

LEG. FINANCE - BILLS 1985 - 1986 2174

CSSB 78 cont.

2174

1 allocated between the lender and the fund according to the guaranteed  
2 percentage of the loan until the principal balance has been repaid.

3 \* Sec. 36. AS 45.94.050 is amended by adding a new subsection to read:

4 (d) The department shall charge a fee to the borrower not to  
5 exceed one percent of the principal balance of the loan guarantee at  
6 the inception of the loan.

7 \* Sec. 37. AS 45.94 is amended by adding new sections to read:

8 Sec. 45.94.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
9 FORECLOSURE. The department shall dispose of property acquired  
10 through default or foreclosure of a loan guaranteed under this chap-  
11 ter. Disposal shall be made in a manner that serves the best inter-  
12 ests of the state, and may include the amortization of payments over a  
13 period of years.

14 Sec. 45.94.058. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
15 established as a special account within the forest products business  
16 loan guarantee fund the foreclosure expense account. This account is  
17 established as a reserve from fund equity.

18 (b) The commissioner may expend money credited to the foreclo-  
19 sure expense account when necessary to protect the state's security  
20 interest in collateral on loans guaranteed under AS 45.94.050 or to  
21 defray expenses incurred during foreclosure proceedings after a de-  
22 fault by an obligor.

23 \* Sec. 38. AS 45.94.060 is amended to read:

24 Sec. 45.94.060. DEFINITIONS. In this chapter

25 (1) "commissioner" means the commissioner of commerce and  
26 economic development [REVENUE];

27 (2) "department" means the Department of Commerce and  
28 Economic Development [REVENUE];

29 (3) "forest products business" means a sole proprietorship,

1 partnership, corporation or other business organization formed under  
2 the laws of the state for the purpose of harvesting or processing  
3 timber or other forest resources;

4 (4) "fund" means the forest products business loan guaran-  
5 tee fund;

6 (5) "depreciable asset" means a kiln, chipping facility,  
7 creosote or pressure plant, planer, equipment for precision sawyering,  
8 and similar equipment approved by the commissioner that is designed to  
9 enhance the value of timber products for the state domestic and export  
10 markets and related facilities.

11 \* Sec. 39. AS 45.95 is amended by adding a new section to read:

12 Sec. 45.95.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
13 FORECLOSURE. The Department of Commerce and Economic Development  
14 shall dispose of property acquired through default or foreclosure of a  
15 loan made under this chapter. Disposal shall be made in a manner that  
16 serves the best interests of the state, and may include the amortiza-  
17 tion of payments over a period of years.

18 \* Sec. 40. AS 45.95 is amended by adding a new section to read:

19 Sec. 45.95.065. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
20 established as a special account within the small business revolving  
21 loan fund the foreclosure expense account. This account is estab-  
22 lished as a reserve from fund equity.

23 (b) The commissioner may expend money credited to the foreclo-  
24 sure expense account when necessary to protect the state's security  
25 interest in collateral on loans made under AS 45.95.020 or to defray  
26 expenses incurred during foreclosure proceedings after a default by an  
27 obligor.

28 \* Sec. 41. AS 45.98.010 is amended to read:

29 Sec. 45.98.010. CREATION OF HISTORICAL PROPERTY [DISTRICT]

1 REVOLVING LOAN FUND. There is created in the Department of Commerce  
2 and Economic Development a historical property [DISTRICT] revolving  
3 loan fund.

4 \* Sec. 42. AS 45.98 is amended by adding a new section to read:

5 Sec. 45.98.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
6 established as a special account within the historical property re-  
7 volving loan fund the foreclosure expense account. This account is  
8 established as a reserve from fund equity.

9 (b) The commissioner of commerce and economic development may  
10 expend money credited to the foreclosure expense account when neces-  
11 sary to protect the state's security interest in collateral on loans  
12 made under this chapter, or to defray expenses incurred during fore-  
13 closure proceedings after a default by an obligor.

14 \* Sec. 43. AS 45.98.020 is amended to read:

15 Sec. 45.98.020. HISTORICAL PROPERTY [DISTRICT] LOANS. Upon  
16 endorsement and plan approval by a local historical landmark or dis-  
17 trict commission established under AS 29.48.108 and the recommendation  
18 of a majority of the members of the Historic Sites Advisory Committee,  
19 the Department of Commerce and Economic Development may make loans to  
20 a person, firm, business or municipality subject to applicable laws  
21 for the restoration, improvement, rehabilitation, or maintenance of

22 (1) an historic [A] structure, building, site, or object  
23 that [WHICH] is [(1)] within the boundaries of a historical district  
24 established under AS 29.48.110 and [; (2)] identified as important in  
25 state or national history as provided for in AS 29.48.110(b); or [AND]

26 (2) a [(3) ANOTHER] building or structure within a  
27 historical district that is [, AND] suitable for superficial  
28 modification so that it can conform to the period or motif of the  
29 surrounding buildings or structures that are the reason for the area's

1 designation as a historical district.

2 \* Sec. 44. AS 45.98.020 is amended by adding a new subsection to read:

3 (b) The department may make a loan under this section for a  
4 project that is not within the boundaries of a historical district  
5 with the approval of a majority of the members of the Historic Sites  
6 Advisory Commission.

7 \* Sec. 45. AS 45.98.040 is amended to read:

8 Sec. 45.98.040. LIMITATIONS ON LOANS. Loans made under this  
9 chapter are subject to the following limitations:

10 (1) state participation in all loans in the aggregate, for  
11 any one historical district qualifying under this chapter may not  
12 exceed \$1,500,000;

13 (2) state participation in a loan for the restoration,  
14 improvement, rehabilitation or maintenance of any one building or  
15 structure qualifying under this chapter may not exceed \$250,000;

16 (3) the loans shall be secured by acceptable collateral and  
17 the total of all loans may not exceed 85 percent of the appraised  
18 value of the collateral offered as security;

19 (4) the rate of interest may not exceed seven and one-half  
20 percent a year on the unpaid balance of the state's share of the loan;

21 (5) a participating financial institution shall administer  
22 and service the loan for a reasonable fee not exceeding one-quarter of  
23 one percent;

24 (6) the state has a lien on the property accepted as col-  
25 lateral to the extent of its portion of the loan [; WHEN THE LIEN OR  
26 NOTICE OF THE LIEN IS PROPERLY RECORDED IT IS SUPERIOR TO ALL OTHER  
27 LIENS EXCEPT THOSE FOR TAXES AND SPECIAL ASSESSMENTS; A LIEN OF THE  
28 PARTICIPATING FINANCIAL INSTITUTION, TO THE EXTENT OF ITS PORTION OF  
29 THE LOAN AFTER IT IS PROPERLY RECORDED, IS SUPERIOR TO ALL OTHER LIENS

1           EXCEPT LIENS FOR TAXES, SPECIAL ASSESSMENTS, AND THE LIEN OF THE  
2           STATE].

3           \* S. S. 46. AS 45.98 is amended by adding a new section to read:

4                   Sec. 45.98.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
5           FORECLOSURE. The Department of Commerce and Economic Development  
6           shall dispose of property acquired through default or foreclosure of a  
7           loan made under this chapter. Disposal shall be made in a manner that  
8           serves the best interests of the state, and may include the amortiza-  
9           tion of payments over a period of years.

10           \* Sec. 47. AS 45.98.070 is amended to read:

11                   Sec. 45.98.070. SHORT TITLE. This chapter may be cited as the  
12           Historical Property [DISTRICT] Loan Act.

13           \* Sec. 48. AS 16.10.310(b), 16.10.320(f), 16.10.333(f), and AS 45.94.-  
14           040 are repealed.

15           \* Sec. 49. This Act takes effect July 1, 1985.

A M E N D M E N T

Offered in the HOUSE

By Pourchot

TO: HCS CSSB 78 (Loans)

Page 14, after line 8, add a new bill section to read:

"\* Sec. 30. AS 45.94.010 is amended to read:

Sec. 45.94.010. ESTABLISHMENT OF LOAN GUARANTEE FUND. The forest products business loan guarantee fund is established in the Department of Commerce and Economic Development [REVENUE] "

Renumber remaining bill sections.

Page 14, line 11, delete "money" and insert "cash [MONEY]"

Page 14, line 13:

Delete: "equipment and facilities that will increase employment in a"

Insert: "depreciable assets and roads that will maintain or increase employment in an existing"

Page 14, following line 16, add a new bill section to read:

"\* Sec. 32. AS 45.94.030 is amended to read:

Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The department [COMMISSIONER] may

(1) designate agents and delegate powers necessary to implement this chapter;

- (2) adopt regulations to implement this chapter;
- (3) make and execute contracts and other instruments to implement this chapter;
- (4) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect an interest in the fund.

(b) The department [COMMISSIONER] shall require that a loan guaranteed by the fund be secured by adequate collateral, and that the net cash flow from the forest products business provides adequate coverage for the debt service on the loan. The applicant shall provide an economic and financial feasibility analysis prepared by a firm acceptable to the department.

(c) The department may not make loan guarantees in excess of the unobligated cash in the fund."

Renumber remaining sections accordingly.

Page 15, line 5, delete "and"

Page 15, line 6, delete "(D) the business is organized for profit;"

Page 15, line 8, following "business":

Insert: "and is either for depreciable assets that will enhance the value of the product sold by the borrower or for roads to be constructed by the borrower in connection with a timber sale"

Page 15, line 18, delete "\$6,000,000" and insert "\$2,000,000"

Page 15, line 18, following "borrower":

Insert: "for depreciable assets that will enhance the value of the product sold by the borrower or more than \$1,000,000 per borrower for road construction. The department may not guarantee a loan that is used to refinance existing debt. At no time may the department have outstanding loan guarantees in excess of \$10,000,000"

Page 15, line 19:

Delete "annual" and insert "[ANNUAL]"

Page 15, following line 20, add a new bill section to read:

"\* Sec. 35. AS 45.94.050(c) is amended to read:

(c) The ratio of the guarantee to the outstanding principal of the loan shall remain the same over the term of the loan [AFTER A DEFAULT BY A BORROWER, THE MAXIMUM LIABILITY OF THE FUND FOR A LOAN GUARANTEE UNDER THIS CHAPTER IS EQUAL TO THE AMOUNT THEN IN DEFAULT MULTIPLIED BY A PERCENTAGE EQUAL TO THE GUARANTEED PERCENTAGE OF THE LOAN]. Payments received toward satisfaction of a default shall be allocated between the lender and the fund according to the guaranteed percentage of the loan until the principal balance has been repaid."

Renumber remaining sections accordingly.

