

LEG. FINANCE - BILLS 1981 - 1982 1680

SB 404

1680

COMMITTEE REPORT
SENATE

4/8/81

FURTHER: Finance

Date: 30 April, 1981

Mr. President:

The Committee on LABOR & COMMERCE has had SB 404

Alaska Industrial Development Authority

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 SB 404 (LVC) same title
- new title
- and recommends ✓ do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Byron F. Schuchman

1 George H. ...

11 Z. ...

Bob Mulcahy

MEMBERS HAVING
OTHER RECOMMENDATIONS:

1 Bob Mulcahy
CHAIRMAN

Offered: 4/22/81
Referred: Finance

Original sponsor: Rules/Governor

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 404 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.38.010 is amended to read:

10 Sec. 44.38.010. LEGISLATIVE FINDING AND POLICY. (a) The legisla-
11 ture finds, determines and declares that

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

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

17 (3) the state lacks the basic manufacturing, industrial,
18 small business, tourism, mining, timber, agricultural, multi-family
19 dwelling, and commercial fishing enterprises and other facilities
20 referred to in AS 44.38.010(a)(5) necessary to permit adequate develop-
21 ment of its natural resources and the balanced growth of its economy;

22 (4) the establishment, and expansion of industrial, manufac-
23 turing, small business, tourism, mining, timber, agricultural, multi-
24 family dwelling, and commercial fishing enterprises in Alaska, including
25 facilities for air and water transportation, facilities for pollution
26 control and waste disposal, facilities for the local furnishing of gas,
27 facilities for water, and facilities for industrial parks, is essential
28 to the development of the natural resources and the long-term economic
29 growth of the state, and will directly and indirectly alleviate

1 unemployment in the state;

2 (5) the achievement of the goal of full employment, and of
3 establishment and continuing operation and development of industrial,
4 manufacturing, small business, tourism, mining, timber, agricultural,
5 multi-family dwelling, and commercial fishing enterprises in the state,
6 including facilities for air and water transportation, facilities for
7 pollution control and waste disposal, facilities for the local furnish-
8 ing of gas, facilities for water, and facilities for industrial parks,
9 will be accelerated and facilitated by the creation of an instrumentality
10 of the state with powers to incur debt and to make and insure loans
11 to finance, and to assist private lenders to make loans to finance, the
12 establishment, operation, and development of industrial, manufacturing,
13 small business, tourism, mining, timber, agricultural, multi-family
14 dwelling, and commercial fishing enterprises, including facilities for
15 air and water transportation, facilities for pollution control and
16 waste disposal, facilities for the local furnishing of gas, facilities
17 for water, and facilities for industrial parks, for private operation;

18 (6) it is in the public interest to promote the prosperity
19 and general welfare of all citizens of the state by stimulating commercial
20 and industrial growth and expansion by encouraging an increase of
21 private investment by banks, investment houses, insurance companies,
22 and other financial institutions, including pension and retirement
23 funds, to help satisfy the need for economic expansion;

24 (7) it is in the state's interest to import private capital
25 to create new economic activity which would not otherwise take place in
26 the state

27 (b) It is declared to be the policy of the state, in the interests
28 of promoting the health, security and general welfare of all the people
29 of the state, and a public purpose, to increase job opportunities and

1 otherwise to encourage the economic growth of the state, including the
2 development of its natural resources, through the establishment of
3 manufacturing, industrial, small business, tourism, mining, timber,
4 agricultural, multi-family dwelling, and commercial fishing enterprises
5 and the other facilities referred to in AS 44.88.010(a)(5) by creating
6 the public corporation with power, duties and functions as provided in
7 this chapter.

8 * Sec. 2. AS 44.88.050(a) is amended to read:

9 (a) A majority of the members of the authority constitutes a
10 quorum for the transaction of business or the exercise of a power or
11 function at a meeting of the authority. In case of a tie vote on a
12 motion or resolution pending before the authority the motion or resolu-
13 tion shall be presented to the governor and if approved by him, is
14 considered adopted by the authority. The authority may meet and trans-
15 act business by electronic media, including conference telephone, if
16 the public has the same right to participate in the meeting as if the
17 meeting were held in person. A meeting by electronic media as provided
18 in this section has the same legal effect as a meeting in person.

19 * Sec. 3. AS 44.88.070 is amended to read:

20 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity and
22 economic welfare of the people of Alaska, to relieve problems of unem-
23 ployment, and to create additional employment by providing various
24 means of financing and means of facilitating the financing of indust-
25 rial, manufacturing, small business, tourism, mining, timber, agricul-
26 tural, multi-family dwelling, and commercial fishing enterprises and the
27 other facilities referred to in AS 44.88.010(a)(5) within the state.

28 * Sec. 4. AS 44.88.080(12) is amended to read:

29 (12) to purchase or insure loans to finance the costs of

1 manufacturing, industrial, small business, tourism, timber,
2 agricultural, multi-family dwelling, and commercial fishing enterprise
3 projects;

4 * Sec. 5. AS 44.88.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund, other than a
6 capital reserve fund, to secure its bonds. The authority may deposit
7 in a reserve fund established under this subsection the proceeds of
8 sale of its bonds and other money which may be made available from any
9 other source. A reserve fund established under this subsection must
10 comply with (a) - (c) of this section. The authority may allow a
11 reserve fund established under this subsection to be depleted without
12 complying with (d) of this section.

13 * Sec. 6. AS 44.88.155 is repealed and reenacted to read:

14 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
15 established in the authority the enterprise development fund. The
16 authority may use money in the enterprise development fund to purchase
17 all or a part of a loan made by a private financial institution to
18 finance the cost of a project. The authority may pledge or enter into
19 covenants with respect to

20 (1) loans purchased by it; and

21 (2) amounts and loans appropriated to the authority for the
22 enterprise development fund to secure the payment of the principal,
23 interest, and redemption premium, if any, on bonds issued by the author-
24 ity to finance the purchase of loans for a project.

25 (b) If the security for the bonds issued to provide money to
26 purchase a loan for a project includes the general obligation of the
27 authority or a pledge of, or covenants with respect to, assets of the
28 authority, other than bond proceeds or amounts provided by nongovern-
29 mental sources, the enterprise development loan purchased must be for a

1 purpose and comply with the conditions specified in AS 44.88.158(c).

2 * Sec. 7. AS 44.88.157(a) is amended to read:

3 (a) The authority may establish a loan insurance account. The
4 purpose of the loan insurance account is to provide insurance of mort-
5 gage loans and other loans made or purchased by the authority, or made
6 by others and approved for insurance by the authority, for a project.
7 The authority may enter into agreements as to the use of money in the
8 loan insurance account and may pledge, assign, or grant interests in
9 the loan insurance account as provided in this section. The authority
10 may adopt regulations and enter into agreements with respect to the
11 exercise of any power or approval relating to the loan insurance account
12 under this section, including, without limitation, agreements as to the
13 use of money in the loan insurance account, agreements with respect to
14 the terms and conditions upon which payments from the loan insurance
15 account will be made with respect to a loan insured under this section,
16 agreements as to separate subaccounts in the loan insurance account for
17 different categories of loans or as to loans made by the authority or
18 any other person, and agreements regarding the payment of and security
19 for bonds issued by the authority. An agreement, the rights of the
20 authority under an agreement, or payments received or to be received
21 under an agreement may be pledged or assigned by the authority for the
22 benefit of the holders of bonds issued by the authority.

23 * Sec. 8. AS 44.88.158(a) is amended to read:

24 Sec. 44.88.158. SMALL BUSINESS, TOURISM, MINING, TIMBER, AGRICUL-
25 TURAL, MULTI-FAMILY DWELLING, AND COMMERCIAL FISHING ENTERPRISES LOAN
26 ACCOUNT. (a) There is established in the authority a small business,
27 tourism, mining, timber, agricultural, multi-family dwelling, and com-
28 mercial fishing enterprises loan account. The account is composed of
29 money or assets appropriated or transferred to the authority, interest

1 on investments and loans of the account, and other money deposited in
2 it by the authority. The authority may use the assets of the small
3 business, tourism, mining, timber, agricultural, multi-family dwelling,
4 and commercial fishing enterprises loan account to purchase loans made
5 by others to small business enterprises, tourism enterprises, mining
6 enterprises, timber enterprises, agricultural enterprises, multi-family
7 dwelling enterprises, and commercial fishing enterprises to pay the
8 costs of projects, as defined in AS 44.23.220 [, WHICH HAVE BEEN OR
9 WHICH THE AUTHORITY ANTICIPATES WILL BE FINANCED WITH THE PROCEEDS OF
10 BONDS].

11 * Sec. 9. AS 44.23.158(c) is amended to read:

12 (c) A loan purchased with money in the small business, tourism,
13 mining, timber, agricultural, multi-family dwelling, and commercial
14 fishing enterprises loan account

15 (1) may not exceed \$10,000,000;

16 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-
17 PRISE;

18 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-
19 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM
20 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

21 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN
22 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A
23 COMMERCIAL FISHING ENTERPRISE;]

24 (2) may not exceed 75 percent of the cost of the project or
25 75 percent of the appraised value of the project, whichever is less,
26 unless the amount of the loan in excess of those limits is federally
27 insured or guaranteed or is insured by a qualified mortgage insurance
28 company;

29 (3) may not be made for a term longer than three-quarters of

1 the authority's estimate of the life of the project or 25 years from
2 the date the loan is made, whichever is earlier;

3 (4) shall contain complete amortization provisions satisfac-
4 tory to the authority requiring periodic payments by the borrower;

5 (5) shall be in the form and contain the terms and provisions
6 with respect to insurance, repairs, alterations, payment of taxes and
7 assessments, default reserves, delinquency charges, default remedies,
8 acceleration of maturity, secondary liens and other matters the author-
9 ity prescribes; and

10 (6) shall be secured as to repayment by a mortgage or other
11 security instrument in the manner the authority determines is feasible
12 to assure timely repayment under a loan agreement entered into with the
13 borrower;

14 (7) must involve participation from private lending sources
15 in an amount not less than 10 percent of the cost of the project or 10
16 percent of the appraised value of the project, whichever is less.

17 * Sec. 10. AS 44.88.158(d) is amended to read:

18 (d) The authority may adopt regulations for the administration of
19 the small business, tourism, mining, timber, agricultural, multi-family
20 dwelling, and commercial fishing enterprises loan account which may
21 include, without limitation, provisions for fees and agreements relating
22 to application, loan commitment, servicing, and origination of loans by
23 other lenders.

24 * Sec. 11. AS 44.88.158(e) is amended to read:

25 (e) The authority may enter into agreements as to the use of the
26 money in the small business, tourism, mining, timber, agricultural,
27 multi-family dwelling, and commercial fishing enterprises loan account,
28 including without limitation, trust or custody arrangements with banks
29 or trust companies. It may also pledge, assign, or grant the agreement,

1 interests under an agreement, or interests in the small business,
2 tourism, mining, timber, agricultural, multi-family dwelling, and
3 commercial fishing enterprises loan account as may be necessary or
4 appropriate to provide for payment and security for bonds of the author-
5 ity.

6 * Sec. 12. AS 44.88.158 is amended by adding a new subsection to read:

7 (g) The authority may purchase loans made to agricultural enter-
8 prises originated by the Alaska Rural Rehabilitation Corporation. The
9 interest rate on an agricultural loan purchased from the Alaska Rural
10 Rehabilitation Corporation by the authority with financing which has
11 been appropriated for that purpose may not exceed eight percent to the
12 borrower. Loans purchased under this subsection may be secured by
13 substitute collateral if the amount of the loan does not exceed 75
14 percent of the value of the total collateral for the loan. The Alaska
15 Rural Rehabilitation Corporation may charge a one percent service fee
16 for loans made and purchased under this subsection.

17 * Sec. 13. AS 44.88 is amended by adding a new section to read:

18 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
19 may not exceed by more than one-half of one percent a year the interest
20 rate on loans of the authority prevailing at the time the loan is
21 purchased for projects which are financed with the proceeds from the
22 sale of a series of bonds with interest exempt from federal income tax
23 in the principal amount of \$1,000,000 or less if the loan is purchased

24 (1) with money in the small business, tourism, mining,
25 timber, agricultural, multi-family dwelling, and commercial fishing
26 enterprises loan account; or

27 (2) with the proceeds of bonds of the authority the interest
28 on which is not exempt from federal income tax.

29 (b) If the purchase of a loan is financed with the proceeds of

1 bonds referred to in (a)(2) of this section, the difference between the
2 interest rate on the bonds, plus the necessary expenses of the authority
3 attributable to the loan and the rate of interest charged by the au-
4 thority on the loan, shall be paid, as the authority determines, with
5 money or assets appropriated or transferred to the authority. The dif-
6 ference between the rate the authority estimates would be payable by a
7 borrower referred to in (a)(1) of this section on a loan if the loan
8 were financed from private sources and the rate of interest charged by
9 the authority on the loan shall be separately reported by the authority
10 in the report required by AS 44.88.210.

11 * Sec. 14. AS 44.88 is amended by adding a new section to read:

12 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
13 the loans purchased from a financial institution under this chapter
14 become delinquent for 90 days or more, the authority shall discontinue
15 purchasing loans from that financial institution until the delinquency
16 is reduced to less than two percent.

