is made by the corporation  
19 board of trustees.

20 \* Sec. 9. AS 45 is amended by adding a new chapter to read:

21           CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

22           Sec. 45.96.010. PURPOSE. Efficient use of the capital resources  
23 of the state will be promoted by creating a single loan fund to provide  
24 a single source from which potential users can acquire a state loan and  
25 obtain information about existing federal or private loan programs which  
26 will better serve the needs of the user or which will complement a  
27 proposed state loan. A single state source of lending will provide  
28 strong assurance of repayment of its loans and thereby lower the cost of  
29 borrowing to the state. The purpose of the loan programs fund is to

1 provide the lowest possible interest costs to Alaska borrowers con-  
2 sistent with sound financial practices and to make available to all  
3 sectors of the Alaska economy loans including long-term financing. A  
4 strong, single loan source, by being available to secure interest rates  
5 and terms better than those available to loan funds limited in size for  
6 a specific purpose, will make a significant contribution to lowering  
7 costs of living for Alaska residents and costs of operations in the  
8 private and public sector.

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

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

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

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

27 (b) The principal and interest on these bonds or bond anticipation  
28 notes are payable from assets of the fund. Bond anticipation notes may  
29 be payable from the proceeds of the sale of bonds or from the proceeds

1 of sale of other bond anticipation notes or, if bond or bond anticipa-  
2 tion note proceeds are not available, the bond anticipation notes may be  
3 paid from other assets of the fund. Bonds or bond anticipation notes  
4 may also be secured by a pledge of a grant or contribution from the  
5 federal or state government, a corporation, association, institution or  
6 person, or a pledge of money, income, or revenues of the fund from any  
7 source.

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

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

27 (e) If an officer whose actual or facsimile signature appears on  
28 any bonds or notes or coupons attached to them ceases to be an officer  
29 before the delivery of the bond, note or coupon, his signature is valid

1 as if he had remained in office until delivery.

2 (f) In authorizing or issuing bonds or bond anticipation notes,  
3 the state bond committee may, with holders of the bonds or bond antici-  
4 pation notes, make covenants as may be necessary or desirable, to better  
5 secure bonds or notes or which, in the discretion of the committee, will  
6 tend to make bonds or notes more marketable and shall, for each issue,  
7 create a principal and interest account for repayment of the principal  
8 and interest of that issue.

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

20 Sec. 45.96.050. REMEDIES. A holder of obligations issued under  
21 the provisions of this chapter or coupons attached to them if not re-  
22 stricted by the resolution, either at law or in equity, may enforce all  
23 rights granted under the coupons or under any other contract executed by  
24 the fund under this chapter, and may enforce and compel the performance  
25 of all duties required by this chapter to be performed by the fund or by  
26 an officer of it.

27 Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations and  
28 interest coupons attached to the obligations are negotiable instruments  
29 under the laws of this state, subject only to applicable registration

1 provisions.

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

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

23 (b) Refunding obligations may be sold or exchanged for outstanding  
24 obligations issued under this chapter. If sold, the proceeds may be  
25 applied, in addition to other authorized purposes, to the purchase,  
26 redemption or payment of the outstanding obligations. Pending the  
27 application of the proceeds of refunding obligations, with any other  
28 available funds, to the payment of the principal (accrued interest and  
29 any redemption premium on the obligations being refunded, and if so

1 provided or permitted in the authorization for issuance of the refunding  
2 obligations, to the payment of any interest on the refunding obligations  
3 and any expenses in connection with the refunding), the proceeds may be  
4 invested in direct obligations of, or obligations the principal of and  
5 the interest on which are unconditionally guaranteed by, the United  
6 States of America which mature or which will be subject to redemption,  
7 at the option of the holders of them, not later than the respective  
8 dates when the proceeds, together with the interest accruing on them,  
9 will be required for the purposes intended.

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

19 Sec. 45.96.100. TAX EXEMPTION. All property of the fund is public  
20 property devoted to an essential public and governmental function and  
21 purpose and is exempt from all taxes of the state or a political sub-  
22 division of the state. All bonds issued under this chapter are issued  
23 by a body corporate and public of this state and for an essential public  
24 and governmental purpose, and the bond and the interest and income on  
25 and from the bonds and all income of the fund are exempt from taxation  
26 except for transfer, inheritance and estate taxes.

27 Sec. 45.96.110. SALE OF BONDS. (a) The state bond committee may  
28 sell bonds at public or private sale until July 1, 1984. After July 1,  
29 1984, the state bond committee may sell bonds only at public sale.

1 (b) Before selling an issue or series of bonds at public sale, the  
2 state bond committee shall give notice inviting sealed bids in such  
3 manner as it may prescribe. If satisfactory bids are received, the  
4 bonds offered for sale shall be awarded to the highest responsible  
5 bidder. If the state bond committee determines that the bids received  
6 are not satisfactory as to price or responsibility of the bidders, it  
7 may reject all bids received.

8 Sec. 45.96.120. ALLOCATED RESERVE ACCOUNT. For the purpose of  
9 securing obligations of the fund, a special account called the allocated  
10 reserve account is established. The amounts necessary to fund the  
11 capital reserve account established under sec. 140 of this chapter, the  
12 fire insurance and liability reserve account under sec. 160 of this  
13 chapter, and the loss reserve account under sec. 150 of this chapter are  
14 allocated to those accounts to the extent appropriations for that pur-  
15 pose are available. All other expenditures from this account shall be  
16 in accordance with annual appropriations.

17 Sec. 45.96.125. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose  
18 of securing obligations of the fund, a special account called the un-  
19 allocated reserve account is established. The unallocated reserve  
20 account consists of any amounts remaining in the general fund at the end  
21 of a fiscal year which have not been obligated.

22 (b) The legislature may, by appropriation, fund the allocated  
23 reserve account created in sec. 120 of this chapter from funds in the  
24 unallocated reserve account.

25 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of  
26 securing each issue of its obligations, the fund shall establish a  
27 special account called the debt service reserve account and shall pay  
28 into the account from the proceeds of the sale of that issue of its  
29 obligations the maximum amount permissible under federal law and regu-