Page 15, line 22:

Delete "user" and following "fee", insert "to the borrower"

Page 15, line 23:

Following "percent" delete "for a loan guarantee under this chapter"

Insert "of the principal balance of the loan guarantee at the inception of the loan"

Page 15, following line 23, add a new bill section to read:

"\* Sec. 37. AS 45.94 is amended by adding new sections to read:

Sec. 45.94.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR FORECLOSURE. The department shall dispose of property acquired through default or foreclosure of a loan guaranteed under this chapter. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years.

Sec. 45.94.058. SPECIAL ACCOUNT ESTABLISHED. (a) There is established as a special account within the forest products business loan guarantee fund the foreclosure expense account. This account is established as a reserve from fund equity.

(b) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans guaranteed under AS 45.94.050 or to defray expenses incurred during foreclosure proceedings after a default by an obligor."

Renumber remaining bill sections accordingly.

Page 15, line 26, delete "revenue" and insert "commerce and economic development [REVENUE]"

Page 15, line 27, delete "Revenue" and insert "Commerce and Economic Development [REVENUE]"

Page 16, line 4, following "fund" insert ";

(5) 'depreciable asset' means a kiln, chipping facility, creosote or pressure plant, planer, equipment for precision sawyering, and similar equipment approved by the commissioner that is designed to enhance the value of timber products for the state domestic and export markets and related facilities"

Page 19, line 7, delete "and"

Page 19, line 7, following "16.10.333(f)" insert "and AS 45.94.040"

## FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM

The proposal amends the existing Forest Products Business Loan Gurantee Program which was enacted to allow the employees of the Ketchikan Pulp Corporation to purchase an interest in the pulp mill owned by Louisiana Pacific Corporation. The employees have now decided not to purchase the mill; thus the program is of no further use.

In the meantime, the Governor's Timber Task Force was created with the mission of finding ways to improve the health of the timber industry in Southeast Alaska and to enhance the industry in the Railbelt Area. Only 5-10% of the 110 million board feet annual market for wood products in the Railbelt Area is provided by Alaska wood products. The Task Force estimates that up to 60% of that market could be captured by the Alaska industry if the quality of the products coming from Alaska's sawmills is improved. Pacific Rim purchasers have stated that they will buy more sawn products from Alaska if the quality of the products is improved. In each case the products must be: 1) precision sawn; 2) moisture stabilized; and 3) planed.

This proposal would allow the guarantee of loans made for the purchase of "depreciable assets" and roads. "Depreciable assets" are defined to limit the loans guaranteed under the program to loans for planers, kilns, chippers, precision sawing equipment, and similiar equipment to improve the quality of the sawn products. The loans cannot be made to refinance debt or to purchase assets that could otherwise be financed (such as fork lifts, trucks and other more conventional equipment). In addition, loggers are helped by allowing guarantees to build roads in connection with a timber sale. In short, the loan gurantees are designed to upgrade the products produced by Alaska's saw mills.

There has been a strong effort made to assure that the loans made are commerically reasonable and unlikely to result in default. Under the program, as amended by this bill, the Department of Commerce and Economic Development would be able to guarantee loans for up to 80%, but not more than \$2 million per borrower for depreciable assets and \$1 million per borrower for road construction. Thus the banks will have a stake in making certain that only good loans are made. The Commissioner gets a second review of the likelihood of repayment when he or she decides whether to provide a guarantee. A 1% fee for the loan guarantee is required.

The following is a section-by-section description of the bill:

SECTION-BY-SECTION

Section 30. This section amends AS 45.94.020 to state that the purpose of the loan guarantee program is to finance depreciable assets and roads. The amendment drops out the provisions in the existing law dealing with the purchase of stock which were specifically for the Ketchikan Pulp Company situation.

Section 31. AS 45.94.030 outlines the powers and duties of the Department of Commerce and Economic Development and the Commissioner. A new subsection (c) has been added to prohibit the Department from making loan guarantees in excess of the unobligated cash in the fund.

AS 45.94.040 is repealed because it is unnecessary in the opinion of the Department of Commerce and Economic Development.

Section 32. This section amends AS 45.94.050(a) to include the requirement in subparagraph (a)(2) that the loan be commercially reasonable. It also requires that a controlling interest in the business be held by Alaska residents. Subparagraph (a)(1) requires that the business maintain its offices and operating facilities exclusively in the State unless it engages in the export of forest products. It also requires that a majority of employees of the business be residents of the State. A new subsection (5) is added requiring that the guarantee be limited to loans for depreciable assets or roads in connection with a timber sale and that the guaranteed loans maintain or increase production and employment in the forest products business in the State. A new subsection (6) requires that the portion of the loan not guaranteed by the State be held by a financial institution which meets the approval of the Commissioner.

Section 33. AS 45.94.050(b) is amended by this section to increase the guarantee from 50% to 80% but to limit that guarantee to \$2 million per borrower for depreciable assets and \$1 million per borrower for roads. The current law sets a \$30 million limit. The Department would not be permitted to guarantee loans to refinance debt or to pay interest on the guaranteed portion of the loan. The Department would in no case be able to make loan guarantees in excess of \$10,000,000. A new subsection (c) was added to state that the Department may not make loan guarantees in excess of funds available.

Section 34. This section amends AS 45.94.050(c) to require that the ratio of the guarantee to the outstanding loan principal stay the same over the term of the loan. This means as the principal amount of the loan goes down so does the amount which the State has guaranteed. Any payment

split between the State and guaranteed portion of the loan

This section adds a new subsection which charges the borrower a fee not in excess of the principal balance of the loan. The purpose of the subsection is to result in a portion of the loan guaranteed by the State being held by a financial institution which meets the approval of the Commissioner.

This section adds the standard for "depreciable asset" is defined in the Department of AS 45.94.060 to include a kiln, chipping plant, or pressure planer, or precision sawmill. This is to make certain the loans are for the purpose of the program which is to upgrade the State's security in collateral on saw products. Finally, the program is transferred from the Department of Revenue to the Department of Commerce and Economic Development by changing the definitions in subsections (1) and (2) of AS 45.94.060(1) and (2).

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

## SECTION-BY-SECTION

Section 30. This section amends AS 45.94.020 to state that the purpose of the loan guarantee program is to finance depreciable assets and roads. The amendment drops out the provisions in the existing law dealing with the purchase of stock which were specifically for the Ketchikan Pulp Company situation.

Section 31. AS 45.94.030 outlines the powers and duties of the Department of Commerce and Economic Development and the Commissioner. A new subsection (c) has been added to prohibit the Department from making loan guarantees in excess of the unobligated cash in the fund.

AS 45.94.040 is repealed because it is unnecessary in the opinion of the Department of Commerce and Economic Development.

Section 32. This section amends AS 45.94.05(a) to include the requirement in subparagraph (a)(2) that the loan be commercially reasonable. It also requires that a controlling interest in the business be held by Alaska residents. Subparagraph (a)(1) requires that the business maintain its offices and operating facilities exclusively in the State unless it engages in the export of forest products. It also requires that a majority of employees of the business be residents of the State. A new subsection (5) is added requiring that the guarantee be limited to loans for depreciable assets or roads in connection with a timber sale and that the guaranteed loans maintain or increase production and employment in the forest products business in the State. A new subsection (6) requires that the portion of the loan not guaranteed by the State be held by a financial institution which meets the approval of the Commissioner.

Section 33. AS 45.94.050(b) is amended by this section to increase the guarantee from 50% to 80% but to limit that guarantee to \$2 million per borrower for depreciable assets and \$1 million per borrower for roads. The current law sets a \$30 million limit. The Department would not be permitted to guarantee loans to refinance debt or to pay interest on the guaranteed portion of the loan. The Department would in no case be able to make loan guarantees in excess of \$10,000,000. A new subsection (c) was added to state that the Department may not make loan guarantees in excess of funds available.

Section 34. This section amends AS 45.94.050(c) to require that the ratio of the guarantee to the outstanding loan principal stay the same over the term of the loan. This means as the principal amount of the loan goes down so does the amount which the State has guaranteed. Any payment

received after default will be split between the State and the bank in proportion to the guaranteed portion of the loan guaranteed by each.

Section 35. This section adds a new subsection (d) to AS 45.94.050 which charges the borrower a fee not to exceed 1% of the principal balance of the loan guarantee at the inception of the loan. The purpose of subsection (d) is to provide the State a portion of the anticipated lower interest rate resulting from the guarantee.

Section 36. This section adds the standard provisions allowing the Department to dispose of property it acquires as a result of default and establishes a special account to protect the State's security in collateral on guaranteed loans.

In additon, "depreciable asset" is defined in the definition section of AS 45.94.060 to include a kiln, chipping facility, creosote or pressure plant, planer, or precision sawing equipment. This is to make certain the loans are used to further the purpose of the program which is to upgrade the quality of sawn products.

Finally, the program is transferred from the Department of Revenue to the Department of Commerce and Economic Development by changing the definitions in subsections (1) and (2) of AS 45.94.060(1) and (2).

Rough Draft  
5-11-85

Levy

By Pourchot

A M E N D M E N T

Offered in the HOUSE

TO: HCS CSSB 78 (Loans)

Page 14, line 11, delete "money" and insert "Cash [MONEY]"

Page 14, line 13:

Delete: "equipment and facilities that will increase employment in a"

Insert: "depreciable assets and roads that will maintain or increase employment in an existing"

Page 15, line 6, delete "(D) the business is organized for profit;"

Page 15, line 8, following "business":

Insert: "and is either for depreciable assets that will enhance the value of the product sold by the borrower or for roads to be constructed by the borrower in connection with a timber sale"

Page 15, line 18, delete "\$6,000,000" and insert "\$2,000,000"

Page 15, line 18, following "borrower":

Insert: "for depreciable assets that will enhance the value of the product sold by the borrower or more than \$1,000,000 per borrower for road construction. The department may not guarantee a loan that is used to refinance existing debt, and may not provide a guarantee for <sup>At no time may the department have</sup> ~~loans for more than a total of \$12,500,000 of outstanding principal~~ <sub>outstanding loan guarantees in excess of \$10,000,000</sub>"

Page 15, line <sup>22</sup> ~~28~~, following "percent": "fee", insert "to the borrower"

~~Insert "of the principal balance of the loan guarantee at the inception of the loan"~~

Page 14, following line 16, add a new bill section to read:

\* Sec. 31. AS 45.94.030 is amended to read:

"Sec. 45.94.030. POWERS AND DUTIES OF THE DEPARTMENT.

(a) The department <COMMISSIONER> may

(1) designate agents and delegate powers necessary to implement this chapter;

(2) adopt regulations to implement this chapter;

(3) make and execute contracts and other instruments to implement this chapter;

(4) acquire real or personal property by purchase, transfer, or foreclosure when the acquisition is necessary to protect an interest in the fund.

(b) The department <COMMISSIONER> shall require that a loan guaranteed by the fund be secured by adequate collateral, and that the net cash flow from the forest products business provides adequate coverage for the debt service on the loan. The applicant shall provide an economic and financial feasibility analysis prepared by a firm acceptable to the department.