17 * Sec. 15. AS 44.88.220(2) is amended to read:

18 (2) "business enterprise" means a single proprietorship,
19 corporation, firm, partnership, or other association of persons organ-
20 ized in any manner, for any business purpose, other than [WHICH IS NOT
21 ORGANIZED] on a nonprofit basis;

22 * Sec. 16. AS 44.88.220(5) is amended to read:

23 (5) "project" means [INCLUDES]

24 (A) a plant or facility used or intended for use in
25 connection with making, processing, preparing, or producing in any
26 manner, goods, products or substances of any kind or nature or in
27 connection with developing or utilizing a natural resource, or
28 extracting, smelting, transporting, converting, assembling or
29 producing in any manner, minerals, raw materials, chemicals,

1 compounds, alloys, fibers, commodities and materials, products or
2 substances of any kind or nature, any plant or facility used or
3 intended for use as an industrial park or in connection with air
4 and water transportation, or any plant or facility for the preven-
5 tion, limitation or control of air or water pollution, for the
6 disposal of sewage or solid waste, for the local furnishing of
7 gas, or for the furnishing of water; or

8 (B) commercial activity by a small business enterprise,
9 tourism enterprise, mining enterprise, timber enterprise, agricul-
10 tural enterprise, multi-family dwelling enterprise, or [AND] com-
11 mercial fishing enterprise as defined in (12), (13), (14), [AND]
12 (15), (16), (17), and (18) of this section;

13 * Sec. 17. AS 44.88.220(12) is amended to read:

14 (12) "small business enterprise" means a business enterprise
15 which is a project applicant with annual profit before the payment of
16 taxes [GROSS INCOME] of \$10,000,000 or less for its annual reporting
17 period which ended immediately before the application to the authority
18 for a loan;

19 * Sec. 18. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which
21 is a project applicant directly involved in the tourist industry;

22 * Sec. 19. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-
24 vidual commercial fishermen who are project applicants and residents of
25 the state who jointly apply for and receive a commercial fishing loan
26 from a private financial institution in the state or from a state or
27 federal loan program;

28 * Sec. 20. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

1 a project applicant directly involved in the mining industry.

2 * Sec. 21. AS 44.88.220 is amended by adding new paragraphs to read:

3 (16) "agricultural enterprise" means a project applicant
4 involved in the raising and harvesting of plants, trees, crops, and
5 livestock and includes the real estate, buildings, equipment, and
6 supplies normally necessary for the distribution, processing, marketing,
7 and servicing of products related to agriculture or an agricultural
8 purpose;

9 (17) "timber enterprise" means a project applicant which is
10 directly involved in the timber industry;

11 (18) "multi-family dwelling enterprise" means a project
12 applicant which is directly involved in the construction and operation
13 and rental or sale of multi-family housing units as a commercial enter-
14 prise.

15 * Sec. 22. Subject to the limitation of AS 44.88.090(g), the Alaska
16 Industrial Development Authority may issue revenue bonds in the principal
17 amount of \$400,000,000 during the fiscal year ending June 30, 1982.

18 * Sec. 23. AS 44.88.158(b) and (f) and sec. 9(c), ch. 120, SLA 1980 are
19 repealed.

20 * Sec. 24. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

Introduced: 4/8/81
Referred: Labor & Commerce and
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. In accordance with AS 44.83.090(g), the Alaska Industrial
10 Development Authority may issue revenue bonds in the principal amount of
11 \$400,000,000 during the fiscal year ending June 30, 1982.

12 * Sec. 2. Section 9(c), ch. 120 SLA 1980, is repealed.

13 * Sec. 3. AS 44.83.010(4) is amended to read:

14 (4) the establishment, and expansion of industrial, manufac-
15 turing, small business, tourism, mining, and commercial fishing enter-
16 prises in Alaska, including facilities for air and water transportation
17 facilities for pollution control and waste disposal, facilities for the
18 local furnishing of gas, facilities for water, and facilities for
19 industrial parks, is essential to the development of the natural re-
20 sources and the long-term economic growth of the state, and will di-
21 rectly and indirectly alleviate unemployment in the state;

22 * Sec. 4. AS 44.83.050(a) is amended to read:

23 (a) A majority of the members of the authority constitutes a
24 quorum for the transaction of business or the exercise of a power or
25 function at a meeting of the authority. In case of a tie vote on a
26 motion or resolution pending before the authority the motion or resolu-
27 tion shall be presented to the governor and if approved by him, is
28 considered adopted by the authority. The authority may meet and trans-
29 act business by electronic media, including conference telephone, if

1 the public has the same right to participate in the meeting as if the
2 meeting were held in person. A meeting by electronic media as provided
3 in this section has the same legal effect as a meeting in person.

4 * Sec. 5. AS 44.88.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund other than a
6 capital reserve fund, to secure its bonds. The authority may deposit
7 in a reserve fund established under this subsection the proceeds of
8 sale of its bonds and other money which may be made available from any
9 other source. A reserve fund established under this subsection must
10 comply with (a) -- (c) of this section. The authority may allow a
11 reserve fund created under this subsection to be depleted without
12 complying with (d) of this section.

13 * Sec. 6. AS 44.88.155 is repealed and reenacted to read:

14 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
15 established in the authority the enterprise development fund. The
16 authority may use money in the enterprise development fund to purchase
17 all or a part of a loan made by a private financial institution to
18 finance the cost of a project. The authority may pledge or enter into
19 covenants with respect to (1) loans purchased by it and (2) amounts and
20 loans appropriated to the authority for the enterprise development fund
21 to secure the payment of the principal, interest, and redemption pre-
22 mium, if any, on bonds issued by the authority to finance the purchase
23 of loans for a project.

24 (b) if the security for the bonds issued to provide money to
25 purchase a loan for a project includes the general obligation of the
26 authority or any pledge of, or covenants with respect to, assets of the
27 authority, other than bond proceeds or amounts provided by nongovern-
28 mental sources, the enterprise development loan purchased must be for a
29 purpose and comply with the conditions specified in AS 44.88.158(c).

1 * Sec. 7. AS 44.88.157(a) is amended to read:

2 (a) The authority may establish a loan insurance account. The
3 purpose of the loan insurance account is to provide insurance of mort-
4 gage loans and other loans made or purchased by the authority, or made
5 by others and approved for insurance by the authority, for a project.
6 The authority may enter into agreements as to the use of money in the
7 loan insurance account and may pledge, assign, or grant interests in
8 the loan insurance account as provided in this section. The authority
9 may adopt regulations and enter into agreements with respect to the
10 exercise of any power or approval relating to the loan insurance account
11 under this section, including, without limitation, agreements as to the
12 use of money in the loan insurance account, agreements with respect to
13 the terms and conditions upon which payments from the loan insurance
14 account will be made with respect to a loan insured under this section,
15 agreements as to separate subaccounts in the loan insurance account for
16 different categories of loans or as to loans made by the authority or
17 any other person, and agreements regarding the payment of and security
18 for bonds issued by the authority. An agreement, the rights of the
19 authority under an agreement, or payments received or to be received
20 under an agreement may be pledged or assigned by the authority for the
21 benefit of the holders of bonds issued by the authority.

22 * Sec. 8. AS 44.88.158(a) is amended to read:

23 (a) There is established in the authority a small business, tour-
24 ism, mining, and commercial fishing enterprises loan account. The ac-
25 count is composed of money or assets appropriated or transferred to the
26 authority, interest on investments and loans of the account, and other
27 money deposited in it by the authority. The authority may use the
28 assets of the small business, tourism, mining, and commercial fishing
29 enterprises loan account to purchase loans made by others to small

1 business enterprises, tourism enterprises, mining enterprises, and
2 commercial fishing enterprises to pay the costs of projects, as defined
3 in AS 44.88.220 [, WHICH HAVE BEEN OR WHICH THE AUTHORITY ANTICIPATES
4 WILL BE FINANCED WITH THE PROCEEDS OF BONDS].

5 * Sec. 9. AS 44.188.158(c) is amended by adding a new paragraph to read:

6 (7) must involve participation from private lending sources
7 in an amount not less than 10 percent of the cost of the project or 10
8 percent of the appraised value of the project, whichever is less.

9 * Sec. 10. AS 44.88.158(e) is amended to read:

10 (e) The authority may enter into agreements as to the use and in-
11 vestment of the money in the small business, tourism, mining, and
12 commercial fishing enterprises loan account, including without limita-
13 tion, trust or custody arrangements with banks or trust companies. It
14 may also pledge, assign, or grant the agreement, interests under an
15 agreement, or interests in the small business, tourism, mining, and
16 commercial fishing enterprises loan account as may be necessary or
17 appropriate to provide for payment and security for bonds of the autho-
18 rity.

19 * Sec. 11. AS 44.88 is amended by adding a new section to read:

20 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
21 the loans purchased from a financial institution under this chapter
22 become delinquent for 90 days or more, the authority shall discontinue
23 purchasing loans from that financial institution until the delinquency
24 is reduced to less than two percent.

25 * Sec. 12. AS 44.88 is amended by adding a new section to read:

26 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
27 may not exceed by more than one-half of one percent a year the interest
28 rate on loans of the authority prevailing at the time the loan is
29 purchased for projects which are financed with the proceeds from the

1 sale of a series of bonds with interest exempt from federal income tax
2 in the principal amount of \$1,000,000 or less if the loan is purchased
3 (1) with money in the small business, tourism, mining, and commercial
4 fishing enterprises loan account; or (2) with the proceeds of bonds of
5 the authority the interest on which is not exempt from federal income
6 tax.

7 (b) If the purchase of a loan is financed with the proceeds of
8 bonds referred to in (a)(2) of this section, the difference between the
9 interest rate on the bonds plus the necessary expenses of the authority
10 attributable to the loan and the rate of interest charged by the au-
11 thority on the loan, shall be paid as the authority determines, with
12 money or assets appropriated or transferred to the authority. The dif-
13 ference between the rate the authority estimates would be payable by a
14 borrower referred to in (a)(1) of this section on a loan if the loan
15 were financed from private sources and the rate of interest charged by
16 the authority on the loan shall be separately reported by the authority
17 in the report required by AS 44.88.210.

18 * Sec. 13. AS 44.88.220(2) is amended to read:

19 (2) "business enterprise" means a single proprietorship,
20 corporation, firm, partnership, or other association of persons organ-
21 ized in any manner, for any business purpose, other than [WHICH IS NOT
22 ORGANIZED] on a nonprofit basis;

23 * Sec. 14. AS 44.88.220(5) is amended to read:

24 (5) "project" means [INCLUDES]

25 (A) a plant or facility used or intended for use in
26 connection with making, processing, preparing, or producing in any
27 manner, goods, products or substances of any kind or nature or in
28 connection with developing or utilizing a natural resource, or
29 extracting, smelting, transporting, converting, assembling or

1 producing in any manner, minerals, raw materials, chemicals,
2 compounds, alloys, fibers, commodities and materials, products or
3 substances of any kind or nature, any plant or facility used or
4 intended for use as an industrial park or in connection with air
5 and water transportation, or any plant or facility for the preven-
6 tion, limitation or control of air or water pollution, for the
7 disposal of sewage or solid waste, for the local furnishing of
8 gas, or for the furnishing of water; or

9 (B) commercial activity by a small business enterprise,
10 tourism enterprise, mining enterprise, or [AND] commercial fishing
11 enterprise as defined in (12), (13), (14), and (15) of this sec-
12 tion;

13 * Sec. 15. AS 44.88.220(12) is amended to read:

14 (12) "small business enterprise" means a business enterprise
15 which is a project applicant with annual profit before the payment of
16 taxes [GROSS INCOME] of \$10,000,000 or less for its annual reporting
17 period which ended immediately before the application to the authority
18 for a loan;

19 * Sec. 16. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which
21 is a project applicant directly involved in the tourist industry;

22 * Sec. 17. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-
24 vidual commercial fishermen who are project applicants and residents of
25 the state who jointly apply for and receive a commercial fishing loan
26 from a private financial institution in the state or from a state or
27 federal loan program;

28 * Sec. 18. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

1 a project applicant directly involved in the mining industry.

2 * Sec. 19. AS 44.88.158(b) and (f) are repealed.

3 * Sec. 20. This Act takes effect immediately in accordance with AS 01.10.
4 070(c).

April 8, 1981

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which relates to the Alaska Industrial Development Authority (the authority).

Section 1 of the bill authorizes the authority to issue up to \$400,000,000 in revenue bonds to provide financing for projects which are eligible for assistance from the authority.

Section 2 of the bill repeals a condition enacted in ch. 120, SLA 1980, which requires the reversion to the general fund of \$166,000 000 in loans appropriated to the enterprise development fund administered by the authority if the loans aren't pledged as security for revenue bonds. Under amendments made in sec. 6 of the bill, money earned from these loans may be used by the authority to buy interests in loans made by private financial institutions to finance industrial development projects or for tourism, mining, commercial fishing or small business loans.

Section 4 of the bill allows the authority to meet and transact business by conference telephone. The authority meets each week to take action on loan applications. It is essential that the consistent participation of all members of the authority be assured without the inconvenience and loss of time resulting from constant travel from one meeting location to the next.

Section 5 of the bill allows the authority to secure revenue bonds by creating a reserve fund. The reserve fund would receive a deposit of assets from the authority which secures the indebtedness owed to bondholders. The authority is not obligated to bondholders to request appropriations to replenish the reserve fund if it should become depleted.

Section 6 of the bill permits the authority to embark on a major program to buy interests in loans made by private financial institutions. This would mitigate the restricted market that would result if the tax exempt status of industrial development bonds is withdrawn or severely limited by Congress.

Sections 7 -- 10 of the bill amend statutes relating to the small business, tourism, mining, and commercial fishing loan program. These amendments authorize the authority to buy interests in loans made by private financial institutions even if those loans are not financed with the proceeds earned from the sale of revenue bonds of the authority.

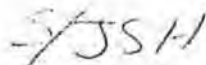
Section 11 of the bill requires the authority to stop purchasing loans from a financial institution if more than two percent of the loans purchased from the institution become delinquent for 90 days or more. This section expands existing law which imposes the same requirement but only for tourism, small business, commercial fishing, or mining loans purchased by the authority.

Section 12 of the bill specifies the interest rate for loans purchased by the authority with money in the small business, tourism, commercial fishing, and mining enterprise loan account or with proceeds of bonds with taxable interest. The rate of interest is set at one-half of one percent more than the interest rate set for a bond issue of the authority which does not exceed \$1,000,000 in principal amount.

Sections 13 -- 18 make technical amendments to the definitions in existing law.

The repeal of AS 44.88.158(b) and (f), contained in sec. 19 of the bill, is included to remove provisions in existing law which would be superseded if secs. 11 and 12 become law.