(c) The department may not make loan guarantees in excess of the unobligated cash in the fund."

Renumber remaining sections accordingly

Page 15, following line 20, add a new bill section to read:

"Sec. 34. AS 45.94.050(c) is amended to read:

(c) The rate of the guarantee to the outstanding principal of the loan shall remain the same over the term of the loan. <AFTER

A DEFAULT BY A BORROWER, THE MAXIMUM LIABILITY OF THE FUND FOR A  
LOAN GUARANTEE UNDER THIS CHAPTER IS EQUAL TO THE AMOUNT THEN IN  
DEFAULT MULTIPLIED BY A PERCENTAGE EQUAL TO THE GUARANTEED  
PERCENTAGE OF THE LOAN. > Payments received toward satisfaction  
of a default shall be allocated between the lender and the fund  
according to the guaranteed percentage of the loan until the  
principal balance has been repaid.

Renumber remaining sections  
accordingly

Page 15, following line 23, add a new bill section to read:

"\* Sec. 34. AS 45.94 is amended by adding new sections to read:

Sec. 45.94.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR FORECLOSURE. The Department of Commerce and Economic Development shall dispose of property acquired through default or foreclosure of a loan guaranteed under this chapter. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years.

Sec. 45.94.058. SPECIAL ACCOUNT ESTABLISHED. (a) There is established as a special account within the forest products business loan guarantee fund the foreclosure expense account. This account is established as a reserve from fund equity.

(b) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans guaranteed under AS 45.94.050 or to defray expenses incurred during foreclosure proceedings after a default by an obligor."

Renumber remaining bill sections accordingly.

Page 16, line 4, following "fund" insert ";

(5) 'depreciable asset' means a kiln, chipping facility, creosote or pressure plant, planer, equipment for precision sawyering, and similar equipment approved by the commissioner that is designed to enhance the value of timber products for the state domestic and export markets and related facilities"

Page 19, Line 7, following "16.10.333(f)" insert "and AS 45.94.050"

On pages 14-16 delete sections 30-34, <sup>POURCHOT</sup>  
Insert the following material + renumber accordingly

\*Sec. \_\_\_\_\_. AS 45.94 is repealed.

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

Sec. 45.93.010. ESTABLISHMENT OF FOREST PRODUCTS BUSINESS  
LOAN GUARANTEE FUND The forest products business loan  
guarantee fund is established in the Department of Commerce  
and Economic Development.

Sec. 45.93.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE  
PROGRAM. The department may use money in the fund to guarantee  
a loan to a forest products business for the purpose of  
financing the purchase of depreciable assets and roads that  
will maintain or increase employment in an existing forest  
products business, as provided in AS 45.93.050.

Sec. 45.93.030. POWERS AND DUTIES OF THE DEPARTMENT.

(a) The commissioner may

(1) designate agents and delegate powers necessary  
to implement this chapter;

(2) adopt regulations to implement this chapter;

(3) make and execute contracts and other instruments  
to implement this chapter;

(4) acquire real or personal property by purchase,  
transfer, or foreclosure when the acquisition is necessary  
to protect an interest in the fund.

(b) The commissioner shall require that a loan guaranteed  
by the fund be secured by adequate collateral, and that the  
net cash flow from the forest products business provides

adequate coverage for the debt service on the loan. The applicant shall provide an economic and financial feasibility analysis prepared by a firm acceptable to the department.

Sec. 45.93.040. INVESTMENT OF THE FUND. Money in the fund that is not being used for loan guarantees under this chapter shall be invested as provided for the investment of state treasury surplus under AS 37.10.070. Income from investment and interest on loans <sup>or monies</sup> in the fund shall be transferred to the general fund.

Sec. 45.93.050

(a) The department may guarantee a loan under this chapter if

(1) the term of the loan does not exceed 10 years;

(2) the loan is commercially reasonable and secured by the real or personal property, inventory or accounts receivable of the forest products business, or by other collateral acceptable to the department;

(3) the loan is originated with and serviced by a state or federally chartered financial institution;

(4) the loan is made to a forest products business and

(A) a majority interest of the business is held by Alaska residents;

(B) the business maintains offices and operating facilities exclusively in the state unless the business is engaged in the export of forest products; and

(C) a majority of the employees of the business are residents of the state.

(5) the loan will increase or maintain production and employment in the forest products business and is for either depreciable assets which will enhance the value of the product sold by the borrower<sup>or</sup> for a road or roads to be constructed by the borrower in connection with a timber sale.

(6) the portion of the loan not guaranteed by the state is held by the originating financial institution or another financial institution approved by the commissioner.

(b) The department may provide a guarantee from the fund for up to 80 percent of a loan for up to \$~~2~~<sup>3</sup>,000,000 per borrower for depreciable assets which will enhance the value of the products sold by the borrower and for up to \$~~1~~<sup>2</sup>,000,000 per borrower for road construction. The department shall not guarantee loans to refinance existing debt. At no time shall the department provide guarantees for loans aggregating more than \$~~3,250,000~~<sup>12,500,000</sup> of the principal amount. The department may not guarantee the payment of annual interest on the guaranteed portion of a loan.

(c) After a default by a borrower, the maximum liability of the fund for a loan guarantee under this chapter is equal to the amount then in default multiplied by a percentage equal to the guaranteed percentage of the loan. Payments received toward satisfaction of a default shall be allocated between the lender and the fund according to the guaranteed

percentage of the loan until the principal balance has been repaid.

(d) The department shall charge a user fee not to exceed one percent of the principal balance of the loan guarantee at the inception of the loan which is guaranteed under this chapter *and which shall be transferred to the general fund.*

Sec. 45.93.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR FORECLOSURE. The department shall dispose of property acquired through default or foreclosure of a loan made under this chapter. Disposal shall be made in a manner that serves the best interests of the state, and may include the - amortization of payments over a period of years.

Sec. 45.93.060. SPECIAL ACCOUNT ESTABLISHED.

(a) There is established as a special account within the forest products business guarantee loan fund the foreclosure expense account. This account is established as a reserve from fund equity.

(b) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under AS 45.93.020 or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

Sec. 45.93.070. DEFINITIONS. In this chapter

(1) "commissioner" means the commissioner of commerce and economic development;

(2) "department" means the Department of Commerce and

Economic Development;

(3) "forest products business" means a sole proprietorship, partnership, corporation or other business organization formed under the laws of the state for the purpose of harvesting or processing timber or other forest resources;

(4) "fund" means the forest products business loan guarantee fund;

(5) "depreciable asset" means a kiln, chipping facility, creosote or pressure plant, planer, equipment for precision sawyering, similiar equipment approved by the commissioner designed to enhance the value of timber prouducts for the Alaska, domestic and export markets, and related facilities.

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No. H CSSB 78 (LOANS) Agency Affected: Commerce & Economic Dev  
 Title: Miscellaneous amendments to state loan programs Program Category Affected: Development

Sponsor: Rules/Governor BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

Requestor: \_\_\_\_\_ Accounting & Collections

Date of Request: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		8.5	8.5	8.5	8.5	8.5
200 TRAVEL						
300 CONTRACTUAL		2.3	2.3	2.3	2.3	2.3
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>		<b>178.0</b>	<b>271.0</b>	<b>364.0</b>	<b>457.0</b>	<b>550.0</b>
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FUNDING: (Thousands of Dollars)

<b>GENERAL FUND</b>						
FEDERAL FUNDS						
OTHER		10.8	10.8	10.8	10.8	10.8
<b>TOTAL</b>		<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: Jan Faiks, Co-chairman Phone: 465-4523  
 Division: Senate Finance Committee Date: 4/26/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

*ACCOUNTING & COLLECTIONS*

7/1/84

TECHNICAL AMENDMENTS TO DCED LOAN PROGRAMS: FISCAL NOTE

In order for Division of Investments to administer this legislation as it relates to commercial fishing loan assumptions, the Division of Accounting & Collections must be staffed to provide minimally adequate service to Investments. While we originally estimated a need for two additional positions within the Division of Accounting & Collections, we have streamlined our operation within the past six months since the original fiscal note was drafted, and we believe we can service Division of Investments' requirements through overtime effort.

The overtime funding requested will provide for records management (filing) effort as well as accounting effort to process refinanced repossessions and assumptions through the loan accounting system.

	200 hours clerical support	\$3522.00
	200 hours accounting support	<u>4962.00</u>
Line 100		<u>\$8484.00</u>
Contractual Services		
	Long Distance/Postage	300.00
	Payment Coupon Printing	1000.00
	DP Chargeback	<u>1000.00</u>
Line 300		<u>\$2300.00</u>
	TOTAL	<u>\$10,784.00</u>

REVENUE ANALYSIS

- Assumes an estimated 250 applicants and 200 approvals of assumptions per year, with an average assumed balance of \$67,500:
  - Nonrefundable application fee  $\$50 \times 250 = \$12,500/\text{year}$
  - Assumption Fee (one-time) of  $\frac{1}{2}\%$  of the assumed balance  
 $\$67,500 \times .005 \times 200 = \$67,500/\text{year}$
- Assumes an estimated 25 prequalification applicants per year:
  - Nonrefundable application fee  $\$200 \times 25 = \$5000/\text{year}$
- Assumes 90% recovery of losses on commercial fishing loans due to the ability to finance and reamortize repossessed vessels and other collateral.

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Assumptions					
Application Fees	12.5	12.5	12.5	12.5	12.5
Assumption Fees	67.5	67.5	67.5	67.5	67.5
Prequalification Fees	5.0	5.0	5.0	5.0	5.0
Additional Loss Recovery	<u>93.0</u>	<u>186.0</u>	<u>279.0</u>	<u>372.0</u>	<u>465.0</u>
	<u>178.0</u>	<u>271.0</u>	<u>364.0</u>	<u>457.0</u>	<u>550.0</u>

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

**REQUEST**

*HCS CS SB 76 (LALS)*

**FISCAL DETAIL**

Bill/Resolution No.: CSSB 78 (Fin) Agency Affected: Commerce & Economic Dev  
 Title: Miscellaneous amendments to state loan programs Program Category Affected: Development  
 Sponsor: Rules/Governor BRU, Program or Subprogram(s) Affected: Investments  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES		156.7	156.7	156.7	156.7	156.7
200 TRAVEL		7.9	7.9	7.9	7.9	7.9
300 CONTRACTUAL		14.0	12.0	12.0	12.0	12.0
400 SUPPLIES		1.2	1.2	1.2	1.2	1.2
500 EQUIPMENT		18.0	-	-	-	-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>197.8</b>	<b>177.8</b>	<b>177.8</b>	<b>177.8</b>	<b>177.8</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
----------------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER		197.8	177.8	177.8	177.8	177.8
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		4.0	4.0	4.0	4.0	4.0
PART-TIME						
TEMPORARY						

**ANALYSIS:** Attach a separate page if necessary

Prepared By: Jan Faiks, Co-chairman Phone: 465-4523

Division: Senate Finance Committee Date: 4/26/85

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_

Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

*ONLY change from 55#6  
is Funding under "OTHER"*

7/1/84

*CC 37*

*INVEST*

FISCAL NOTE ANALYSIS

Personal Services:

Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. One time expenses would be incurred for equipment.

Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.

PERSONNEL COSTS

Two Loan Examiners II, Range 17A; one each in Anchorage and Juneau:

Salary	\$34,740	
Benefits	\$10,486	
TOTAL Personal Services		\$45,226
Travel		\$ 3,950
Contractual		\$ 3,000
Commodities		\$ 300
Equipment		\$ 4,750
Total per employee		\$57,226

Subtotal for two Loan Examiners II \$114,452

Two Loan Closers II, Range 12A; one each in Anchorage and Juneau:

Salary	\$24,864	
Benefits	\$ 8,281	
TOTAL Personal Services		\$33,145
Travel		\$ -0-
Contractual		\$ 3,000
Commodities		\$ 300
Equipment		\$ 4,250
Total per employee		\$40,695

Subtotal for two Loan Closers II \$ 81,390

Estimates for other line items assume that the new employees required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform  
(for Loan public on program.  
Examiners)

Contractual: Space Rental: \$3,000  
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of  
Administration  
One time \$2,000 modification and reprinting of the existing  
loan application packets.

Commodities: General supplies.

<u>Equipment:</u>	Calculator	\$ 365
(for Loan	Typewriter	\$ 1,369
Closers)	Workstation	\$ 2,516
		<u>\$ 4,250</u>

<u>Equipment:</u>	Calculator	\$ 365
(for Loan	Microfiche Reader	\$ 300
Examiners)	Workstations	\$ 4,085
		<u>\$ 4,750</u>

TOTAL FY '86 PERSONNEL AND ASSOCIATED COSTS

\$197,842

0867Wb111984d

1.	POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	BARG. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.					
	PERSONAL SERVICES		AIRMAIL							
	1	2	3							
5.	Salary	34,740								
6.	Benefits	5,624								
7.	Supplemental Benefits	2,130								
8.	Fixed Benefits	2,732								
9.	TOTAL PERSONAL SERVICES	01	45,226							
10.	Travel	02	3,950							
11.	Contractual	03	3,000		Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.					
12.	Commodities	04	300		Estimates for the 200-500 lines items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.					
13.	Equipment	05	4,750		Travel: To inspect collateral, interview applicants, and inform public on program.					
14.	Other				Contractual: Space Rental: \$3,000 \$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.					
15.	TOTAL COST		57,226		Commodities: General supplies.					
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		C.F. Match 1003								
18.		General Funds 1004		57,226						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
FOR BSM USE ONLY										
KEY NUMBER										

REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Economic Development  
BRU Investments  
COMPONENT Administration

Page 1 of 4  
Revised Date

FY 86

1.	POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	DEPT. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAB.						
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.								
3.	CONTINUATION LEVEL				JUSTIFICATION											
4.	TYPE OF EMPLOYMENT				<p>Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.</p> <p>Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.</p> <p>Estimates for the 200-500 lines items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.</p> <p><u>Travel:</u> To inspect collateral, interview applicants, and inform public on program.</p> <p><u>Contractual:</u> Space Rental: \$3,000 \$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.</p> <p><u>Commodities:</u> General supplies.</p> <p><u>Equipment:</u> Calculator \$ 365 Microfiche Reader \$ 300 Workstation \$4,085 \$4,750</p>											
5.	PERSONAL SERVICES															
6.	Salary		34,740													
7.	Benefits		5,624													
8.	Supplemental Benefits		2,332													
9.	Fixed Benefits		2,332													
10.	TOTAL PERSONAL SERVICES			45,226												
11.	Travel		02	3,950												
12.	Contractual		03	3,000												
13.	Commodities		04	300												
14.	Equipment		05	4,750												
15.	Other															
	TOTAL COST			57,226												
16.	RECEIPT CODE	FUNDING SOURCE														
17.		Federal Receipts 1002														
18.		C.F. Match 1003														
19.		General Funds 1004		57,226												
20.		I-A Receipts 1005														
21.		Program Receipts 1028														
		Other														
FOR BSM USE ONLY																
KEY NUMBER																

REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Economic Development  
BRD Investments  
COMPONENT Administration

Page 2 of 4  
Revised Date \_\_\_\_\_

FY 86

1.	POSITION TITLE LOAN CLOSER II				RANGE/STEP 12A	DARG. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.					
	PERSONAL SERVICES		AMOUNT		Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.					
5.	Salary	24,864			Estimates for the 200-500 lines items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.					
6.	Benefits	4,025			Contractual: Space Rental: \$3,000 \$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.					
7.	Supplemental Benefits	1,524			Commodities: General supplies.					
8.	Fixed Benefits	2,732			Equipment: Calculator \$ 365 Typewriter \$1,369 Workstation \$2,515 \$4,250					
9.	TOTAL PERSONAL SERVICES	01	33,145							
10.	Travel	02	-0-							
11.	Contractual	03	3,000							
12.	Commodities	04	300							
13.	Equipment	05	4,250							
14.	Other									
15.	TOTAL COST		40,695							
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		C.F. Match 1003								
19.		General Funds 1004		40,695						
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other								
FOR BSM USE ONLY KEY NUMBER _____										

REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Economic Development  
BRU Investments  
COMPONENT Administration

FY 86

Page 3 of 4  
Revised Date \_\_\_\_\_

1.	POSITION TITLE LOAN CLOSER II				RANGE/STEP 12A	ORG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.						
2.	TYPE OF POSITION	STAFF MONTHS	RP NUMBER	PCN NUMBER	DRU PRIORITY	LOCATION	ELECTION DISTRICT	LEG.								
	PFT	12				Anchorage										
3.	CONTINUATION LEVEL				JUSTIFICATION											
4.	TYPE OF EXPENDITURE				ALLOTMENT											
	PERSONAL SERVICES			2	Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.											
5.	Salary		24,864		<p>Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.</p> <p>Estimates for the 200-500 lines items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.</p> <p><b>Contractual:</b> Space Rental: \$3,000 \$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.</p> <p><b>Commodities:</b> General supplies.</p> <p><b>Equipment:</b> Calculator \$ 365 Typewriter \$1,369 Workstation \$2,515 \$4,250</p>											
6.	Benefits		4,025													
7.	Supplemental Benefits		1,524													
8.	Fixed Benefits		2,732													
9.	TOTAL PERSONAL SERVICES		01	33,145												
10.	Travel		02	-0-												
11.	Contractual		03	3,000												
12.	Commodities		04	300												
13.	Equipment		05	4,250												
14.	Other															
15.	TOTAL COST			40,695												
16.	RECEIPT CODE	FUNDING SOURCE														
		Federal Receipts	1002													
17.		G.F. Match	1003													
18.		General Funds	1004	40,695												
19.		I-A Receipts	1005													
20.		Program Receipts	1028													
21.		Other														
FOR BSM USE ONLY																
KEY NUMBER																

REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Economic Development  
DRU Investments  
COMPONENT Administration

Page 4 of 4  
Revised Date \_\_\_\_\_

FY 86

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 8, 1985

SUBJECT: Sectional analysis of HCS CSSB 78 (Loans)  
TO: Representative Albert P. Adams  
Chairman, House Finance Committee  
FROM: Keith B. Levy *KBL*  
Legislative Counsel

You have requested a sectional analysis of HCS CSSB 78 (Loans). The bill amends a number of state loan programs administered by the State.

Section 1 amends the commercial fishing loan program (AS 16.10.310(a)) to allow loans for the repair and upgrading of vessels and gear and the purchase of entry permits. To qualify for a loan an individual must either not have other occupational opportunities available or must be dependent on commercial fishing for a livelihood as a traditional way of life. This section also allows assumption of a loan if the applicant has been a resident for two years and the assumption would be consistent with the purposes of the loan program. An applicant for assumption may not be disqualified solely because the applicant does not meet the existing eligibility requirements. Finally, section 1 allows DCED to prequalify loan applicants for limited entry permit loans and charge a fee not to exceed \$200 for prequalification.

Section 2 requires DCED to consider a commercial fisherman's income from all sources in determining the fisherman's ability to repay a loan.

Sections 3 and 4 make technical amendments to AS 16.310.315 and AS 16.10.320(a) to conform to other amendments made in the bill.

Section 5 provides that limits on the amount of loans in existing law apply to the total outstanding balance on the loans rather than the total amount of the initial loans. This section also repeals existing provisions under which

Representative Albert P. Adams  
Chairman, House Finance Committee  
May 8, 1985  
Page 2

loans to an associate of the borrower count towards the borrower's loan limits.

Section 6 amends AS 16.10.320(e) to allow two or more commercial fishermen to obtain a loan jointly under the same terms as individual loans.

Sections 7 and 8 make technical amendments to AS 16.10.320(i) and AS 16.10.333(a) to conform to other amendments in the bill.

Section 9 requires a borrower who uses a limited entry permit as security for a loan to maintain an address on file with the department where notice of default may be received by the borrower. If the department mails a notice of default to the borrower, receipt of the notice is presumed, but may be rebutted by the borrower. The department may waive the statutory time limits related to default if the borrower shows good cause and notifies the commissioner before the expiration of the time limit.

Section 10 amends AS 16.10.339 to provide that the department, not the Commercial Fisheries Entry Commission, must adopt regulations to implement the statutory provisions.

Section 11 gives DCED the power to dispose of property acquired through foreclosure of a fishing loan in a manner that serves the best interests of the state. The disposal may include amortization of payments over a period of years, but may not be by lease.

Sections 12 - 17, 19, 20, 22 - 29, 35, 36, 38 and 42 create foreclosure expense accounts within certain loan funds. The accounts are created to protect the state's security interest in collateral on the loans and to pay the expenses of foreclosure on the loans. These sections also give DCED the power to dispose of property acquired through foreclosure of loans in a manner that serves the best interests of the state. These provisions apply to the fisheries enhancement revolving loan fund (secs. 12 and 13), the Alaska World War II veterans' revolving loan fund (secs. 14 and 15), the mining loan fund (secs. 16 and 17), the child care facility revolving loan fund (secs. 19 and 20), the bulk fuel revolving loan fund (secs. 22 and 23), the alternative energy revolving loan fund (secs. 24 and 25), the residential energy conservation fund (secs. 26 and 27), the tourism revolving loan fund (secs. 28 and 29), the small business re-

Representative Albert P. Adams  
Chairman, House Finance Committee  
May 8, 1985  
Page 3

volving loan fund (secs. 35 and 36), and the historical district revolving loan fund (secs. 38 and 42).