Sincerely,



Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title Relating to the AK Industrial Development Authority
 Requested by Governor Date 3/26/81

II. FISCAL DETAIL

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

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	NONE					

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	NONE					

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE March 26, 1981 PREPARED BY Charles R. Webber
 AGENCY Commerce
 PHONE 465-2500
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

TWELFTH Legislature FIRST Session

SENATE BILL NO. 404

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

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

Introduced in the Senate ^{4/31} 19⁸¹

HISTORY IN THE SENATE

19	81	Read first time and referred to Committee on Labor & Commerce and Finance										
4	8	Reported back with recommendation that <i>replace w/ps, 4 do pass to Finance</i>										
		Read second time and										
		Read third time and										
		<table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		<p>Reconsideration</p> <table border="0"> <tr><td>PASS</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Absent</td><td>Absent</td></tr> <tr><td>Excused</td><td>Excused</td></tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed Signed by President Ser.' to House										

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

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

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

Original sponsor: Rules/Governor

Offered: 4/22/81
Referred: Finance

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 404 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

7

8

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

9

* Section 1. AS 44.88.010 is amended to read:

10

Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legisla-
11 ture finds, determines and declares that

11

12

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

13

14

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

16

17

(3) the state lacks the basic manufacturing, industrial,
18 small business, tourism, mining, timber, agricultural, multi-family
19 dwelling, and commercial fishing enterprises and other facilities
20 referred to in AS 44.88.010(a)(5) necessary to permit adequate develop-
21 ment of its natural resources and the balanced growth of its economy;

21

22

(4) the establishment, and expansion of industrial, manufac-
23 turing, small business, tourism, mining, timber, agricultural, multi-
24 family dwelling, and commercial fishing enterprises in Alaska, including
25 facilities for air and water transportation, facilities for pollution
26 control and waste disposal, facilities for the local furnishing of gas,
27 facilities for water, and facilities for industrial parks, is essential
28 to the development of the natural resources and the long-term economic
29 growth of the state, and will directly and indirectly alleviate

29

1 unemployment in the state;

2 (5) the achievement of the goal of full employment, and of
3 establishment and continuing operation and development of industrial,
4 manufacturing, small business, tourism, mining, timber, agricultural,
5 multi-family dwelling and commercial fishing enterprises in the state,
6 including facilities for air and water transportation, facilities for
7 pollution control and waste disposal, facilities for the local furnish-
8 ing of gas, facilities for water, and facilities for industrial parks,
9 will be accelerated and facilitated by the creation of an instrumentality
10 of the state with powers to incur debt and to make and insure loans
11 to finance, and to assist private lenders to make loans to finance, the
12 establishment, operation, and development of industrial, manufacturing,
13 small business, tourism, mining, timber, agricultural, multi-family
14 dwelling, and commercial fishing enterprises, including facilities for
15 air and water transportation, facilities for pollution control and
16 waste disposal, facilities for the local furnishing of gas, facilities
17 for water, and facilities for industrial parks, for private operation;

18 (6) it is in the public interest to promote the prosperity
19 and general welfare of all citizens of the state by stimulating commer-
20 cial and industrial growth and expansion by encouraging an increase of
21 private investment by banks, investment houses, insurance companies,
22 and other financial institutions, including pension and retirement
23 funds, to help satisfy the need for economic expansion;

24 (7) it is in the state's interest to import private capital
25 to create new economic activity which would not otherwise take place in
26 the state

27 (b) It is declared to be the policy of the state, in the interests
28 of promoting the health, security and general welfare of all the people
29 of the state, and a public purpose, to increase job opportunities and

1 otherwise to encourage the economic growth of the state, including the
2 development of its natural resources, through the establishment of
3 manufacturing, industrial, small business, tourism, mining, timber,
4 agricultural, multi-family dwelling, and commercial fishing enterprises
5 and the other facilities referred to in AS 44.88.010(a)(5) by creating
6 the public corporation with power, duties and functions as provided in
7 this chapter.

8 * Sec. 2. AS 44.88.050(a) is amended to read:

9 (a) A majority of the members of the authority constitutes a
10 quorum for the transaction of business or the exercise of a power or
11 function at a meeting of the authority. In case of a tie vote on a
12 motion or resolution pending before the authority the motion or resolu-
13 tion shall be presented to the governor and if approved by him, is
14 considered adopted by the authority. The authority may meet and trans-
15 act business by electronic media, including conference telephone, if
16 the public has the same right to participate in the meeting as if the
17 meeting were held in person. A meeting by electronic media as provided
18 in this section has the same legal effect as a meeting in person.

19 * Sec. 3. AS 44.88.070 is amended to read:

20 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity and
22 economic welfare of the people of Alaska, to relieve problems of unem-
23 ployment, and to create additional employment by providing various
24 means of financing and means of facilitating the financing of indust-
25 rial, manufacturing, small business, tourism, mining, timber, agricul-
26 tural, multi-family dwelling, and commercial fishing enterprises and the
27 other facilities referred to in AS 44.88.010(a)(5) within the state.

28 * Sec. 4. AS 44.88.060(12) is amended to read:

29 (12) to purchase or insure loans to finance the costs of

1 manufacturing, industrial, small business, tourism, mining, timber,
2 agricultural, multi-family dwelling, and commercial fishing enterprise
3 projects;

4 * Sec. 5. AS 44.88.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund, other than a
6 capital reserve fund, to secure its bonds. The authority may deposit
7 in a reserve fund established under this subsection the proceeds of
8 sale of its bonds and other money which may be made available from any
9 other source. A reserve fund established under this subsection must
10 comply with (a) - (c) of this section. The authority may allow a
11 reserve fund established under this subsection to be depleted without
12 complying with (d) of this section.

13 * Sec. 6. AS 44.88.155 is repealed and reenacted to read:

14 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
15 established in the authority the enterprise development fund. The
16 authority may use money in the enterprise development fund to purchase
17 all or a part of a loan made by a private financial institution to
18 finance the cost of a project. The authority may pledge or enter into
19 covenants with respect to

20 (1) loans purchased by it; and

21 (2) amounts and loans appropriated to the authority for the
22 enterprise development fund to secure the payment of the principal,
23 interest, and redemption premium, if any, on bonds issued by the author-
24 ity to finance the purchase of loans for a project.

25 (b) If the security for the bonds issued to provide money to
26 purchase a loan for a project includes the general obligation of the
27 authority or a pledge of, or covenants with respect to, assets of the
28 authority, other than bond proceeds or amounts provided by nongovern-
29 mental sources, the enterprise development loan purchased must be for a

1 purpose and comply with the conditions specified in AS 44.88.158(c).

2 * Sec. 7. AS 44.88.157(a) is amended to read:

3 (a) The authority may establish a loan insurance account. The
4 purpose of the loan insurance account is to provide insurance of mort-
5 gage loans and other loans made or purchased by the authority, or made
6 by others and approved for insurance by the authority, for a project.
7 The authority may enter into agreements as to the use of money in the
8 loan insurance account and may pledge, assign, or grant interests in
9 the loan insurance account as provided in this section. The authority
10 may adopt regulations and enter into agreements with respect to the
11 exercise of any power or approval relating to the loan insurance account
12 under this section, including, without limitation, agreements as to the
13 use of money in the loan insurance account, agreements with respect to
14 the terms and conditions upon which payments from the loan insurance
15 account will be made with respect to a loan insured under this section,
16 agreements as to separate subaccounts in the loan insurance account for
17 different categories of loans or as to loans made by the authority or
18 any other person, and agreements regarding the payment of and security
19 for bonds issued by the authority. An agreement, the rights of the
20 authority under an agreement, or payments received or to be received
21 under an agreement may be pledged or assigned by the authority for the
22 benefit of the holders of bonds issued by the authority.

23 * Sec. 8. AS 44.88.158(a) is amended to read:

24 Sec. 44.88.158. SMALL BUSINESS, TOURISM, MINING, TIMBER, AGRICUL-
25 TURAL, MULTI-FAMILY DWELLING, AND COMMERCIAL FISHING ENTERPRISES LOAN
26 ACCOUNT. (a) There is established in the authority a small business,
27 tourism, mining, timber, agricultural, multi-family dwelling, and com-
28 mmercial fishing enterprises loan account. The account is composed of
29 money or assets appropriated or transferred to the authority, interest

1 on investments and loans of the account, and other money deposited in
2 it by the authority. The authority may use the assets of the small
3 business, tourism, mining, timber, agricultural, multi-family dwelling,
4 and commercial fishing enterprises loan account to purchase loans made
5 by others to small business enterprises, tourism enterprises, mining
6 enterprises, timber enterprises, agricultural enterprises, multi-family
7 dwelling enterprises, and commercial fishing enterprises to pay the
8 costs of projects, as defined in AS 44.88.220 [, WHICH HAVE BEEN OR
9 WHICH THE AUTHORITY ANTICIPATES WILL BE FINANCED WITH THE PROCEEDS OF
10 BONDS].

11 * Sec. 9. AS 44.88.158(c) is amended to read:

12 (c) A loan purchased with money in the small business, tourism,
13 mining, timber, agricultural, multi-family dwelling, and commercial
14 fishing enterprises loan account

15 (1) may not exceed \$10,000,000;

16 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-
17 PRISE;

18 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-
19 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM
20 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

21 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN
22 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A
23 COMMERCIAL FISHING ENTERPRISE;]

24 (2) may not exceed 75 percent of the cost of the project or
25 75 percent of the appraised value of the project, whichever is less,
26 unless the amount of the loan in excess of those limits is federally
27 insured or guaranteed or is insured by a qualified mortgage insurance
28 company;

29 (3) may not be made for a term longer than three-quarters of

1 the authority's estimate of the life of the project or 25 years from
2 the date the loan is made, whichever is earlier;

3 (4) shall contain complete amortization provisions satisfac-
4 tory to the authority requiring periodic payments by the borrower;

5 (5) shall be in the form and contain the terms and provisions
6 with respect to insurance, repairs, alterations, payment of taxes and
7 assess' ments, default reserves, delinquency charges, default remedies,
8 acceleration of maturity, secondary liens and other matters the author-
9 ity prescribes; and

10 (6) shall be secured as to repayment by a mortgage or other
11 security instrument in the manner the authority determines is feasible
12 to assure timely repayment under a loan agreement entered into with the
13 borrower;

14 (7) must involve participation from private lending sources
15 in an amount not less than 10 percent of the cost of the project or 10
16 percent of the appraised value of the project, whichever is less.

17 * Sec. 10. AS 44.88.158(d) is amended to read:

18 (d) The authority may adopt regulations for the administration of
19 the small business, tourism, mining, timber, agricultural, multi-family
20 dwelling, and commercial fishing enterprises loan account which may
21 include, without limitation, provisions for fees and agreements relating
22 to application, loan commitment, servicing, and origination of loans by
23 other lenders.

24 * Sec. 11. AS 44.88.158(e) is amended to read:

25 (e) The authority may enter into agreements as to the use of the
26 money in the small business, tourism, mining, timber, agricultural,
27 multi-family dwelling, and commercial fishing enterprises loan account,
28 including without limitation, trust or custody arrangements with banks
29 or trust companies. It may also pledge, assign, or grant the agreement,

1 interests under an agreement, or interests in the small business,
2 tourism, mining, timber, agricultural, multi-family dwelling, and
3 commercial fishing enterprises loan account as may be necessary or
4 appropriate to provide for payment and security for bonds of the author-
5 ity.

6 * Sec. 12. AS 44.88.158 is amended by adding a new subsection to read:

7 (g) The authority may purchase loans made to agricultural enter-
8 prises originated by the Alaska Rural Rehabilitation Corporation. The
9 interest rate on an agricultural loan purchased from the Alaska Rural
10 Rehabilitation Corporation by the authority with financing which has
11 been appropriated for that purpose may not exceed eight percent to the
12 borrower. Loans purchased under this subsection may be secured by
13 substitute collateral if the amount of the loan does not exceed 75
14 percent of the value of the total collateral for the loan. The Alaska
15 Rural Rehabilitation Corporation may charge a one percent service fee
16 for loans made and purchased under this subsection.

17 * Sec. 13. AS 44.88 is amended by adding a new section to read:

18 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
19 may not exceed by more than one-half of one percent a year the interest
20 rate on loans of the authority prevailing at the time the loan is
21 purchased for projects which are financed with the proceeds from the
22 sale of a series of bonds with interest exempt from federal income tax
23 in the principal amount of \$1,000,000 or less if the loan is purchased

24 (1) with money in the small business, tourism, mining,
25 timber, agricultural, multi-family dwelling, and commercial fishing
26 enterprises loan account; or

27 (2) with the proceeds of bonds of the authority the interest
28 on which is not exempt from federal income tax.

29 (b) If the purchase of a loan is financed with the proceeds of

1 bonds referred to in (a)(2) of this section, the difference between the
2 interest rate on the bonds, plus the necessary expenses of the authority
3 attributable to the loan and the rate of interest charged by the au-
4 thority on the loan, shall be paid, as the authority determines, with
5 money or assets appropriated or transferred to the authority. The dif-
6 ference between the rate the authority estimates would be payable by a
7 borrower referred to in (a)(1) of this section on a loan if the loan
8 were financed from private sources and the rate of interest charged by
9 the authority on the loan shall be separately reported by the authority
10 in the report required by AS 44.88.210.

11 * Sec. 14. AS 44.88 is amended by adding a new section to read:

12 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
13 the loans purchased from a financial institution under this chapter
14 become delinquent for 90 days or more, the authority shall discontinue
15 purchasing loans from that financial institution until the delinquency
16 is reduced to less than two percent.