Section 18 makes a technical amendment to AS 41.35.180 to conform to amendments to the historical property loan program provided for in secs. 37 - 43 of the bill.

Section 21 gives CFAB the power to make a loan to a person regardless of residency, if the loan is necessary to protect the value of property held by the bank as security for a loan that is in default.

Section 30 amends the forest products business loan guarantee program to provide that the Department of Revenue may guarantee a loan to a forest products business to finance the purchase of equipment and facilities to increase employment in the business.

Section 31 provides that forest product loans guaranteed must be commercially reasonable, the forest products business must have a majority interest held by Alaska residents, the business must maintain offices exclusively in the state unless it is an export business, a majority of the employees of the business must be state residents, the business must be organized for profit, the loan must increase or maintain production and employment in the business, and the portion of the loan not guaranteed by the state must be held by a financial institution approved by the Commissioner of Revenue.

Section 32 increases the percent of the loan that may be guaranteed from 50 to 80 percent. It also changes the amount that may be guaranteed to a maximum of \$6,000,000 per borrower.

Section 33 provides that the department must charge a user fee not to exceed one percent of the loan for a loan guarantee.

Section 34 redefines the term "forest products business" to limit it to business formed under the laws of the state.

Section 37 changes the name of the historical district revolving loan fund to the historical property revolving loan fund.

Section 39 of the bill amends the historical district loan

Representative Albert P. Adams  
Chairman, House Finance Committee  
May 8, 1985  
Page 4

program to provide that to be eligible for a loan, a structure must be within a historical district and either identified as important in state or national history, or suitable for modification to conform to the period or motif of the surrounding buildings. Under existing law, a structure must meet all three of these requirements.

Section 40 provides that historical property loans may be made for projects that are not within the boundaries of a historical district if the loan is approved by a majority of the members of the Historic Sites Advisory Commission.

Section 41 repeals language making the state's lien on property used as collateral for a historical property loan superior to all other liens.

Section 43 changes the short title of AS 45.98 to be historical property loan act.

Section 44 repeals AS 16.10.310(b), 16.10.320(f) and 16.10.333(f), related to commercial fishing loans.

Section 45 provides for a July 1, 1985, effective date.

KBL:ojb  
J14/104



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

ob RF  
78

January 22, 1985

The Honorable Don Bennett  
President of the Senate  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that amends or supplements various state loan programs. The bill performs a number of different functions.

In sec. 1, the bill deletes AS 16.10.310(a)(1)(C), which provides that commercial fishing loans can be made to fisherman-owned corporations, partnerships, or joint ventures for vessels and gear. However, under both the current AS 16.10.320(e) and as that subsection is amended in sec. 3 of the bill, loans may be made to commercial fishermen who join together in a joint operation; these loans can be in the amount of the standard loan limits for an individual multiplied by the number of fishermen applying. Thus the individuals operating as corporations, partnerships and joint ventures will all be treated in the same manner as individual fishermen.

The bill also deletes AS 16.10.310(b) (sec. 1 of the bill) and amends AS 16.10.339 (sec. 6 of the bill), relating to the adoption of regulations for the commercial fishing loan program. Under this bill, the Department of Commerce and Economic Development will be given the authority to adopt regulations necessary to implement its own loan programs. Under existing statutes, the department is required to consult with the Department of Fish and Game for all commercial fishing loan regulations, and the Commercial Fisheries Entry Commission must adopt any regulations which affect loans secured by limited entry permits. These particular amendments recognize that these programs are loan programs, and the expertise required for implementation of the programs lies with the Department of Commerce and Economic Development, which must be given the authority to control its own functions.

In sec. 1, the bill also provides that the Department of Commerce and Economic Development may take a more flexible and creative approach to protecting the state's security interests and to financing and disposing of repossessed collateral. It will permit commercial fishing loans to be assumed if the applicant meets the two-year residency requirement and assumption of the loan is determined to be consistent with the purposes of the commercial fishing loan program. In addition, for all of the department's loan programs, the bill provides, in secs. 7 -- 16 and 19, that the department may offer alternative financing, including amortized payments, whenever it disposes of property acquired through default proceedings. Under existing law, the department is frequently required to offer repossessed collateral for sale only for cash, which results in the state taking a large loss. If alternative financing could be offered, a much higher sales price often could be obtained. The bill amends 11 state loan programs (commercial fishing, fisheries enhancement, veterans, mining, child care facilities, bulk fuel, alternative energy, residential energy conservation, tourism, small businesses, and historical districts) to permit this flexible disposal of repossessed collateral if the disposal method selected is in the best interests of the state.

The last amendment made by sec. 1 is to relocate to a new subsec. (c) in AS 16.10.310 language that is now in AS 16.10.333(f) (deleted by sec. 4 of the bill), dealing with consideration of an individual's ability to repay a loan. The current provision is applicable only to loans made for purchase of a limited entry permit. As relocated, that language will apply to all commercial fishing loans made under AS 16.10.300 -- 16.10.370.

Section 3 of this bill amends AS 16.10.320(a)(1) to clarify that the department may extend the term of a commercial fishing loan beyond 15 years if the extension is necessary due to poor fishing seasons or adverse market conditions for fishing products.

AS 16.10.320(d) is also clarified in sec. 3. Under existing language, it is unclear whether an individual borrower who has repaid a commercial fishing loan may be granted a new loan. This bill amends that subsection to clarify that new or additional loans may be made to a fisherman, as long as the total outstanding balance of all commercial fishing loans to that individual does not exceed the statutory limit.

Section 5 of the bill will permit the Department of Commerce and Economic Development to take a more flexible approach in dealing with persons who are technically in default on their commercial fishing loans in specific cases where the forfeiture of an individual's limited entry permit is neither desirable nor advantageous to the state. If a commercial fisherman is able to show that he or she never received notice of default under the loan, that person would be able to present evidence to the department that he or she failed to receive the notice and the department would then dismiss the default proceedings. Also, if an individual fisherman contacts the department to state that he or she is unable, for financial or other reasons, to make payment in accordance with the default statute, but does not wish to sacrifice his permit and truly wants to cooperate with the department, the department would be able to negotiate with the individual to attempt to work out some alternative satisfactory to both the fisherman and the state.

The amendment to AS 16.10.335(a) requires the notice of the default to be sent to the debtor by both certified and first class mail, rather than by just registered or certified mail. The new language in AS 16.10.335(b) requires each fisherman to keep a current address on file with the department.

New AS 16.10.335(c) provides that if the department follows the procedures of (a) of that section, the department and, after that, the courts will presume that the debtor received the default notice, and it will be the debtor's responsibility to prove otherwise. Absent evidence that the debtor did not receive the notice, the department would still be able to continue with its default proceedings. However, if such evidence is presented, the default proceedings could be terminated.

New AS 16.10.335(d) gives the department the right to waive the time limits provided in AS 16.10.335(a) (15 days to request a hearing, 60 days to bring the note current, and 120 days to pay the note in full), if a request for a waiver is made by the debtor to the department before the expiration of the relevant time limit. Thus, this bill will allow fishermen who have defaulted on their loans to avoid forfeiture of their permits if exceptional circumstances warrant their retention of the permit.

The bill also makes technical changes to the historical district loan program to clarify its scope. Section 18 of

the bill.

For each loan program administered by the Department of Commerce and Economic Development, the bill establishes a special account, entitled the foreclosure expense account (secs. 8 -- 17 of the bill). Money in this account may be used to pay expenses incurred in protecting the state's security interest in collateral for loans made under the particular loan program. The language for these sections is taken from AS 16.10.342, which already provides for a foreclosure expense account for the commercial fishing loan program.

In addition, the bill fills an apparent statutory omission regarding the bulk fuel revolving fund and the residential energy conservation loan fund programs, by granting statutory authority to the Department of Commerce and Economic Development to adopt regulations necessary for these programs (secs. 12 and 14 of the bill, respectively).

This bill makes a number of significant improvements to the state loan programs, particularly the state commercial fishing loan program. I urge your support of and prompt action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield  
Governor

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT DIVISION OF INVESTMENTS

BILL SHEFFIELD, GOVERNOR

POUCH D  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2510

April 23, 1985

The Honorable Jan Faiks  
Senate Finance Committee Co-chair  
Alaska State Senate  
Pouch V  
Juneau, Alaska 99811

Dear Senator Faiks:

Re: CSSB 78 (L&C)

I am writing to you to discuss the latest revisions to SB 78 found in the committee substitute passed out of the Senate Labor and Commerce Committee. This department has concerns regarding the following changes that were made in CSSB 78 (L&C):

1. prequalification of loan applications under the commercial fishing loan program;
2. recommendation by the Senate Labor and Commerce Committee to zero out the fiscal notes for the Division of Investments and the Division of Accounting and Collections; and
3. the clarifying language that was added concerning loan assumptions under the commercial fishing loan program.

Prequalification is similar to a letter of credit that would be issued by a bank. The applicant is seeking a commitment to receive (prequalify) a loan without knowing the seller or the cost of the limited entry permit. This presents several problems. In most cases, a pro forma cannot be developed because the exact cost and type of limited entry permit and location have not been established. As a result, it may be impossible to determine if the applicant can service the debt (make the loan payments). The amount of collateral necessary to adequately protect the State's investment is unknown. When a limited entry permit is being purchased, the permit is taken as collateral. However, by statute only a specific amount (90%) of the value of the permit can be used as collateral. Without a sales agreement, the value of collateral is unknown, thus, the amount that can be pre-qualified is unknown. Many times, especially under Section B, applicants

don't have other collateral to offer that can secure the prequalification commitment until a sales agreement can be executed. Specific time limits will have to be imposed, such as 60 or 90 days, for which the prequalification can be honored, otherwise dramatic changes may have occurred in the financial status of the applicant, making it impossible for the State to honor the prequalification commitment.

Prequalification will create a backlog in other loan application processing. Prequalifying loan applicants will require, at minimum, the same processing effort as other loan applications, in addition to resolving the problems discussed above. A prequalification request must be processed all the way to a loan committee so that a decision can be finalized regarding eligibility and credit worthiness. Without an increase in staff, prequalification may be counterproductive. The added workload will result in backloging other applications. If only 25 requests for prequalification are processed which don't culminate in a loan (thus, a net increase in workload), this will backlog loan processing for the division's other 11 programs, including commercial fishing, by approximately one week. Stated another way, these 25 requests are equivalent to three person-months of processing effort.