17 * Sec. 15. AS 44.88.220(2) is amended to read:

18 (2) "business enterprise" means a single proprietorship,
19 corporation, firm, partnership, or other association of persons organ-
20 ized in any manner, for any business purpose, other than [WHICH IS NOT
21 ORGANIZED] on a nonprofit basis;

22 * Sec. 16. AS 44.88.220(5) is amended to read:

23 (5) "project" means [INCLUDES]

24 (A) a plant or facility used or intended for use in
25 connection with making, processing, preparing, or producing in any
26 manner, goods, products or substances of any kind or nature or in
27 connection with developing or utilizing a natural resource, or
28 extracting, smelting, transporting, converting, assembling or
29 producing in any manner, minerals, raw materials, chemicals,

1 compounds, alloys, fibers, commodities and materials, products or
2 substances of any kind or nature, any plant or facility used or
3 intended for use as an industrial park or in connection with air
4 and water transportation, or any plant or facility for the preven-
5 tion, limitation or control of air or water pollution, for the
6 disposal of sewage or solid waste, for the local furnishing of
7 gas, or for the furnishing of water; or

8 (B) commercial activity by a small business enterprise,
9 tourism enterprise, mining enterprise, timber enterprise, agricul-
10 tural enterprise, multi-family dwelling enterprise, or [AND] com-
11 mercial fishing enterprise as defined in (12), (13), (14), [AND]
12 (15), (16), (17), and (18) of this section;

13 * Sec. 17. AS 44.88.220(12) is amended to read:

14 (12) "small business enterprise" means a business enterprise
15 which is a project applicant with annual profit before the payment of
16 taxes [GROSS INCOME] of \$10,000,000 or less for its annual reporting
17 period which ended immediately before the application to the authority
18 for a loan;

19 * Sec. 18. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which
21 is a project applicant directly involved in the tourist industry;

22 * Sec. 19. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-
24 vidual commercial fishermen who are project applicants and residents of
25 the state who jointly apply for and receive a commercial fishing loan
26 from a private financial institution in the state or from a state or
27 federal loan program;

28 * Sec. 20. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

1 a project applicant directly involved in the mining industry.

2 * Sec. 21. AS 44.88.220 is amended by adding new paragraphs to read:

3 (16) "agricultural enterprise" means a project applicant
4 involved in the raising and harvesting of plants, trees, crops, and
5 livestock and includes the real estate, buildings, equipment, and
6 supplies normally necessary for the distribution, processing, marketing,
7 and servicing of products related to agriculture or an agricultural
8 purpose;

9 (17) "timber enterprise" means a project applicant which is
10 directly involved in the timber industry;

11 (18) "multi-family dwelling enterprise" means a project
12 applicant which is directly involved in the construction and operation
13 and rental or sale of multi-family housing units as a commercial enter-
14 prise.

15 * Sec. 22. Subject to the limitation of AS 44.88.090(g), the Alaska
16 Industrial Development Authority may issue revenue bonds in the principal
17 amount of \$400,000,000 during the fiscal year ending June 30, 1982.

18 * Sec. 23. AS 44.88.158(b) and (f) and sec. 9(c), ch. 120, SLA 1980 are
19 repealed.

20 * Sec. 24. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

22
23
24
25
26
27
28
29

Original sponsor: Rules/Governor

Offered: 4/22/81
Referred: Finance

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SENATE BILL NO. 404 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.88.010 is amended to read:

10 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legisla-
11 ture finds, determines and declares that

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

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

17 (3) the state lacks the basic manufacturing, industrial,
18 small business, tourism, mining, timber, agricultural, multi-family
19 dwelling, and commercial fishing enterprises and other facilities
20 referred to in AS 44.88.010(a)(5) necessary to permit adequate develop-
21 ment of its natural resources and the balanced growth of its economy;

22 (4) the establishment, and expansion of industrial, manufac-
23 turing, small business, tourism, mining, timber, agricultural, multi-
24 family dwelling, and commercial fishing enterprises in Alaska, including
25 facilities for air and water transportation, facilities for pollution
26 control and waste disposal, facilities for the local furnishing of gas,
27 facilities for water, and facilities for industrial parks, is essential
28 to the development of the natural resources and the long-term economic
29 growth of the state, and will directly and indirectly alleviate

1 unemployment in the state;

2 (5) the achievement of the goal of full employment, and of
3 establishment and continuing operation and development of industrial,
4 manufacturing, small business, tourism, mining, timber, agricultural,
5 multi-family dwelling, and commercial fishing enterprises in the state,
6 including facilities for air and water transportation, facilities for
7 pollution control and waste disposal, facilities for the local furnish-
8 ing of gas, facilities for water, and facilities for industrial parks,
9 will be accelerated and facilitated by the creation of an instrumental-
10 ity of the state with powers to incur debt and to make and insure loans
11 to finance, and to assist private lenders to make loans to finance, the
12 establishment, operation, and development of industrial, manufacturing,
13 small business, tourism, mining, timber, agricultural, multi-family
14 dwelling, and commercial fishing enterprises, including facilities for
15 air and water transportation, facilities for pollution control and
16 waste disposal, facilities for the local furnishing of gas, facilities
17 for water, and facilities for industrial parks, for private operation;

18 (6) it is in the public interest to promote the prosperity
19 and general welfare of all citizens of the state by stimulating commer-
20 cial and industrial growth and expansion by encouraging an increase of
21 private investment by banks, investment houses, insurance companies,
22 and other financial institutions, including pension and retirement
23 funds, to help satisfy the need for economic expansion;

24 (7) it is in the state's interest to import private capital
25 to create new economic activity which would not otherwise take place in
26 the state

27 (b) It is declared to be the policy of the state, in the interests
28 of promoting the health, security and general welfare of all the people
29 of the state, and a public purpose, to increase job opportunities and

1 otherwise to encourage the economic growth of the state, including the
2 development of its natural resources, through the establishment of
3 manufacturing, industrial, small business, tourism, mining, timber,
4 agricultural, multi-family dwelling, and commercial fishing enterprises
5 and the other facilities referred to in AS 44.88.010(a)(5) by creating
6 the public corporation with power, duties and functions as provided in
7 this chapter.

8 * Sec. 2. AS 44.88.050(a) is amended to read:

9 (a) A majority of the members of the authority constitutes a
10 quorum for the transaction of business or the exercise of a power or
11 function at a meeting of the authority. In case of a tie vote on a
12 motion or resolution pending before the authority the motion or resolu-
13 tion shall be presented to the governor and if approved by him, is
14 considered adopted by the authority. The authority may meet and trans-
15 act business by electronic media, including conference telephone, if
16 the public has the same right to participate in the meeting as if the
17 meeting were held in person. A meeting by electronic media as provided
18 in this section has the same legal effect as a meeting in person.

19 * Sec. 3. AS 44.88.070 is amended to read:

20 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity and
22 economic welfare of the people of Alaska, to relieve problems of unem-
23 ployment, and to create additional employment by providing various
24 means of financing and means of facilitating the financing of indust-
25 rial, manufacturing, small business, tourism, mining, timber, agricul-
26 tural, multi-family dwelling, and commercial fishing enterprises and the
27 other facilities referred to in AS 44.88.010(a)(5) within the state.

28 * Sec. 4. AS 44.88.080(12) is amended to read:

29 (12) to purchase or insure loans to finance the costs of

1 manufacturing, industrial, small business, tourism, mining, timber,
2 agricultural, multi-family dwelling, and commercial fishing enterprise
3 projects;

4 * Sec. 5. AS 44.88.105 is amended by adding a new subsection to read:

5 (f) The authority may establish a reserve fund, other than a
6 capital reserve fund, to secure its bonds. The authority may deposit
7 in a reserve fund established under this subsection the proceeds of
8 sale of its bonds and other money which may be made available from any
9 other source. A reserve fund established under this subsection must
10 comply with (a) - (c) of this section. The authority may allow a
11 reserve fund established under this subsection to be depleted without
12 complying with (d) of this section.

13 * Sec. 6. AS 44.88.155 is repealed and reenacted to read:

14 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) There is
15 established in the authority the enterprise development fund. The
16 authority may use money in the enterprise development fund to purchase
17 all or a part of a loan made by a private financial institution to
18 finance the cost of a project. The authority may pledge or enter into
19 covenants with respect to

20 (1) loans purchased by it; and

21 (2) amounts and loans appropriated to the authority for the
22 enterprise development fund to secure the payment of the principal,
23 interest, and redemption premium, if any, on bonds issued by the author-
24 ity to finance the purchase of loans for a project.

25 (b) If the security for the bonds issued to provide money to
26 purchase a loan for a project includes the general obligation of the
27 authority or a pledge of, or covenants with respect to, assets of the
28 authority, other than bond proceeds or amounts provided by nongovern-
29 mental sources, the enterprise development loan purchased must be for a

1 purpose and comply with the conditions specified in AS 44.88.158(c).

2 * Sec. 7. AS 44.88.157(a) is amended to read:

3 (a) The authority may establish a loan insurance account. The
4 purpose of the loan insurance account is to provide insurance of mort-
5 gage loans and other loans made or purchased by the authority, or made
6 by others and approved for insurance by the authority, for a project.
7 The authority may enter into agreements as to the use of money in the
8 loan insurance account and may pledge, assign, or grant interests in
9 the loan insurance account as provided in this section. The authority
10 may adopt regulations and enter into agreements with respect to the
11 exercise of any power or approval relating to the loan insurance account
12 under this section, including, without limitation, agreements as to the
13 use of money in the loan insurance account, agreements with respect to
14 the terms and conditions upon which payments from the loan insurance
15 account will be made with respect to a loan insured under this section,
16 agreements as to separate subaccounts in the loan insurance account for
17 different categories of loans or as to loans made by the authority or
18 any other person, and agreements regarding the payment of and security
19 for bonds issued by the authority. An agreement, the rights of the
20 authority under an agreement, or payments received or to be received
21 under an agreement may be pledged or assigned by the authority for the
22 benefit of the holders of bonds issued by the authority.

23 * Sec. 8. AS 44.88.158(a) is amended to read:

24 Sec. 44.88.158. SMALL BUSINESS, TOURISM, MINING, TIMBER, AGRICUL-
25 TURAL, MULTI-FAMILY DWELLING, AND COMMERCIAL FISHING ENTERPRISES LOAN
26 ACCOUNT. (a) There is established in the authority a small business,
27 tourism, mining, timber, agricultural, multi-family dwelling, and com-
28 mercial fishing enterprises loan account. The account is composed of
29 money or assets appropriated or transferred to the authority, interest

1 on investments and loans of the account, and other money deposited in
2 it by the authority. The authority may use the assets of the small
3 business, tourism, mining, timber, agricultural, multi-family dwelling,
4 and commercial fishing enterprises loan account to purchase loans made
5 by others to small business enterprises, tourism enterprises, mining
6 enterprises, timber enterprises, agricultural enterprises, multi-family
7 dwelling enterprises, and commercial fishing enterprises to pay the
8 costs of projects, as defined in AS 44.88.220 [, WHICH HAVE BEEN OR
9 WHICH THE AUTHORITY ANTICIPATES WILL BE FINANCED WITH THE PROCEEDS OF
10 BONDS].

11 * Sec. 9. AS 44.88.158(c) is amended to read:

12 (c) A loan purchased with money in the small business, tourism,
13 mining, timber, agricultural, multi-family dwelling, and commercial
14 fishing enterprises loan account

15 (1) may not exceed \$10,000,000;

16 [(A) \$6,000,000 IF THE LOAN IS MADE TO A TOURISM ENTER-
17 PRISE;

18 (B) \$1,000,000 IF THE LOAN IS MADE TO A MINING ENTER-
19 PRISE OR TO A SMALL BUSINESS ENTERPRISE THAT IS NOT A TOURISM
20 ENTERPRISE OR A COMMERCIAL FISHING ENTERPRISE; OR

21 (C) \$500,000 FOR EACH INDIVIDUAL COMMERCIAL FISHERMAN
22 IN THE COMMERCIAL FISHING ENTERPRISE IF THE LOAN IS MADE TO A
23 COMMERCIAL FISHING ENTERPRISE;]

24 (2) may not exceed 75 percent of the cost of the project or
25 75 percent of the appraised value of the project, whichever is less,
26 unless the amount of the loan in excess of those limits is federally
27 insured or guaranteed or is insured by a qualified mortgage insurance
28 company;

29 (3) may not be made for a term longer than three-quarters of

1 the authority's estimate of the life of the project or 25 years from
2 the date the loan is made, whichever is earlier;

3 (4) shall contain complete amortization provisions satisfac-
4 tory to the authority requiring periodic payments by the borrower;

5 (5) shall be in the form and contain the terms and provisions
6 with respect to insurance, repairs, alterations, payment of taxes and
7 assessments, default reserves, delinquency charges, default remedies,
8 acceleration of maturity, secondary liens and other matters the author-
9 ity prescribes; and

10 (6) shall be secured as to repayment by a mortgage or other
11 security instrument in the manner the authority determines is feasible
12 to assure timely repayment under a loan agreement entered into with the
13 borrower;

14 (7) must involve participation from private lending sources
15 in an amount not less than 10 percent of the cost of the project or 10
16 percent of the appraised value of the project, whichever is less.

17 * Sec. 10. AS 44.88.158(d) is amended to read:

18 (d) The authority may adopt regulations for the administration of
19 the small business, tourism, mining, timber, agricultural, multi-family
20 dwelling, and commercial fishing enterprises loan account which may
21 include, without limitation, provisions for fees and agreements relating
22 to application, loan commitment, servicing, and origination of loans by
23 other lenders.

24 * Sec. 11. AS 44.88.158(e) is amended to read:

25 (e) The authority may enter into agreements as to the use of the
26 money in the small business, tourism, mining, timber, agricultural,
27 multi-family dwelling, and commercial fishing enterprises loan account,
28 including without limitation, trust or custody arrangements with banks
29 or trust companies. It may also pledge, assign, or grant the agreement,

1 interests under an agreement, or interests in the small business,
2 tourism, mining, timber, agricultural, multi-family dwelling, and
3 commercial fishing enterprises loan account as may be necessary or
4 appropriate to provide for payment and security for bonds of the author-
5 ity.

6 * Sec. 12. AS 44.88.158 is amended by adding a new subsection to read:

7 (g) The authority may purchase loans made to agricultural enter-
8 prises originated by the Alaska Rural Rehabilitation Corporation. The
9 interest rate on an agricultural loan purchased from the Alaska Rural
10 Rehabilitation Corporation by the authority with financing which has
11 been appropriated for that purpose may not exceed eight percent to the
12 borrower. Loans purchased under this subsection may be secured by
13 substitute collateral if the amount of the loan does not exceed 75
14 percent of the value of the total collateral for the loan. The Alaska
15 Rural Rehabilitation Corporation may charge a one percent service fee
16 for loans made and purchased under this subsection.

17 * Sec. 13. AS 44.88 is amended by adding a new section to read:

18 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
19 may not exceed by more than one-half of one percent a year the interest
20 rate on loans of the authority prevailing at the time the loan is
21 purchased for projects which are financed with the proceeds from the
22 sale of a series of bonds with interest exempt from federal income tax
23 in the principal amount of \$1,000,000 or less if the loan is purchased

24 (1) with money in the small business, tourism, mining,
25 timber, agricultural, multi-family dwelling, and commercial fishing
26 enterprises loan account; or

27 (2) with the proceeds of bonds of the authority the interest
28 on which is not exempt from federal income tax.

29 (b) If the purchase of a loan is financed with the proceeds of

1 bonds referred to in (a)(2) of this section, the difference between the
2 interest rate on the bonds, plus the necessary expenses of the authority
3 attributable to the loan and the rate of interest charged by the au-
4 thority on the loan, shall be paid, as the authority determines, with
5 money or assets appropriated or transferred to the authority. The dif-
6 ference between the rate the authority estimates would be payable by a
7 borrower referred to in (a)(1) of this section on a loan if the loan
8 were financed from private sources and the rate of interest charged by
9 the authority on the loan shall be separately reported by the authority
10 in the report required by AS 44.88.210.

11 * Sec. 14. AS 44.88 is amended by adding a new section to read:

12 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
13 the loans purchased from a financial institution under this chapter
14 become delinquent for 90 days or more, the authority shall discontinue
15 purchasing loans from that financial institution until the delinquency
16 is reduced to less than two percent.

17 * Sec. 15. AS 44.88.220(2) is amended to read:

18 (2) "business enterprise" means a single proprietorship,
19 corporation, firm, partnership, or other association of persons organ-
20 ized in any manner, for any business purpose, other than [WHICH IS NOT
21 ORGANIZED] on a nonprofit basis;

22 * Sec. 16. AS 44.88.220(5) is amended to read:

23 (5) "project" means [INCLUDES]

24 (A) a plant or facility used or intended for use in
25 connection with making, processing, preparing, or producing in any
26 manner, goods, products or substances of any kind or nature or in
27 connection with developing or utilizing a natural resource, or
28 extracting, smelting, transporting, converting, assembling or
29 producing in any manner, minerals, raw materials, chemicals,

1 compounds, alloys, fibers, commodities and materials, products or
2 substances of any kind or nature, any plant or facility used or
3 intended for use as an industrial park or in connection with air
4 and water transportation, or any plant or facility for the preven-
5 tion, limitation or control of air or water pollution, for the
6 disposal of sewage or solid waste, for the local furnishing of
7 gas, or for the furnishing of water; or

8 (B) commercial activity by a small business enterprise,
9 tourism enterprise, mining enterprise, timber enterprise, agricul-
10 tural enterprise, multi-family dwelling enterprise, or [AND] com-
11 mercial fishing enterprise as defined in (12), (13), (14), [AND]
12 (15), (16), (17), and (18) of this section;

13 * Sec. 17. AS 44.88.220(12) is amended to read:

14 (12) "small business enterprise" means a business enterprise
15 which is a project applicant with annual profit before the payment of
16 taxes [GROSS INCOME] of \$10,000,000 or less for its annual reporting
17 period which ended immediately before the application to the authority
18 for a loan;

19 * Sec. 18. AS 44.88.220(13) is amended to read:

20 (13) "tourism enterprise" means a business enterprise which
21 is a project applicant directly involved in the tourist industry;

22 * Sec. 19. AS 44.88.220(14) is amended to read:

23 (14) "commercial fishing enterprise" means one or more indi-
24 vidual commercial fishermen who are project applicants and residents of
25 the state who jointly apply for and receive a commercial fishing loan
26 from a private financial institution in the state or from a state or
27 federal loan program;

28 * Sec. 20. AS 44.88.220(15) is amended to read:

29 (15) "mining enterprise" means a business enterprise which is

1 a project applicant directly involved in the mining industry.

2 * Sec. 21. AS 44.88.220 is amended by adding new paragraphs to read:

3 (16) "agricultural enterprise" means a project applicant
4 involved in the raising and harvesting of plants, trees, crops, and
5 livestock and includes the real estate, buildings, equipment, and
6 supplies normally necessary for the distribution, processing, marketing,
7 and servicing of products related to agriculture or an agricultural
8 purpose;

9 (17) "timber enterprise" means a project applicant which is
10 directly involved in the timber industry;

11 (18) "multi-family dwelling enterprise" means a project
12 applicant which is directly involved in the construction and operation
13 and rental or sale of multi-family housing units as a commercial enter-
14 prise.

15 * Sec. 22. Subject to the limitation of AS 44.88.090(g), the Alaska
16 Industrial Development Authority may issue revenue bonds in the principal
17 amount of \$400,000,000 during the fiscal year ending June 30, 1982.

18 * Sec. 23. AS 44.88.158(b) and (f) and sec. 9(c), ch. 120, SLA 1980 are
19 repealed.

20 * Sec. 24. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

22
23
24
25
26
27
28
29

SB 404

STOCK, INC.

CERTIFIED PUBLIC ACCOUNTANTS

600 UNIVERSITY AVENUE • SUITE 5-EAST • FAIRBANKS, ALASKA 99701 • 479-6285

MAY 11, 1981

PRINCIPALS

RICHARD J. STOCK, CPA
KEVIN J. WALSH, CPA
MICHAEL M. KELLIHER, CPA

MR. DON BENNETT
ALASKA STATE SENATE
POUCH V
JUNEAU, AK 99811

DEAR SIR:

OUR FIRM AND ITS CLIENTS HAVE FOUND A TREMENDOUS RESISTANCE AMONG MOST OF THE LOCAL BANKS AGAINST THE PROCESSING OF BUSINESS LOANS UNDER THE ALASKA INDUSTRIAL DEVELOPMENT CORPORATION. BANKERS HAVE INDICATED TO US THAT THERE SIMPLY IS NOT ENOUGH OF AN INCENTIVE FOR THEM TO BE INVOLVED IN THE A.I.D.A. LOAN PROGRAM. I QUESTION THE NECESSITY OF THE STATE OF ALASKA RELYING ON THE TAX EXEMPT BONDS AS A SOURCE OF FINANCING FOR STATE LOAN PROGRAMS.

PRIOR TO THE ESTABLISHMENT OF A.I.D.A., THE DEPARTMENT OF COMMERCE THROUGH THE PREVIOUS BUSINESS LOAN PROGRAM WAS MOST EFFECTIVE IN PROMOTING ECONOMIC DEVELOPMENT WITHIN OUR COMMUNITY. THE RESTRICTIONS PLACED ON THE PRESENT LOAN PROGRAM, AS A RESULT OF THE NECESSITY FOR QUALIFYING AS TAX EXEMPT, ELIMINATE MANY PROJECTS THAT QUALIFIED UNDER THE PRIOR PROGRAM. WE HAVE SEVERAL CLIENTS WHO REMAIN IN BUSINESS TODAY BECAUSE THEY WERE ABLE TO ACQUIRE AN ECONOMIC DEVELOPMENT LOAN. THEY COULD NOT OBTAIN THE SAME TYPE OF FINANCING THROUGH THE A.I.D.A. PROGRAM.

I URGE YOU TO REVIEW THE A.I.D.A. PROGRAM AND SUGGEST THAT IT BE SUPPLEMENTED WITH A PROGRAM SIMILAR TO THAT WHICH WAS AVAILABLE IN THE PAST. CERTAINLY THE STATE SHOULD NOT RELY TOTALLY ON TAX EXEMPT BONDS AS A SOURCE OF FINANCING FOR THESE DEVELOPMENT LOANS.

SINCERELY,



RICHARD J. STOCK, CPA

/JLF



Alaska State Legislature

5/11/81

Senate

Committee on Finance

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

SECTIONAL ANALYSIS OF CS SB 404 (FINANCE)

* Section 1: Amends AS 44.88.010, LEGISLATIVE FINDING AND POLICY, in three ways: (1) allows AIDA to finance business expansions as well as new businesses; (2) reduces wordiness in the present statute by re-defining small business (see AS 44.88.220(12)); and (3) expands the types of businesses to whom AIDA may make loans by the addition of agriculture, timber, and multi-family dwellings.

* Section 2: Amends AS 44.88.050, MEETINGS, for the purpose of allowing the AIDA board of directors to meet and transact business by conference telephone.

* Section 3: Amends AS 44.88.070, PURPOSE OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

* Section 4: Amends AS 44.88.080, POWERS OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

* Section 5: Amends AS 44.88.105, CAPITAL RESERVE FUNDS, for the purpose of allowing AIDA to establish reserve funds which do not carry with them the moral obligation of the state. Such a reserve fund would be implemented when and if AIDA decides a particular project to be bonded needs the security of a reserve fund, but the authority does not wish to place the state at risk in regards repayment of principal and interest to the bondholder.

* Section 6: Repeals and reenacts AS 44.88.155, ENTERPRISE DEVELOPMENT FUND. Subsection (a) establishes the fund as a trust fund, and sets out the sources of the fund. Subsection (b) sets out the uses of the fund, and expands the present allowable investments of the fund to include SBA- and FHA-guaranteed loans. Subsection (c) sets out the terms of all loans to be purchased by AIDA, including making statutory the requirement for at least 10 percent bank participation. Subsections (d) and (e) are technical provisions.

* Section 7: Amends AS 44.88.157, LOAN INSURANCE, for the purpose of allowing AIDA to establish loan insurance accounts which do not carry with them the moral obligation of the state (see remarks on Section 5).

* Section 8: Repeals and reenacts AS 44.88.158, SMALL BUSINESS ENTERPRISE LOAN ACCOUNT. Subsection (a) establishes the account within the enterprise development fund, and sets out the sources of the account. Subsection (b) sets out the uses of the account, as does subsection (c). This account is strictly for the purchase of guaranteed portions of loans.

* Section 9: Adds a new section, AS 44.88.159, INTEREST RATES. Subsection (a) establishes the interest rate for projects which qualify for tax-exempt financing, but which are not financed with the proceeds of tax-exempt bonds. The interest rate is the tax-exempt rate. Subsection (b) establishes the interest rate for all other projects. That interest rate is the taxable bond rate. Subsection (c) sets out a method for subsidizing, up front, the interest rate for all projects which do not qualify for tax-exempt financing. The subsidy would require a special appropriation for that purpose, as well as an authorization by the legislature of the total dollar amount to be loaned, at subsidized rates, during the year.

* Section 10: Adds a new section, AS 44.88.165, DELINQUENT LOANS. If more than two percent of the total outstanding balance of loans purchased from a financial institution become delinquent for more than 90 days, AIDA must discontinue purchasing loans from that institution until the delinquency is reduced to less than two percent.

* Sections 11-12: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "business enterprise" and "project".

* Section 13: Amends AS 44.88.220, DEFINITIONS, to make clear that the definition of "project costs" includes expansion of a project, as well as construction or acquisition.

* Section 14: Amends AS 44.88.220, DEFINITIONS, by redefining "small business enterprise". The new definition includes tourism, commercial fishing, mining, timber, agriculture and multi-family dwelling enterprises - provided the project applicant's gross income does not exceed \$10 million. The effect is to limit AIDA's financings of commercial projects to small businesses.

* Sections 15-16-17: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "tourism enterprise", "commercial fishing enterprise" and "mining enterprise".

* Section 18: Amends AS 44.88.220, DEFINITIONS, by adding new definitions for "agriculture enterprise", "timber enterprise", "multi-family dwelling enterprise" and "commercial activity". Multi-family dwelling enterprise means a project for 8-plexes or larger. Commercial activity includes working capital, inventory and accounts receivable.

* Section 19: Authorizes AIDA to issue up to \$400 million in revenue bonds during FY 82.

* Section 20: Repeals a provision enacted in chapter 120, SLA 1980, which requires AIDA to return to the General Fund the remaining outstanding balance of the \$166 million in loans appropriated, as of July 1, 1983.

* Section 21: Immediate effective date.

5-11-81

Asper

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 404 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.88.010 is amended to read:

10 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-
11 lature finds, determines and declares that12 (1) there exist areas of the state in which seasonal and
13 nonseasonal unemployment exist;14 (2) this unemployment is a serious menace to the health,
15 safety and general welfare, not only to the people in those areas, but
16 also to the people of the entire state;17 (3) the state lacks the basic manufacturing, industrial, and
18 small business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
19 and the other facilities referred to in (5) of this subsection [AS 44.-
20 88.010(a)(5)] necessary to permit adequate development of its natural
21 resources and the balanced growth of its economy;22 (4) the establishment and expansion of industrial, manufac-
23 turing, and small business [, TOURISM, MINING, AND COMMERCIAL FISHING]
24 enterprises in Alaska and the other facilities referred to in (5) of
25 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-
26 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
27 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES
28 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural
29 resources and the long-term economic growth of the state, and will di-

1 rectly and indirectly alleviate unemployment in the state;

2 (5) the achievement of the goal of full employment, and of
3 establishment and continuing operation and development of industrial,
4 manufacturing, and small business [, TOURISM, MINING AND COMMERCIAL
5 FISHING] enterprises in the state, including facilities for air and
6 water transportation, facilities for pollution control and waste dis-
7 posal, facilities for the local furnishing of gas, facilities for
8 water, and facilities for industrial parks, will be accelerated and
9 facilitated by the creation of an instrumentality of the state with
10 powers to incur debt and to make and insure loans to finance, and to
11 assist private lenders to make loans to finance, the establishment,
12 operation, and development of industrial, manufacturing, and small
13 business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises,
14 including facilities for air and water transportation, facilities for
15 pollution control and waste disposal, facilities for the local furnish-
16 ing of gas, facilities for water, and facilities for industrial parks
17 [, FOR PRIVATE OPERATION];

18 (6) it is in the public interest to promote the prosperity
19 and general welfare of all citizens of the state by stimulating commer-
20 cial and industrial growth and expansion by encouraging an increase of
21 private investment by banks, investment houses, insurance companies,
22 and other financial institutions, including pension and retirement
23 funds, to help satisfy the need for economic expansion;

24 (7) it is in the state's interest to import private capital
25 to create new economic activity which would not otherwise take place in
26 the state

27 (b) It is declared to be the policy of the state, in the interests
28 of promoting the health, security and general welfare of all the people
29 of the state, and a public purpose, to increase job opportunities and

1 otherwise to encourage the economic growth of the state, including the
2 development of its natural resources, through the establishment and
3 expansion of manufacturing, industrial, and small business [, TOURISM,
4 MINING AND COMMERCIAL FISHING] enterprises and the other facilities
5 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating
6 the public corporation with power, duties and functions as provided in
7 this chapter.