The division has been streamlining the application process so that an applicant will know in a timely manner if the loan has been approved. During the last fiscal year, and as the result of these efforts, the division's average loan processing time has decreased from 37 to 32 calendar days. To assist potential applicants, the division is finalizing regulations for its 11 loan programs that clarify loan eligibility requirements. New loan application pamphlets have been redesigned and distributed that standardize and simplify the application process. These pamphlets are readily available to the public in nine locations around the State as part of the rural outreach program. In addition, our loan examiners discuss eligibility requirements with applicants when applications are initially received. Thus, most applicants have a very good idea whether or not they qualify for the loan program even before their application is processed. In December 1983, the division opened an office in Dillingham to service the commercial fishing loan needs of western Alaska. The division is committed to addressing the needs of loan applicants within the constraints of its operating budget. These efforts have resulted in timely application processing and have made it easier for applicants to apply for a loan.

In summary, most applicants should know whether or not they are eligible for a commercial fishing loan at the time they apply for a loan and should receive a final decision on their loan application within a month. I have not supported prequalification, especially in view of the backlog it will create during a time when increased staffing to meet this additional workload is doubtful.

Our second concern, the recommendation by the Senate Labor and Commerce Committee to zero out the fiscal note, is vitally important to the division. Processing loan assumptions under the commercial fishing loan program is going to be very time consuming. We anticipate that 400 loan assumptions will be approved by the division annually. This is equivalent to four person-years of processing effort. To zero out the funding for this amount of effort will substantially affect the division's loan processing. After one year, with no increase in staff, processing 400 additional loans will create almost a five-month backlog of applications for all of the division's loan programs. Even if the number of loan assumptions is only half of what we anticipate, there will still be more than a two-month backlog of applications. This backlog, when added to the one month it takes to process a loan, means that applicants will wait three months before receiving their loans. After two years, the backlog will double and applicants will now wait five months before their loans go to a loan committee.

There are other factors that make zeroing out the fiscal note a serious concern. In FY '85, the Legislature cut two positions from the division's budget, reducing staff from 25 to 23 employees--an 8% reduction in staff. Since the division has four regional offices, the impact of these cuts was greater than if the division only had one office and the workload could be reallocated within that one office. We have already experienced great resistance by applicants when we tried to transfer application processing from one office to another office in order to smooth out the workload. Applicants want their applications processed in the office closest to them, and legislators have intervened to request that the application processing remain in the office most convenient to the applicant. The two positions that were cut by the Legislature last year came from the Juneau office. At that time, the Juneau office had 14 employees, so the cut meant more than a 14% reduction in staff.

As you are aware, the division will sustain additional cuts in FY '86. The House has already cut one position from our budget as well as reducing our budget more than \$30 thousand below the FY '85 authorized level. In view of inflationary costs, it is very likely that another employee will have to be laid off. This is especially true in view of the fact that the division is already facing a \$30 thousand funding shortfall for the current year.

I am very aware of the extreme revenue shortfall the State faces. But in view of the cuts and underfunding the division has already endured, I would ask that some consideration be given for funding, at least a portion of, the additional workload that will result under SB 78.

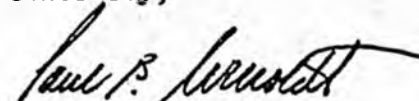
April 23, 1985

Finally, during testimony before the Senate Labor and Commerce Committee, clarifying language was added to AS 16.10.310(a)(7)(B). While I did not feel that a change in the wording was necessary, I did agree with the change. After the hearing, I discussed the change with staff. Unfortunately, what seemed clear in view of the surrounding testimony that was given during the hearing, was not clear to others that did not have the benefit of the testimony. For this reason, I would like to recommend that this section be redrafted for clarity. I would like to offer the following language for consideration under AS 16.10.310(a)(7)(B):

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300. An applicant for a loan assumption shall not be disqualified due to the eligibility requirements of AS 16.10.310(a)(1);

In conclusion, I would like to thank you for whatever assistance you can provide.

Sincerely,



Paul B. Arnoldt  
Director

PBA/lt0478C  
042385a

cc: Senator Dick Eliason  
Senator Paul Fischer  
Senator Rick Halford  
Senator Frank Ferguson  
Senator Jay Kerttula  
Terry Elder, Deputy Commissioner

J: Chapman  
0586-5932

### SB 78 and the Last Minute Timber Bailout Amendment

The House Committee on State Loans has recently recommended that the Forest Products Business Loan Guarantee Program be rejuvenated and refinanced with \$25 million from the State "Rainy-Day Account".

Although the intent of this program is to assist Alaska-owned logging and sawmill businesses, the Finance Committee should more closely examine the main proponents of this legislation. Are these operations truly Alaskan?

For example, of the three operating sawmills in S.E. Alaska, the Annette Spruce Mill in Metlakatla is owned by Louisiana/Pacific Ketchikan; the Wrangell Sawmill is leased since 1984 by Steve Seley of Wrangell Forest Products from the Alaska Pulp Company, Sitka, who built and operated the mill, while the Mitkof Mill in Petersburg is locally owned and operated.

Regarding logging operations, Wrangell Forest Products is now the 'largest' logging concern in S.E., due to their direct relationship to the Alaska Pulp Company. Mr. Seley has contracted with APC to operate all of their camps for 1985. He previously filled this role for LPK.

In conclusion, the main proponents have not been candid with the Committees of their business relationships. The bankers loans will likely find their way back to the very pulp mills that were to be precluded. More time should be allocated to look into these ownership patterns before assisting in a further subsidy of Federal timber operations.

## WFP waits for OK on plan for logging

Wrangell Sentinel - 13 Feb 85

Wrangell Forest Products Ltd. is awaiting approval from the U.S. Forest Service for its 1985 logging plan, company spokesman Joe Staley says.

Staley, speaking at a media briefing last week sponsored by the Alaska Loggers Association, said he hoped the Forest Service and WFP could work out terms of a 1985 plan and allow logging to start by the end of this week, "the Forest Service and God willing and the weather willing, not necessarily in that order," Staley said.

The delay in obtaining an approved plan will not slow work at the mill, however, Ron Gelbrich of WFP said. He said the mill's log reserves are sufficient to maintain production despite the delay.

Staley said WFP, which works as the subcontractor to Alaska Pulp Corp. for its long-term logging contract, has been negotiating over the logging plan since December 1984. "We have some differences," he

said. "They're not insurmountable. We are negotiating those differences."

WFP tentatively is planning on a harvest of 130 million board feet of timber this year, he said. Some will be harvested by WFP crews, and some by independent subcontractors, he said.

Operations are planned at six locations: Portage Bay, Rowan Bay on Kuiu Island, Indian River near Tenakee, Freshwater Bay, a site near Hoonah and at Salt Lake Bay outside of Hoonah.

Staley said WFP logging crews likely will handle operations at a combination of the Portage Bay and Rowan Bay sites.

The logging operations will require construction of 20 to 25 miles of road, at WFP's expense, Staley and Gelbrich said.

Gelbrich said a Japanese log ship was expected to arrive in Wrangell Feb. 14 for a shipment from the mill.



Offered: 4/26/85  
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 CS FOR SENATE BILL NO. 78 (Finance)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act making miscellaneous amendments to state loan  
7 programs; and providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 16.10.310(a) is amended to read:  
10 (a) The department may  
11 (1) make loans to  
12 (A) individual commercial fishermen who have been  
13 state residents for a continuous period of two years immediately  
14 preceding the date of application for a loan under AS 16.10.300 -  
15 16.10.370 and have had a crewmember or commercial fishing license  
16 under AS 16.05.480 or a permit under AS 16.43 for the year imme-  
17 diately preceding the date of application and any other two of  
18 the past five years, and who actively participated in the fishery  
19 during those periods, for the purchase of entry permits;  
20 (B) an individual for the repair, restoration, or up-  
21 grading of existing vessels and gear, for the purchase of entry  
22 permits and gear, and for the construction and purchase of ves-  
23 sels, if the individual [AN INDIVIDUAL WHO] has been a state  
24 resident for a continuous period of two years immediately pre-  
25 ceding the date of application for a loan under AS 16.10.300 -  
26 16.10.370, and either [WHO]  
27 (i) because of lack of training or lack of em-  
28 ployment opportunities in the area of residence does not  
29 have occupational opportunities available other than

1 commercial fishing; or

2 (ii) is economically dependent on commercial  
3 fishing for a livelihood and for whom commercial fishing has  
4 been a traditional way of life [FOR THE INDIVIDUAL] in  
5 Alaska [, FOR THE REPAIR, RESTORATION OR UPGRADING OF EXIST-  
6 ING VESSELS AND GEAR, FOR THE PURCHASE OF ENTRY PERMITS AND  
7 GEAR, AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS;

8 (C) CORPORATIONS, PARTNERSHIPS, OR JOINT VENTURES, 100  
9 PERCENT OF WHICH ARE OWNED BY INDIVIDUAL COMMERCIAL FISHERMEN WHO  
10 HAVE BEEN STATE RESIDENTS FOR A CONTINUOUS PERIOD OF TWO YEARS  
11 IMMEDIATELY PRECEDING THE DATE OF APPLICATION FOR A LOAN UNDER  
12 AS 16.10.310(a)(1)(B) AND HAVE HAD A CREWMEMBER OR COMMERCIAL  
13 FISHING LICENSE UNDER AS 16.05.480 OR A PERMIT UNDER AS 16.43 FOR  
14 THE YEAR IMMEDIATELY PRECEDING THE DATE OF APPLICATION AND ANY  
15 OTHER TWO OF THE PAST FIVE YEARS, AND WHO ACTIVELY PARTICIPATED  
16 IN THE FISHERY DURING THAT PERIOD, FOR THE REPAIR, RESTORATION OR  
17 UPGRADING OF EXISTING VESSELS AND GEAR, FOR THE PURCHASE OF GEAR,  
18 AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS];

19 (2) designate agents and delegate its powers to them as  
20 necessary;

21 (3) adopt regulations necessary to carry out its functions;

22 (4) establish amortization plans for repayment of loans,  
23 which may include extensions for poor fishing seasons or for adverse  
24 market conditions for Alaskan products;

25 (5) enter into agreements with private lending intuitions,  
26 other state agencies, or agencies of the federal government, to carry  
27 out the purposes of AS 16.10.300 - 16.10.370;

28 (6) enter into agreements with other agencies or organiza-  
29 tions to create an outreach program to make loans under AS 16.10.300 -

1 16.10.370 in rural areas of the state;  
2 (7) allow an assumption of a loan if  
3 (A) the applicant has been a state resident for a  
4 continuous period of two years immediately preceding the date of  
5 the request for an assumption; and  
6 (B) approval of the assumption would be consistent  
7 with the purposes of AS 16.10.300; an applicant for a loan  
8 assumption may not be disqualified because the applicant does not  
9 meet the loan eligibility requirements of (1) of this subsection;  
10 (8) prequalify loan applicants for a limited entry permit  
11 loan and charge a fee not to exceed \$200 for prequalification.

12 \* Sec. 2. AS 16.10.310 is amended by adding a new subsection to read:

13 (c) In determining whether an individual commercial fisherman is  
14 reasonably likely to be able to repay a loan made under AS 16.10.300 -  
15 16.10.370, the commissioner shall consider the individual commercial  
16 fisherman's income from commercial fishing and from all other sources.

17 \* Sec. 3. AS 16.10.315 is amended to read:

18 Sec. 16.10.315. ALLOCATION OF LOANS. The department shall  
19 allocate at least 10 percent of the money that is appropriated for a  
20 state fiscal year to make loans under AS 16.10.310 for loans of  
21 \$35,000 or less made under AS 16.10.310(a)(1)(B) [AND (C)]. An allo-  
22 cation made under this section terminates on April 15 of the state  
23 fiscal year for which the allocation is made.

24 \* Sec. 4. AS 16.10.320(a) is amended to read:

25 (a) Except as permitted in (h) of this section, a [A] loan  
26 under AS 16.10.300 - 16.10.370 [16.10.310 - 16.10.370]

27 (1) may not exceed a term of 15 years, except for exten-  
28 sions under AS 16.10.310(a)(4);

29 (2) may not bear interest exceeding 10-1/2 percent;

1           (3) must [SHALL] be secured by a first priority lien and  
2 appropriate security agreement; and

3           (4) may not exceed 90 percent of the appraised value of the  
4 collateral used to secure the loan[, EXCEPT THAT A LOAN GRANTED UNDER  
5 AS 16.10.333 FOR THE PURCHASE OF AN ALASKA LIMITED ENTRY PERMIT MAY  
6 NOT EXCEED AN AMOUNT DETERMINED IN ACCORDANCE WITH (f) OR (h) OF THIS  
7 SECTION].

8 \* Sec. 5. AS 16.10.320(d) is amended to read:

9           (d) The total of balances outstanding on loans [LOANS] made to a  
10 borrower under AS 16.10.310(a)(1)(A) may not exceed [A TOTAL OF]  
11 \$300,000. The total of balances outstanding on loans [LOANS] made to  
12 a borrower under AS 16.10.310(a)(1)(B) [OR (C)] may not exceed [A  
13 TOTAL OF] \$100,000. [A LOAN TO AN ASSOCIATE OF THE BORROWER IS CON-  
14 sidered to be a loan to the borrower. FOR THE PURPOSES OF THIS SEC-  
15 tion, "ASSOCIATE OF THE BORROWER" MEANS

16           (1) A CORPORATION OR OTHER ORGANIZATION OF WHICH THE BOR-  
17 ROWER IS AN OFFICER, DIRECTOR OR PARTNER, OR IS, DIRECTLY OR INDI-  
18 RECTLY, THE BENEFICIAL OWNER OF 10 PERCENT OR MORE ON ANY CLASS OF  
19 EQUITY SECURITIES;

20           (2) A PERSON WHO IS, DIRECTLY OR INDIRECTLY, THE BENEFICIAL  
21 OWNER OF 10 PERCENT OR MORE OF ANY CLASS OF EQUITY SECURITIES OF THE  
22 BORROWER;

23           (3) A TRUST OR OTHER ESTATE IN WHICH THE BORROWER HAS A  
24 SUBSTANTIAL BENEFICIAL INTEREST OR AS TO WHICH THE BORROWER SERVES AS  
25 TRUSTEE OR IN A SIMILAR FIDUCIARY CAPACITY.]

26 \* Sec. 6. AS 16.10.320(e) is amended to read:

27           (e) Two or more individual commercial fishermen who each satisfy  
28 the requirements specified in AS 16.10.310(a)(1)(B) may jointly,  
29 whether operating as a corporation, partnership, joint venture, or

1 otherwise, obtain a commercial fishing loan for the repair, restora-  
2 tion, or upgrading of an existing vessel and gear, for the purchase of  
3 gear, and for the construction [OF A FISHING VESSEL] or the purchase  
4 of a [AN EXISTING] fishing vessel. Loans granted under this subsec-  
5 tion

6 [(1)] may not exceed the amount specified in (d) of this  
7 section multiplied by the number of qualified commercial fishermen  
8 applying for the loan [;

9 (2) MAY NOT EXCEED A TERM OF 15 YEARS;

10 (3) SHALL BE SECURED BY A FIRST PRIORITY LIEN AND APPRO-  
11 PRIATE SECURITY AGREEMENT;

12 (4) MAY NOT BEAR INTEREST EXCEEDING 10-1/2 PERCENT;

13 AND

14 (5) MAY NOT EXCEED 90 PERCENT OF THE APPRAISED VALUE OF  
15 THE COLLATERAL USED TO SECURE THE LOAN].

16 \* Sec. 7. AS 16.10.320(i) is amended to read:

17 (i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A),  
18 a subsequent loan may not be made to the borrower [OR AN ASSOCIATE OF  
19 THE BORROWER] under AS 16.10.310(a)(1)(B) [OR (C)]. If a loan is made  
20 to a borrower under AS 16.10.310(a)(1)(B) [OR (C)], a subsequent loan  
21 may be made to the borrower [OR AN ASSOCIATE OF THE BORROWER] under  
22 AS 16.10.310(a)(1)(A) if the total of the balances outstanding on  
23 loans received by the borrower [OR THE ASSOCIATE] under AS 16.10.310  
24 does not exceed \$300,000.

25 \* Sec. 8. AS 16.10.333(a) is amended to read:

26 (a) Loans under AS 16.10.310(a) [AS 16.10.320(a)] may be made to  
27 an individual commercial fisherman for the purchase of a limited entry  
28 permit upon certification by the commission that the fisherman is a  
29 person who qualifies as a transferee for the permit under AS 16.43 and

1 the regulations adopted by the commission.

2 \* Sec. 9. AS 16.10.335 is amended to read:

3 Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor  
4 defaults upon a note for which a limited entry permit has been pledged  
5 as security under AS 16.10.333 or [UNDER AS] 16.10.338, the commis-  
6 sioner shall provide the debtor, by both [REGISTERED OR] certified and  
7 first class mail sent to the debtor's last known address on file with  
8 the commissioner, with a notice of default that [WHICH] includes

9 (1) a description of the security given for the note in-  
10 cluding the number assigned to the pledged permit by the commission;

11 (2) the date upon which the default occurred;

12 (3) the amount of arrearages as of the date of the notice,  
13 the total amount remaining on the note less unearned interest, and the  
14 amount of daily interest;

15 (4) a statement that the debtor may, within 15 days after  
16 [OF] the postmark date of the notice, request a hearing to submit  
17 evidence showing the debtor has not defaulted;

18 (5) a statement that the note may be reinstated if brought  
19 current within 60 days after [FROM] the postmark date of the notice;

20 (6) a statement that the note may be paid in full less  
21 unearned interest within 120 days after [FROM] the postmark date of  
22 the notice;

23 (7) the place where reinstatement or payment in full may be  
24 made; and

25 (8) a notice in at least 10-point bold type stating:  
26 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE  
27 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT  
28 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

29 (b) In each case of a limited entry permit being pledged as

1 security under AS 16.10.333 or 16.10.338, the debtor shall maintain on  
2 file with the department an address where notice of default is to be  
3 sent, if necessary, and where that notice will be timely received by  
4 the debtor.

5 (c) Upon presentation of evidence of mailing in accordance with  
6 (a) of this section, the receipt of the notice of default by the  
7 debtor will be presumed for all purposes. This presumption is rebut-  
8 table by presentation of evidence sufficient to demonstrate lack of  
9 receipt of notice through no fault of the debtor. Upon presentation  
10 of evidence sufficient to prove lack of receipt of notice through no  
11 fault of the debtor, the notice is a nullity.

12 (d) Upon good cause shown, the commissioner may waive any of the  
13 time limits in (a) of this section, if the department receives from  
14 the debtor or the debtor's representative a request for the waiver  
15 before the expiration of the time limit for which the waiver is  
16 sought.

17 (e) Except as otherwise provided in (c) and (d) of this section,  
18 upon [UPON] the debtor's failure to satisfy the note within the time  
19 specified in (a)(6) of this section, the debtor's interest in the  
20 permit is terminated by operation of law without further notice. Any  
21 entry permit cards issued to the debtor under the permit must [SHALL]  
22 be cancelled immediately upon receipt by the commission of a certifi-  
23 cate of termination containing a copy of the notice required by (a) of  
24 this section issued by the commissioner.

25 \* Sec. 10. AS 16.10.339 is amended to read:

26 Sec. 16.10.339. REGULATIONS. The [COMMISSION, WITH THE APPROVAL  
27 OF THE] department[, ] shall adopt regulations to implement AS 16.10.-  
28 333 - 16.10.337.

29 \* Sec. 11. AS 16.10 is amended by adding a new section to read:

1           Sec. 16.10.355. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR FORE-  
2 CLOSURE. The department shall dispose of property acquired through  
3 default or foreclosure of a loan made under AS 16.10.300 - 16.10.370  
4 or former AS 16.10.650 - 16.10.720. Disposal shall be made in a  
5 manner that serves the best interests of the state, and may include  
6 the amortization of payments over a period of years, but may not be by  
7 lease.

8 \* Sec. 12. AS 16.10 is amended by adding a new section to read:

9           Sec. 16.10.507. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
10 established as a special account within the fisheries enhancement  
11 revolving loan fund the foreclosure expense account. This account is  
12 established as a reserve from fund equity.

13           (b) The commissioner may expend money credited to the foreclo-  
14 sure expense account when necessary to protect the state's security  
15 interest in collateral on loans made under AS 16.10.520 or to defray  
16 expenses incurred during foreclosure proceedings after a default by an  
17 obligor.

18 \* Sec. 13. AS 16.10 is amended by adding a new section to read:

19           Sec. 16.10.555. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
20 FORECLOSURE. The Department of Commerce and Economic Development  
21 shall dispose of property acquired through default or foreclosure of a  
22 loan made under AS 16.10.500 - 16.10.620. Disposal shall be made in a  
23 manner that serves the best interests of the state, and may include  
24 the amortization of payments over a period of years.

25 \* Sec. 14. AS 26.15 is amended by adding a new section to read:

26           Sec. 26.15.085. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
27 FORECLOSURE. The Department of Commerce and Economic Development  
28 shall dispose of property acquired through default or foreclosure of a  
29 loan made under this chapter. Disposal shall be made in a manner that

1 serves the best interests of the state, and may include the amortiza-  
2 tion of payments over a period of years.

3 \* Sec. 15. AS 26.15 is amended by adding a new section to read:

4 Sec. 26.15.095. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
5 established as a special account within the Alaska World War II veter-  
6 ans' revolving fund the foreclosure expense account. This account is  
7 established as a reserve from fund equity.