8 * Sec. 2. AS 44.88.050(a) is amended to read:

9 (a) A majority of the members of the authority constitutes a
10 quorum for the transaction of business or the exercise of a power or
11 function at a meeting of the authority. In case of a tie vote on a
12 motion or resolution pending before the authority the motion or resolu-
13 tion shall be presented to the governor and if approved by him, is
14 considered adopted by the authority. The authority may meet and trans-
15 act business by electronic media, including conference telephone, if
16 the public has the same right to participate in the meeting as if the
17 meeting were held in person. A meeting by electronic media as provided
18 in this section has the same legal effect as a meeting in person.

19 * Sec. 3. AS 44.88.070 is amended to read:

20 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity and
22 economic welfare of the people of Alaska, to relieve problems of unem-
23 ployment, and to create additional employment by providing various
24 means of financing and means of facilitating the financing of indus-
25 trial, manufacturing, and small business [, TOURISM, MINING, AND COM-
26 MERCIAL FISHING] enterprises and the other facilities referred to in
27 AS 44.88.010(a)(5) within the state.

28 * Sec. 4. AS 44.88.080(12) is amended to read:

29 (12) to purchase or insure loans to finance the costs of
-3- CSSB 404(Fin)

1 manufacturing, industrial, and small business [, TOURISM, MINING, AND
2 COMMERCIAL FISHING] enterprise projects;

3 * Sec. 5. AS 44.88.105 is amended by adding a new subsection to read:

4 (f) The authority may establish reserve funds, other than capital
5 reserve funds, to secure one or more issues of its bonds. The authority
6 may deposit in a reserve fund established under this subsection the
7 proceeds of sale of its bonds and other money which may be made avail-
8 able from any other source. A reserve fund established under this
9 subsection must comply with (a) - (c) of this section. The authority
10 may allow a reserve fund established under this subsection to be
11 depleted without complying with (d) of this section.

12 * Sec. 6. AS 44.88.155 is repealed and reenacted to read:

13 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise
14 development fund is established in the authority. The enterprise
15 development fund is a trust fund for the uses and purposes of this
16 chapter. The enterprise development fund consists of money or assets
17 appropriated or transferred to the authority and other money or assets
18 deposited in it by the authority.

19 (b) The authority may establish in the enterprise development
20 fund a small business enterprise loan account, a loan insurance account
21 and other accounts it considers appropriate.

22 Money and other assets of the enterprise development fund may
23 be used to secure bonds of the authority, and shall be held and investe
24 by the authority in the types of investments described in AS 37.10.-
25 070(a) and AS 39.35.110(a)(9) and (14). Money in the enterprise
26 development fund may also be used to purchase loans for projects, as
27 defined in AS 44.88.220.

28 (c) A loan purchased by the authority

29 (1) may not exceed \$9,000,000;

1 (2) may not exceed 75 percent of the cost of the project or
2 75 percent of the appraised value of the project, whichever is less,
3 unless the amount of the loan in excess of this limit is federally
4 insured or guaranteed or is insured by a qualified mortgage insurance
5 company;

6 (3) may not be for a term longer than three-quarters of the
7 authority's estimate of the life of the project or 25 years from the
8 date the loan is made, whichever is earlier;

9 (4) shall contain complete amortization provisions satisfac-
10 tory to the authority requiring periodic payments by the borrower;

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

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

20 (7) must involve participation from private lending sources
21 in an amount not less than 10 percent of the cost of the project or 10
22 percent of the appraised value of the project, whichever is less.

23 (d) The authority may adopt regulations for the administration of
24 the enterprise development fund which may include, without limitation,
25 provisions for fees and agreements relating to application, loan com-
26 mitment, servicing, and origination of loans by other lenders.

27 (e) The authority may enter into agreements as to the use of the
28 money in the enterprise development fund, including without limitation,
29 trust or custody arrangements with banks or trust companies. It may

1 also pledge, assign, or grant the agreement, interests under an agree-
2 ment, or interests in the enterprise development fund as may be neces-
3 sary or appropriate to provide for payment and security for bonds of
4 the authority.

5 * Sec. 7. AS 44.88.157 is amended by adding a new subsection to read:

6 (j) Notwithstanding (a) - (i) of this section, the authority may
7 establish additional loan insurance accounts outside the enterprise
8 development fund to secure special obligation bonds, and may pay into
9 the loan insurance account money made available from an appropriation
10 or any other source. A loan insurance account established under this
11 subsection is not subject to the requirements of (d) and (g) of this
12 section.

13 * Sec. 8. AS 44.88.158 is repealed and reenacted to read:

14 Sec. 44.88.158. SMALL BUSINESS ENTERPRISE LOAN ACCOUNT. (a) A
15 small business enterprise loan account is established in the enterprise
16 development fund. The account may be composed of money or assets
17 appropriated or transferred to the authority, interest on investments
18 and loans of the small business enterprise loan account, the unpledged
19 income of the enterprise development fund, and other money or assets
20 deposited in it by the authority.

21 (b) The authority may use money in the small business enterprise
22 loan account to purchase the guaranteed portion of a loan made by a
23 private financial institution to a small business enterprise to pay the
24 cost of a project, as defined in AS 44.88.220, if the loan is guaranteed
25 by the federal Small Business Administration or the National Marine
26 Fisheries Service.

27 (c) The authority may use money in the small business enterprise
28 loan account to purchase loans made to agricultural enterprises origin-
29 ated by the Alaska Rural Rehabilitation Corporation. Loans purchased

1 under this subsection may be secured by substitute collateral if the
2 amount of the loan does not exceed 75 percent of the value of the total
3 collateral for the loan.

4 * Sec. 9. AS 44.88 is amended by adding a new section to read:

5 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
6 made by the authority that qualifies for tax-exempt financing, but
7 which is purchased by the authority with money in the enterprise devel-
8 opment fund, may not exceed the interest rate on loans of the authority
9 prevailing at the time the loan is purchased for projects having tax-
10 exempt financing. In this subsection, "tax-exempt financing" means
11 financing from the proceeds of the sale of a series of bonds on which
12 the interest is exempt from federal income tax.

13 (b) The interest rate on a loan purchased by the authority with
14 money in the small business enterprise loan account or from proceeds of
15 the sale of a series of taxable bonds may not exceed by more than
16 one-half of one percentage point the net interest cost of the most
17 recent sale of taxable bonds of comparable term by the authority. If
18 the authority has not sold taxable bonds of comparable term within
19 three months of the time the loan is purchased, the interest rate on
20 the loan may not exceed by more than one-half of one percentage point
21 the rate quoted in the most recent Bond Buyer Index for "AA" rated
22 industrial bonds of a term nearest to that of the loan. In this sub-
23 section, "taxable bonds" means bonds on which the interest is subject
24 to federal income tax.

25 (c) If money or assets are appropriated to the authority for the
26 purpose of lowering interest rates for loans described in AS 44.88.-
27 159(b), the authority shall purchase the loans at a specified number of
28 percentage points below the interest rate ceiling applicable under
29 AS 44.88.159(b) to those loans. The authority shall specify each year

1 the number of percentage points by which these loans are to be lowered,
2 on the basis of the amount of money appropriated for the year to make
3 up for the lowered interest rates on the loans and the total amount of
4 these loans that the legislature has authorized for the year.

5 * Sec. 10. AS 44.88 is amended by adding a new section to read:

6 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
7 the total outstanding balance of loans purchased from a financial
8 institution under this chapter becomes delinquent for 90 days or more,
9 the authority shall discontinue purchasing loans from that financial
10 institution until the delinquency is reduced to less than two percent.

11 * Sec. 11. AS 44.88.220(2) is amended to read:

12 (2) "business enterprise" means a single proprietorship,
13 corporation, firm, partnership, or other association of persons organ-
14 ized in any manner, for any business purpose, other than [WHICH IS NOT
15 ORGANIZED] on a nonprofit basis;

16 * Sec. 12. AS 44.88.220(5) is amended to read:

17 (5) "project" means [INCLUDES]

18 (A) a plant or facility used or intended for use in
19 connection with making, processing, preparing, or producing in any
20 manner, goods, products or substances of any kind or nature or in
21 connection with developing or utilizing a natural resource, or
22 extracting, smelting, transporting, converting, assembling or
23 producing in any manner, minerals, raw materials, chemicals,
24 compounds, alloys, fibers, commodities and materials, products or
25 substances of any kind or nature, any plant or facility used or
26 intended for use as an industrial park or in connection with air
27 and water transportation, or any plant or facility for the preven-
28 tion, limitation or control of air or water pollution, for the
29 disposal of sewage or solid waste, for the local furnishing of

1 gas, or for the furnishing of water; or

2 (B) commercial activity by a small business enterprise
3 [, TOURISM ENTERPRISE, MINING ENTERPRISE AND COMMERCIAL FISHING
4 ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SEC-
5 TION];

6 * Sec. 13. AS 44.88.220(8) is amended to read:

7 (8) "project cost" or "cost of a project" means all or any
8 part of the aggregate costs determined by the authority to be necessary
9 to finance the construction, [OR] acquisition, or expansion of a pro-
10 ject, including without limitation the cost of acquiring real or
11 tangible personal property, and, in connection with real property, the
12 cost of constructing buildings and improvements, the cost of construct-
13 ing means of access to and from the project, the cost of constructing
14 extensions of utility systems to the site of the project; the cost of a
15 project includes, without limitation, the cost of financing the project,
16 interest charges before, during or after construction or acquisition of
17 the project, costs related to the determination of the feasibility,
18 planning, design or engineering of the project and, to the extent
19 determined necessary by the authority, administrative expenses, the
20 cost of machinery or equipment to be used in the operation of the
21 project and expenses of installation, replacement or rehabilitation,
22 and all other costs, charges, fees and expenses which may be determined
23 by the authority to be necessary to finance the construction or acqui-
24 sition;

25 * Sec. 14. AS 44.88.220(12) is repealed and reenacted to read:

26 (12) "small business enterprise" means a business enterprise
27 which is a project applicant with gross income of \$10,000,000 or less
28 for its annual reporting period ending immediately before the applica-
29 tion to the authority for a loan, and includes a tourism enterprise, a

1 commercial fishing enterprise, a mining enterprise, an agricultural
2 enterprise, a timber enterprise, and a multi-family dwelling enter-
3 prise;

4 * Sec. 15. AS 44.88.220(13) is amended to read:

5 (13) "tourism enterprise" means a business enterprise which
6 is a project applicant directly involved in the tourist industry;

7 * Sec. 16. AS 44.88.220(14) is amended to read:

8 (14) "commercial fishing enterprise" means one or more indi-
9 vidual commercial fishermen who are project applicants and residents of
10 the state who jointly apply for and receive a commercial fishing loan
11 from a private financial institution in the state or from a state or
12 federal loan program;

13 * Sec. 17. AS 44.88.220(15) is amended to read:

14 (15) "mining enterprise" means a business enterprise which is
15 a project applicant directly involved in the mining industry.

16 * Sec. 18. AS 44.88.220 is amended by adding new paragraphs to read:

17 (16) "agricultural enterprise" means a project applicant
18 involved in the raising and harvesting of plants, trees, crops, and
19 livestock and includes the real estate, buildings, equipment, and
20 supplies normally necessary for the distribution, processing, market-
21 ing, and servicing of products related to agriculture or an agricultural
22 purpose;

23 (17) "timber enterprise" means a project applicant which is
24 directly involved in the timber industry;

25 (18) "multi-family dwelling enterprise" means a project
26 applicant which is directly involved in the construction, operation, or
27 rental or sale of dwellings having eight or more units, as a commercial
28 enterprise;

29 (19) "commercial activity" means a project, work in process,

1 or activity involving stock in trade.

2 * Sec. 19. Subject to the limitations in AS 44.88.090(g), the Alaska
3 Industrial Development Authority may issue revenue bonds in the principal
4 amount of \$400,000,000 during the fiscal year ending June 30, 1982.

5 * Sec. 20. Section 9(c), ch. 120, SLA 1980 is repealed.

6 * Sec. 21. This Act takes effect immediately in accordance with AS 01.-
7 10.070(c).

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29



Official Business

Alaska State Legislature

Senate

Committee on Finance

5/13/81

Pouch V
State Capitol
Juneau, Alaska 99811

SECTIONAL ANALYSIS OF CS SB 404 (FINANCE)

* Section 1: Amends AS 44.88.010, LEGISLATIVE FINDING AND POLICY, in three ways: (1) allows AIDA to finance business expansions as well as new businesses; (2) reduces wordiness in the present statute by re-defining small business (see AS 44.88.220(12)); and (3) expands the types of businesses to whom AIDA may make loans by the addition of agriculture, timber, and multi-family dwellings.

* Section 2: Amends AS 44.88.050, MEETINGS, for the purpose of allowing the AIDA board of directors to meet and transact business by conference telephone.

* Section 3: Amends AS 44.88.070, PURPOSE OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

* Section 4: Amends AS 44.88.080, POWERS OF THE AUTHORITY, to reduce wordiness (see remarks on Section 1).

* Section 5: Amends AS 44.88.090, BONDS OF THE AUTHORITY, by the addition of language to subsection (h). The purpose is to make clear that AIDA may not issue umbrella bonds, which carry the moral obligation of the state, to provide financing to pay the cost of projects which exceed \$1 million.

* Section 6: Amends AS 44.88.105, CAPITAL RESERVE FUNDS, by the addition of language to subsection (a). The purpose is to make clear that AIDA may not establish a capital reserve fund, which would carry the moral obligation of the state, to secure a bond, the proceeds of which would be used to pay the cost of projects which exceed \$1 million. Combined with the above section, this language means that AIDA can not morally obligate the state on projects over \$1 million, regardless whether the money is raised through the issuance of umbrella bonds or self-sustaining "stand alone" revenue bonds.

* Section 7: Amends AS 44.88.105, CAPITAL RESERVE FUNDS, for the purpose of allowing AIDA to establish reserve funds which do not carry with them the moral obligation of the state. Such a reserve fund would be implemented when and if AIDA decides a particular project to be bonded needs the security of a reserve fund, but the authority does not wish to place the state at risk in regards payment of principal and interest to the bondholder.

* Section 8: Repeals and reenacts AS 44.88.155, ENTERPRISE DEVELOPMENT FUND. Subsection (a) establishes the fund as a trust

fund, and sets out the sources of the fund. Subsections (b) and (c) set out the uses of the fund, and establish the allowable investments of the fund. Subsection (d) sets out the terms and limitations of all loans to be purchased by AIDA, including making statutory the requirement for at least 10 percent bank participation. Subsections (e) and (f) are technical provisions.

* Section 9: Amends AS 44.88.157, LOAN INSURANCE, for the purpose of allowing AIDA to establish loan insurance accounts which do not carry with them the moral obligation of the state (see remarks on Section 5).

* Section 10: Repeals and reenacts AS 44.88.158, SMALL BUSINESS ENTERPRISE LOAN ACCOUNT. Subsection (a) establishes the account within the enterprise development fund, and sets out the sources of the account. Subsection (b) sets out the uses of the account, as does subsection (c). This account is strictly for the purchase of guaranteed portions of loans.

* Section 11: Adds a new section, AS 44.88.159, INTEREST RATES. Subsection (a) establishes the interest rate for projects which qualify for tax-exempt financing, but which are not financed with the proceeds of tax-exempt bonds. The interest rate is the tax-exempt rate. Subsection (b) establishes the interest rate for all other projects. That interest rate is the taxable bond rate. Subsection (c) sets out a method for subsidizing, up front, the interest rate for all projects financed from money in the small business enterprise loan account. The subsidy would require a special appropriation for that purpose, as well as an authorization by the legislature of the total dollar amount to be loaned, at subsidized rates, during the year.

* Section 12: Adds a new section, AS 44.88.165, DELINQUENT LOANS. If more than two percent of the total outstanding balance of loans purchased from a financial institution become delinquent for more than 90 days, AIDA must discontinue purchasing loans from that institution until the delinquency is reduced to less than two percent.

* Section 13-14: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "business enterprise" and "project".

* Section 15: Amends AS 44.88.220, DEFINITIONS, to make clear that the definition of "project costs" includes expansion of a project, as well as construction or acquisition.

* Section 16: Amends AS 44.88.220, DEFINITIONS, by redefining "small business enterprise". The new definition includes tourism, commercial fishing, mining, timber, agriculture and multi-family dwelling enterprises - provided the project applicant's gross income does not exceed \$10 million. The effect is to limit AIDA's financings of commercial projects to small businesses.

* Section 17-18-19: Amend AS 44.88.220, DEFINITIONS, by making technical changes in the definitions of "tourism enterprise", "commercial fishing enterprise" and "mining enterprise".

* Section 20: Amends AS 44.88.220, DEFINITIONS, by adding new definitions for "agriculture enterprise", "timber enterprise", "multi-family dwelling enterprise" and "commercial activity". Multi-family dwelling enterprise means a project for 8-plexes or larger. Commercial activity includes working capital, inventory and accounts receivable.

* Section 21: Authorizes AIDA to issue up to \$400 million in revenue bonds during FY 82.

* Section 22: Repeals a provision enacted in chapter 120, SLA 1980, which requires AIDA to return to the General Fund the remaining outstanding balance of the \$166 million in loans appropriated, as of July 1, 1983.

* Section 23: Immediate effective date.

May 13, 1981

Asper
5/13/81

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 404 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 44.88.010 is amended to read:

10 Sec. 44.88.010. LEGISLATIVE FINDING AND POLICY. (a) The legis-
11 lature finds, determines and declares that

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

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

17 (3) the state lacks the basic manufacturing, industrial, and
18 small business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises
19 and the other facilities referred to in (5) of this subsection [AS 44.-
20 88.010(a)(5)] necessary to permit adequate development of its natural
21 resources and the balanced growth of its economy;

22 (4) the establishment and expansion of industrial, manufac-
23 turing, and small business [, TOURISM, MINING, AND COMMERCIAL FISHING]
24 enterprises in Alaska and the other facilities referred to in (5) of
25 this subsection are [, INCLUDING FACILITIES FOR AIR AND WATER TRANSPOR-
26 TATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
27 FOR THE LOCAL FURNISHINGS OF GAS, FACILITIES FOR WATER, AND FACILITIES
28 FOR INDUSTRIAL PARKS, IS] essential to the development of the natural
29 resources and the long-term economic growth of the state, and will di-

rectly and indirectly alleviate unemployment in the state;

(5) the achievement of the goal of full employment, and of establishment and continuing operation and development of industrial, manufacturing, and small business [, TOURISM, MINING AND COMMERCIAL FISHING] enterprises in the state, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks, will be accelerated and facilitated by the creation of an instrumentality of the state with powers to incur debt and to make and insure loans to finance, and to assist private lenders to make loans to finance, the establishment, operation, and development of industrial, manufacturing, and small business [, TOURISM, MINING, AND COMMERCIAL FISHING] enterprises, including facilities for air and water transportation, facilities for pollution control and waste disposal, facilities for the local furnishing of gas, facilities for water, and facilities for industrial parks [, FOR PRIVATE OPERATION];

(6) it is in the public interest to promote the prosperity and general welfare of all citizens of the state by stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(7) it is in the state's interest to import private capital to create new economic activity which would not otherwise take place in the state

(b) It is declared to be the policy of the state, in the interests of promoting the health, security and general welfare of all the people of the state, and a public purpose, to increase job opportunities and

1 otherwise to encourage the economic growth of the state, including the
2 development of its natural resources, through the establishment and
3 expansion of manufacturing, industrial, and small business [, TOURISM,
4 MINING AND COMMERCIAL FISHING] enterprises and the other facilities
5 referred to in (a)(5) of this section [AS 44.88.010(a)(5)] by creating
6 the public corporation with power, duties and functions as provided in
7 this chapter.

8 * Sec. 2. AS 44.88.050(a) is amended to read:

9 (a) A majority of the members of the authority constitutes a
10 quorum for the transaction of business or the exercise of a power or
11 function at a meeting of the authority. In case of a tie vote on a
12 motion or resolution pending before the authority the motion or resolu-
13 tion shall be presented to the governor and if approved by him, is
14 considered adopted by the authority. The authority may meet and trans-
15 act business by electronic media, including conference telephone, if
16 the public has the same right to participate in the meeting as if the
17 meeting were held in person. A meeting by electronic media as provided
18 in this section has the same legal effect as a meeting in person.

19 * Sec. 3. AS 44.88.070 is amended to read:

20 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
21 authority is to promote, develop and advance the general prosperity and
22 economic welfare of the people of Alaska, to relieve problems of unem-
23 ployment, and to create additional employment by providi various
24 means of financing and means of facilitating the financing of indus-
25 trial, manufacturing, and small business [, TOURISM, MINING, AND COM-
26 MERCIAL FISHING] enterprises and the other facilities referred to in
27 AS 44.88.010(a)(5) within the state.

28 * Sec. 4. AS 44.88.080(12) is amended to read:

29 (12) to purchase or insure loans to finance the costs of
-3- CSSB 404(Fin)

1 manufacturing, industrial, and small business [, TOURISM, MINING, AND
2 COMMERCIAL FISHING] enterprise projects;

3 * Sec. 5. AS 44.88.090(h) is amended to read:

4 (h) The authority may combine, for the purposes of a single
5 offering, bonds financing more than one project as defined in AS 44.-
6 88.220, if the cost of any one of the projects being financed does not
7 exceed \$1,000,000 [UNDER THIS CHAPTER].

8 * Sec. 6. AS 44.88.105(a) is amended to read:

9 (a) For the purpose of securing one or more issues of its bonds,
10 the authority may establish one or more special funds, called "capital
11 reserve funds", and shall pay into those capital reserve funds the
12 proceeds of the sale of its bonds and other money which may be made
13 available to the authority from other sources for the purposes of the
14 capital reserve funds. A capital reserve fund may be established only
15 if the authority determines that the establishment of the fund would
16 enhance the marketability of the bonds, and if those costs of a project,
17 as defined in AS 44.88.220, which are to be financed with the proceeds
18 of the bonds, do not exceed \$1,000,000. Money in a capital reserve
19 fund, except as provided in this section, may be used as required only
20 for (1) the payment of the principal of, and interest on, bonds or of
21 the sinking fund payments with respect to those bonds; (2) the purchase
22 or redemption of the bonds; or (3) the payment of a redemption premium
23 required to be paid when the bonds are redeemed before maturity.
24 However, money in a capital reserve fund may not be withdrawn if the
25 withdrawal would reduce the amount in the capital reserve fund to less
26 than the capital reserve requirement, except for the purpose of making
27 payment, when due, of principal, interest, redemption premiums on the
28 bonds, and sinking fund payments when other money of the authority is
29 not available for the payments. Income or interest earned by, or incre-

1 ment to, a capital reserve fund, from the investment of all or part of
2 the fund, may be transferred by the authority to other funds or accounts
3 of the authority if the transfer does not reduce the amount of the
4 capital reserve fund below the capital reserve fund requirement.

5 * Sec. 7. AS 44.88.105 is amended by adding a new subsection to read:

6 (f) The authority may establish reserve funds, other than capital
7 reserve funds, to secure one or more issues of its bonds. The authority
8 may deposit in a reserve fund established under this subsection the
9 proceeds of sale of its bonds and other money which may be made avail-
10 able from any other source. A reserve fund established under this
11 subsection must comply with (a) - (c) of this section. The authority
12 may allow a reserve fund established under this subsection to be
13 depleted without complying with (d) of this section.

14 * Sec. 8. AS 44.88.155 is repealed and reenacted to read:

15 Sec. 44.88.155. ENTERPRISE DEVELOPMENT FUND. (a) The enterprise
16 development fund is established in the authority. The enterprise
17 development fund is a trust fund for the uses and purposes of this
18 chapter. The enterprise development fund consists of money or assets
19 appropriated or transferred to the authority and other money or assets
20 deposited in it by the authority.

21 (b) The authority may establish in the enterprise development
22 fund a small business enterprise loan account, a loan insurance account,
23 and other accounts it considers appropriate.

24 (c) Money and other assets of the enterprise development fund may
25 be used to secure bonds of the authority, and shall be held and invested
26 by the authority in the types of investments described in AS 37.10.-
27 070(a) and AS 39.35.110(a)(9) and (14). Money in the enterprise devel-
28 opment fund may also be used to purchase loans for projects as defined
29 in AS 44.88.220.

1 (d) A loan purchased by the authority

2 (1) may not exceed \$9,000,000;

3 (2) may not exceed 75 percent of the cost of the project or
4 75 percent of the appraised value of the project, whichever is less,
5 unless the amount of the loan in excess of this limit is federally
6 insured or guaranteed or is insured by a qualified mortgage insurance
7 company;

8 (3) may not be for a term longer than three-quarters of the
9 authority's estimate of the life of the project or 25 years from the
10 date the loan is made, whichever is earlier;

11 (4) shall contain complete amortization provisions satisfac-
12 tory to the authority requiring periodic payments by the borrower;

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

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

22 (7) must involve participation from private lending sources
23 in an amount not less than 10 percent of the cost of the project or 10
24 percent of the appraised value of the project, whichever is less; and

25 (8) must be

26 (A) guaranteed by the United States or an agency or
27 instrumentality of the United States; or

28 (B) financed from the proceeds of bonds; or

29 (C) expected by the authority to be financed from the

1 proceeds of bonds; or

2 (D) qualified for tax-exempt financing, not financed
3 from the proceeds of bonds, and for an amount less than \$150,000.

4 (e) The authority may adopt regulations for the administration of
5 the enterprise development fund which may include, without limitation,
6 provisions for fees and agreements relating to application, loan com-
7 mitment, servicing, and origination of loans by other lenders.

8 (f) The authority may enter into agreements as to the use of the
9 money in the enterprise development fund, including without limitation,
10 trust or custody arrangements with banks or trust companies. It may
11 also pledge, assign, or grant the agreement, interests under an agree-
12 ment, or interests in the enterprise development fund as may be neces-
13 sary or appropriate to provide for payment and security for bonds of
14 the authority.

15 * Sec. 9. AS 44.88.157 is amended by adding a new subsection to read:

16 (j) Notwithstanding (a) - (i) of this section, the authority may
17 establish additional loan insurance accounts outside the enterprise
18 development fund to secure special obligation bonds, and may pay into
19 the loan insurance account money made available from an appropriation
20 or any other source. A loan insurance account established under this
21 subsection is not subject to the requirements of (d) and (g) of this
22 section.

23 * Sec. 10. AS 44.88.158 is repealed and reenacted to read:

24 Sec. 44.88.158. SMALL BUSINESS ENTERPRISE LOAN ACCOUNT. (a) A
25 small business enterprise loan account is established in the enterprise
26 development fund. The account may be composed of money or assets
27 appropriated or transferred to the authority, interest on investments
28 and loans of the small business enterprise loan account, the unpledged
29 income of the enterprise development fund, and other money or assets

1 deposited in it by the authority.

2 (b) The authority may use money in the small business enterprise
3 loan account to purchase the guaranteed portion of a loan made by a
4 private financial institution to a small business enterprise to pay the
5 cost of a project, as defined in AS 44.88.220, if the loan is guaranteed
6 by the United States or an agency or instrumentality of the United
7 States, including, but not limited to, the Small Business Administra-
8 tion, the National Marine Fisheries Service, and the Farmers Home
9 Administration.

10 (c) The authority may use money in the small business enterprise
11 loan account to purchase loans made to agricultural enterprises origin-
12 ated by the Alaska Rural Rehabilitation Corporation. Loans purchased
13 under this subsection may be secured by substitute collateral if the
14 amount of the loan does not exceed 75 percent of the value of the total
15 collateral for the loan.

16 * Sec. 11. AS 44.88 is amended by adding a new section to read:

17 Sec. 44.88.159. INTEREST RATES. (a) The interest rate on a loan
18 that qualifies for tax-exempt financing, but which is purchased by the
19 authority with money in the enterprise development fund, may not exceed
20 the interest rate on loans of the authority prevailing at the time the
21 loan is purchased for projects having tax-exempt financing. In this
22 subsection, "tax-exempt financing" means financing from the proceeds of
23 the sale of a series of bonds on which the interest is exempt from
24 federal income tax.

25 (b) The interest rate on a loan purchased by the authority with
26 money in the small business enterprise loan account or from proceeds of
27 the sale of a series of taxable bonds may not exceed by more than
28 one-half of one percentage point the net interest cost of the most
29 recent sale of taxable bonds of comparable term by the authority. If

1 the authority has not sold taxable bonds of comparable term within
2 three months of the time the loan is purchased, the interest rate on
3 the loan may not exceed by more than one-half of one percentage point
4 the rate quoted in the most recent Bond Buyer Index for "AA" rated
5 industrial bonds of a term nearest to that of the loan. In this sub-
6 section, "taxable bonds" means bonds on which the interest is subject
7 to federal income tax.

8 (c) If money or assets are appropriated to the authority for the
9 purpose of lowering interest rates for loans purchased with money in
10 the small business enterprise loan account, the authority shall purchase
11 the loans at a specified number of percentage points below the interest
12 rate ceiling applicable under AS 44.88.159(b) to those loans. The
13 authority shall specify each year the number of percentage points by
14 which these loans are to be lowered, on the basis of the amount of
15 money appropriated for the year to make up for the lowered interest
16 rates on the loans and the total amount of these loans that the legisla-
17 ture has authorized for the year.

18 * Sec. 12. AS 44.88 is amended by adding a new section to read:

19 Sec. 44.88.165. DELINQUENT LOANS. If more than two percent of
20 the total outstanding balance of loans purchased from a financial
21 institution under this chapter becomes delinquent for 90 days or more,
22 the authority shall discontinue purchasing loans from that financial
23 institution until the delinquency is reduced to less than two percent.

24 * Sec. 13. AS 44.88.220(2) is amended to read:

25 (2) "business enterprise" means a single proprietorship,
26 corporation, firm, partnership, or other association of persons organ-
27 ized in any manner, for any business purpose, other than [WHICH IS NOT
28 ORGANIZED] on a nonprofit basis;

29 * Sec. 14. AS 44.88.220(5) is amended to read:

1 (5) "project" means [INCLUDES]

2 (A) a plant or facility used or intended for use in
3 connection with making, processing, preparing, or producing in any
4 manner, goods, products or substances of any kind or nature or in
5 connection with developing or utilizing a natural resource, or
6 extracting, smelting, transporting, converting, assembling or
7 producing in any manner, minerals, raw materials, chemicals,
8 compounds, alloys, fibers, commodities and materials, products or
9 substances of any kind or nature, any plant or facility used or
10 intended for use as an industrial park or in connection with air
11 and water transportation, or any plant or facility for the preven-
12 tion, limitation or control of air or water pollution, for the
13 disposal of sewage or solid waste, for the local furnishing of
14 gas, or for the furnishing of water; or

15 (B) commercial activity by a small business enterprise
16 i, TOURISM ENTERPRISE, MINING ENTERPRISE AND COMMERCIAL FISHING
17 ENTERPRISE AS DEFINED IN (12), (13), (14), AND (15) OF THIS SEC-
18 TION];

19 * Sec. 15. AS 44.88.220(8) is amended to read:

20 (8) "project cost" or "cost of a project" means all or any
21 part of the aggregate costs determined by the authority to be necessary
22 to finance the construction, [OR] acquisition, or expansion of a pro-
23 ject, including without limitation the cost of acquiring real or tan-
24 gible personal property, and, in connection with real property, the
25 cost of constructing buildings and improvements, the cost of construct-
26 ing means of access to and from the project, the cost of constructing
27 extensions of utility systems to the site of the project; the cost of a
28 project includes, without limitation, the cost of financing the project,
29 interest charges before, during or after construction or acquisition of

1 the project, costs related to the determination of the feasibility,
2 planning, design or engineering of the project and, to the extent
3 determined necessary by the authority, administrative expenses, the
4 cost of machinery or equipment to be used in the operation of the
5 project and expenses of installation, replacement or rehabilitation,
6 and all other costs, charges, fees and expenses which may be determined
7 by the authority to be necessary to finance the construction or acquisi-
8 tion;

9 * Sec. 16. AS 44.88.220(12) is repealed and reenacted to read:

10 (12) "small business enterprise" means a business enterprise
11 which is a project applicant with gross income of \$10,000,000 or less
12 for its annual reporting period ending immediately before the applica-
13 tion to the authority for a loan, and includes a tourism enterprise, a
14 commercial fishing enterprise, a mining enterprise, an agricultural
15 enterprise, a timber enterprise, and a multi-family dwelling enter-
16 prise;

17 * Sec. 17. AS 44.88.220(13) is amended to read:

18 (13) "tourism enterprise" means a business enterprise which
19 is a project applicant directly involved in the tourist industry;

20 * Sec. 18. AS 44.88.220(14) is amended to read:

21 (14) "commercial fishing enterprise" means one or more indi-
22 vidual commercial fishermen who are project applicants and residents of
23 the state who jointly apply for and receive a commercial fishing loan
24 from a private financial institution in the state or from a state or
25 federal loan program;

26 * Sec. 19. AS 44.88.220(15) is amended to read:

27 (15) "mining enterprise" means a business enterprise which is
28 a project applicant directly involved in the mining industry.

29 * Sec. 20. AS 44.88.220 is amended by adding new paragraphs to read:
-11- CSSB 404(Fin)

1 (16) "agricultural enterprise" means a project applicant
2 involved in the raising and harvesting of plants, trees, crops, and
3 livestock and includes the real estate, buildings, equipment, and
4 supplies normally necessary for the distribution, processing, market-
5 ing, and servicing of products related to agriculture or an agricultural
6 purpose;

7 (17) "timber enterprise" means a project applicant which is
8 directly involved in the timber industry;

9 (18) "multi-family dwelling enterprise" means a project
10 applicant which is directly involved in the construction, operation, or
11 rental or sale of dwellings having eight or more units, as a commercial
12 enterprise;

13 (19) "commercial activity" means a project, work in process,
14 or activity involving stock in trade.

15 * Sec. 21. Subject to the limitations in AS 44.88.090(g), the Alaska
16 Industrial Development Authority may issue revenue bonds in the principal
17 amount of \$400,000,000 during the fiscal year ending June 30, 1982.

18 * Sec. 22. Section 9(c), ch. 120, SLA 1980 is repealed.

19 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
20 10.070(c).

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 404
 Title Relating to the AK Industrial Development Authority
 Requested by Governor Date 3/26/81

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

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	NONE					

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	NONE					

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE March 26, 1981 PREPARED BY Charles R. Webber
 AGENCY Commerce
 PHONE 465-2500
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

April 8, 1981

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which relates to the Alaska Industrial Development Authority (the authority).

Section 1 of the bill authorizes the authority to issue up to \$400,000,000 in revenue bonds to provide financing for projects which are eligible for assistance from the authority.

Section 2 of the bill repeals a condition enacted in ch. 120, SLA 1980, which requires the reversion to the general fund of \$166,000,000 in loans appropriated to the enterprise development fund administered by the authority if the loans aren't pledged as security for revenue bonds. Under amendments made in sec. 6 of the bill, money earned from these loans may be used by the authority to buy interests in loans made by private financial institutions to finance industrial development projects or for tourism, mining, commercial fishing or small business loans.

Section 4 of the bill allows the authority to meet and transact business by conference telephone. The authority meets each week to take action on loan applications. It is essential that the consistent participation of all members of the authority be assured without the inconvenience and loss of time resulting from constant travel from one meeting location to the next.

Section 5 of the bill allows the authority to secure revenue bonds by creating a reserve fund. The reserve fund would receive a deposit of assets from the authority which secures the indebtedness owed to bondholders. The authority is not obligated to bondholders to request appropriations to replenish the reserve fund if it should become depleted.

Section 6 of the bill permits the authority to embark on a major program to buy interests in loans made by private financial institutions. This would mitigate the restricted market that would result if the tax exempt status of industrial development bonds is withdrawn or severely limited by Congress.

Sections 7 -- 10 of the bill amend statutes relating to the small business, tourism, mining, and commercial fishing loan program. These amendments authorize the authority to buy interests in loans made by private financial institutions even if those loans are not financed with the proceeds earned from the sale of revenue bonds of the authority.

Section 11 of the bill requires the authority to stop purchasing loans from a financial institution if more than two percent of the loans purchased from the institution become delinquent for 90 days or more. This section expands existing law which imposes the same requirement but only for tourism, small business, commercial fishing, or mining loans purchased by the authority.

Section 12 of the bill specifies the interest rate for loans purchased by the authority with money in the small business, tourism, commercial fishing, and mining enterprise loan account or with proceeds of bonds with taxable interest. The rate of interest is set at one-half of one percent more than the interest rate set for a bond issue of the authority which does not exceed \$1,000,000 in principal amount.

Sections 13 -- 18 make technical amendments to the definitions in existing law.

The repeal of AS 44.88.158(b) and (f), contained in sec. 19 of the bill, is included to remove provisions in existing law which would be superseded if secs. 11 and 12 become law.

Sincerely,

JSH

Jay S. Hammond
Governor

TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE

Committee Substitute for SENATE BILL 404

12 May 1981 - Juneau, Alaska

Gentlemen (Ladies), My name is Kent Lee Woodman. With me today is my partner Mr Steve R Cloud. We are Anchorage businessmen who felt strongly enough about the ramifications of SB 404 to take the time away from our busy schedules, spend over \$600.00, and come down here to make some input, and ask some questions.

First, let me assure you, that though we have our own firm, YELLOW ELECTRIC, Ltd, at heart, we are here precisely because Yellow is completely typical of a number of other small businesses, especially those in the construction trades, and because we feel that something very wrong will happen, to the individual and collective detriment of many Alaskans if 404, or a similar measure does not pass the legislature this session.

Yellow is typical because it is an established business, operated and owned by long time Alaskan residents, and it has been through 2 very difficult years. It was, in fact so very typical, that Dave Rose specifically requested permission last year to utilize a three page letter we wrote him about our firm and its challenges, in his efforts to make some legislative changes to the AIDA program. He requested, and we agreed, to use the letter and make it public.

There have been many programs to come out of Juneau in the past 5 years, to benefit many Alaskans. These programs have ranged from support and assistance to the Fish industry, forestry, barley farming, mineral development and individual home ownership. There have been many good things come from these programs, and I imagine some abuses.

I wish to speak today of the needs of the small businessman, who has not benefited from any program to date. First, let me review the current AIDA program as pertains to such contractors. There are basically 2 programs. The first is the stand-alone program, which allows tax-free bonds to be sold against a specific project. Generally these projects are in the several million dollar range and quite frankly, stretch the concept of "small business" a tad. The other program provides a pool of funds based upon non-taxable bonds. Because of the requirement to comply with the provisions of various IRS rulings, and in order to maintain the tax-free nature of the bonds, certain restrictions must be applied to the loans.

The two restrictions which prevent access to the program by 90% of the existing small businesses are: 1. Lack of ability to utilize the program to refinance anything. 2. Lack of ability to utilize the program for any working capital.

In effect, the program works against the existing small business and for the outsider who wants to come up and open a new facility, or build something, often in direct competition with an existing businessman who is trying to hang on by his fingernails.

In the past two seasons, many small businesses went out of business, reorganized under one or more of the somewhat more flexible bankruptcy regulations, or stretched so thin ~~its~~^{they're} near breaking. Generally what happens is that the businessman must cut way back on personnel, minimize his expenses, and takes on some heavy, short term debt either through short term loans at terrible interest rates, or through inability to pay all his bills on time, and being in arrears and in debt.

This season is already known as the biggest construction season in at least Anchorage history...with home sales exceeding even the 1977 pipeline period. Many contractors in Anchorage are desparately trying to gear up for this season, get out from under the heavy short term debt load and invest in equipment and personnel. There are thousands of projects underway. The funds approved for many bush programs in the last legislature, ranging from runway extensions to erosion control, road projects, school additions and the like, are only just now coming off the drawing boards. The funds will be spent through a 36 month period, creating many opportunities in the bush as well as in the urban areas.

Private industry is spending considerable funds on development of resources, systems, facilities and programs, ranging from the new dock at Valdez to the water injection program on the slope to Misty Fjords to new banks and shopping centers.

In order for a contractor or businessman to gear up, he needs access to capital for rolling stock, tools, office and accounting upgrades, communications, and personnel programs. He needs to purchase stock, materials and many other items and it takes cash UP FRONT.

When difficult times come upon small businesses, they cut back on personnel drastically, putting those folks out of work, amplifying the normal seasonal cyclic effect inordinately. Then we have folks on welfare and unemployment. How much better it would be if the financing were available, to keep the employees on board year-round, allowing minor reductions in the mid-winter through normal attrition? How much better to be geared up and rolling when the season begins rather than having to start from scratch each time.

In recent years, the seasonal cycle for construction in the Anchorage area has virtually vanished. Contractors start footings in September and October and heat them in the winter, beginning framing in March. Others work all year to frame and cover in facilities to allow them to work at more relaxed pace on finishing inside all winter. With the high price of interim financing, this latter program, however, suffers.

Because of the price of money, all projects must be completed with a minimum of construction time, a minimum of higher priced interim financing. In order to meet such a goal, developers and builders must cut corners, pave the first year instead of the 2nd after settling, hire carpenters, plumbers and electricians who pop up from California, Oregon and Washington in their trucks, operate all season with out of state plates out of the backs of vans and pickups.

The local contractor has a difficult time beating all this. Oftentimes the work is shoddy and there is no one to pin it on.

It is our understanding that the primary purpose of certain changes in the AIDA language, as provided by the original SB 404 and by the original Committee Substitute, would have allowed AIDA to invest a certain amount in secured programs. Among these would have been certain SBA insured loans. These loans are already 90% backed by the Federal Government, and it would only be this portion which would be investment material. The results of such a program would be that the qualifying SBA borrower would have funds available at approximately 12% firm instead of the conventional SBA program of 2% over low Wall Street prime. That rate today, by the way, would result in a loan of some 22% interest!!!!