8 (b) The commissioner of commerce and economic development may  
9 expend money credited to the foreclosure expense account when neces-  
10 sary to protect the state's security interest in collateral on loans  
11 made under AS 26.15.040 or to defray expenses incurred during fore-  
12 closure proceedings after a default by an obligor.

13 \* Sec. 16. AS 27.09 is amended by adding a new section to read:

14 Sec. 27.09.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
15 established as a special account within the mining loan fund the fore-  
16 closure expense account. This account is established as a reserve  
17 from fund equity.

18 (b) The commissioner of commerce and economic development may  
19 expend money credited to the foreclosure expense account when neces-  
20 sary to protect the state's security interest in collateral on loans  
21 made under AS 27.09.010 or to defray expenses incurred during fore-  
22 closure proceedings after a default by an obligor.

23 \* Sec. 17. AS 27.09 is amended by adding a new section to read:

24 Sec. 27.09.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
25 FORECLOSURE. The department shall dispose of property acquired  
26 through default or foreclosure of a loan made under this chapter.  
27 Disposal shall be made in a manner that serves the best interests of  
28 the state, and may include the amortization of payments over a period  
29 of years.

1 \* Sec. 18. AS 44.33 is amended by adding a new section to read:

2 Sec. 44.33.242. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
3 established as a special account within the child care facility re-  
4 volving loan fund the foreclosure expense account. This account is  
5 established as a reserve from fund equity.

6 (b) The commissioner of commerce and economic development may  
7 expend money credited to the foreclosure expense account when neces-  
8 sary to protect the state's security interest in collateral on loans  
9 made under AS 44.33.245 or to defray expenses incurred during fore-  
10 closure proceedings after a default by an obligor.

11 \* Sec. 19. AS 44.33 is amended by adding a new section to read:

12 Sec. 44.33.272. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
13 FORECLOSURE. The department shall dispose of property acquired  
14 through default or foreclosure of a loan made under AS 44.33.240 -  
15 44.33.275. Disposal shall be made in a manner that serves the best  
16 interests of the state, and may include the amortization of payments  
17 over a period of years.

18 \* Sec. 20. AS 44.81.210(a) is amended by adding a new paragraph to  
19 read:

20 (23) make a loan to a person, regardless of residency, if  
21 the board of directors of the bank determines that the loan is  
22 necessary to preserve the value of property held by the bank as  
23 security for a loan that was made under (a)(1) of this section and  
24 that is in default.

25 \* Sec. 21. AS 45.87 is amended by adding a new section to read:

26 Sec. 45.87.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
27 established as a special account within the bulk fuel revolving loan  
28 fund the foreclosure expense account. This account is established as  
29 a reserve from fund equity.

1 (b) The commissioner of commerce and economic development may  
2 expend money credited to the foreclosure expense account when neces-  
3 sary to protect the state's security interest in collateral on loans  
4 made under this chapter or to defray expenses incurred during fore-  
5 closure proceedings after a default by an obligor.

6 \* Sec. 22. AS 45.87 is amended by adding new sections to read:

7 Sec. 45.87.040. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
8 FORECLOSURE. The department shall dispose of property acquired  
9 through default or foreclosure of a loan made under this chapter.  
10 Disposal shall be made in a manner that serves the best interests of  
11 the state, and may include the amortization of payments over a period  
12 of years.

13 Sec. 45.87.060. REGULATIONS. The department shall adopt regu-  
14 lations to implement this chapter.

15 \* Sec. 23. AS 45.88 is amended by adding a new section to read:

16 Sec. 45.88.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
17 established, as a special account within the revolving loan fund  
18 established under AS 45.88.010, the foreclosure expense account. This  
19 account is established as a reserve from fund equity.

20 (b) The commissioner of commerce and economic development may  
21 expend money credited to the foreclosure expense account when neces-  
22 sary to protect the state's security interest in collateral on loans  
23 made under AS 45.88.020 or to defray expenses incurred during fore-  
24 closure proceedings after a default by an obligor.

25 \* Sec. 24. AS 45.88 is amended by adding a new section to read:

26 Sec. 45.88.050. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
27 FORECLOSURE. The Department of Commerce and Economic Development  
28 shall dispose of property acquired through default or foreclosure of a  
29 loan made under this chapter. Disposal shall be made in a manner that

1 serves the best interests of the state, and may include the amortiza-  
2 tion of payments over a period of years.

3 \* Sec. 25. AS 45.89 is amended by adding a new section to read:

4 Sec. 45.89.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
5 established as a special account within the residential energy conser-  
6 vation fund the foreclosure expense account. This account is estab-  
7 lished as a reserve from fund equity.

8 (b) The commissioner may expend money credited to the foreclo-  
9 sure expense account when necessary to protect the state's security  
10 interest in collateral on loans made under AS 45.89.030 or to defray  
11 expenses incurred during foreclosure proceedings after a default by an  
12 obligor.

13 \* Sec. 26. AS 45.89 is amended by adding new sections to read:

14 Sec. 45.89.050. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
15 FORECLOSURE. The department shall dispose of property acquired  
16 through default or foreclosure of a loan made under this chapter.  
17 Disposal shall be made in a manner that serves the best interests of  
18 the state, and may include the amortization of payments over a period  
19 of years.

20 Sec. 45.89.070. REGULATIONS. The department shall adopt regu-  
21 lations to implement this chapter.

22 \* Sec. 27. AS 45.90 is amended by adding a new section to read:

23 Sec. 45.90.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
24 established as a special account within the tourism revolving fund the  
25 foreclosure expense account. This account is established as a reserve  
26 from fund equity.

27 (b) The commissioner of commerce and economic development may  
28 expend money credited to the foreclosure expense account when neces-  
29 sary to protect the state's security interest in collateral on loans

1           made under AS 45.90.020 or to defray expenses incurred during fore-  
2           closure proceedings after a default by an obligor.

3           \* Sec. 28. AS 45.90 is amended by adding a new section to read:

4                   Sec. 45.90.050. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
5           FORECLOSURE. The Department of Commerce and Economic Development  
6           shall dispose of property acquired through default or foreclosure of a  
7           loan made under this chapter. Disposal shall be made in a manner that  
8           serves the best interests of the state, and may include the amortiza-  
9           tion of payments over a period of years.

10          \* Sec. 29. AS 45.95 is amended by adding a new section to read:

11                   Sec. 45.95.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
12           FORECLOSURE. The Department of Commerce and Economic Development  
13           shall dispose of property acquired through default or foreclosure of a  
14           loan made under this chapter. Disposal shall be made in a manner that  
15           serves the best interests of the state, and may include the amortiza-  
16           tion of payments over a period of years.

17          \* Sec. 30. AS 45.95 is amended by adding a new section to read:

18                   Sec. 45.95.065. SPECIAL ACCOUNT ESTABLISHED.     (a)   There is  
19           established as a special account within the small business revolving  
20           loan fund the foreclosure expense account. This account is estab-  
21           lished as a reserve from fund equity.

22                   (b) The commissioner may expend money credited to the foreclo-  
23           sure expense account when necessary to protect the state's security  
24           interest in collateral on loans made under AS 45.95.020 or to defray  
25           expenses incurred during foreclosure proceedings after a default by an  
26           obligor.

27          \* Sec. 31. AS 45.98 is amended by adding a new section to read:

28                   Sec. 45.98.015. SPECIAL ACCOUNT ESTABLISHED.     (a)   There is  
29           established as a special account within the historical district

1 revolving loan fund the foreclosure expense account. This account is  
2 established as a reserve from fund equity.

3 (b) The commissioner of commerce and economic development may  
4 expend money credited to the foreclosure expense account when neces-  
5 sary to protect the state's security interest in collateral on loans  
6 made under this chapter, or to defray expenses incurred during fore-  
7 closure proceedings after a default by an obligor.

8 \* Sec. 32. AS 45.98.020 is amended to read:

9 Sec. 45.98.020. HISTORICAL DISTRICT LOANS. Upon endorsement and  
10 plan approval by a local historical district commission established  
11 under AS 29.48.108 and the recommendation of a majority of the members  
12 of the Historic Sites Advisory Committee, the Department of Commerce  
13 and Economic Development may make loans to a person, firm, business or  
14 municipality subject to applicable laws for the restoration, improve-  
15 ment, rehabilitation, or maintenance of

16 (1) a structure which is [(1)] within the boundaries of a  
17 historical district established under AS 29.48.110 and [;]

18 [(2)] identified as important in state or national history as  
19 provided for in AS 29.48.110(b); or [AND]

20 (2) a [(3) ANOTHER] building or structure within a histor-  
21 ical district, that is [AND] suitable for superficial modification so  
22 that it can conform to the period or motif of the surrounding build-  
23 ings or structures that are the reason for the area's designation as a  
24 historical district.

25 \* Sec. 33. AS 45.98 is amended by adding a new section to read:

26 Sec. 45.98.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
27 FORECLOSURE. The Department of Commerce and Economic Development  
28 shall dispose of property acquired through default or foreclosure of a  
29 loan made under this chapter. Disposal shall be made in a manner that

1 serves the best interests of the state, and may include the amortiza-  
2 tion of payments over a period of years.

3 \* Sec. 34. AS 16.10.310(b), 16.10.320(f), and 16.10.333(f) are re-  
4 pealed.

5 \* Sec. 35. This Act takes effect July 1, 1985.

Offered: 3/12/85  
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE LABOR AND  
COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 78 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making miscellaneous amendments to state loan programs administered by the Department of Commerce and Economic Development; and providing for an effective date."

7

8

9

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

11 \* Section 1. AS 16.10.310(a) is amended to read:

12

(a) The department may

13

(1) make loans to

14

(A) individual commercial fishermen who have been

15

state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 -

16

17

16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods, for the purchase of entry permits;

18

19

20

21

22

(B) an individual for the repair, restoration, or up-

23

grading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of ves-

24

25

sels, if the individual [AN INDIVIDUAL WHO] has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either [WHO]

26

27

28

29

(i) because of lack of training or lack of

1 employment opportunities in the area of residence does not  
2 have occupational opportunities available other than commer-  
3 cial fishing; or

4 (ii) is economically dependent on commercial  
5 fishing for a livelihood and for whom commercial fishing has  
6 been a traditional way of life [FOR THE INDIVIDUAL] in  
7 Alaska [, FOR THE REPAIR, RESTORATION OR UPGRADING OF EXIST-  
8 ING VESSELS AND GEAR, FOR THE PURCHASE OF ENTRY PERMITS AND  
9 GEAR, AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS;

10 (C) CORPORATIONS, PARTNERSHIPS, OR JOINT VENTURES, 100  
11 PERCENT OF WHICH ARE OWNED BY INDIVIDUAL COMMERCIAL FISHERMEN WHO  
12 HAVE BEEN STATE RESIDENTS FOR A CONTINUOUS PERIOD OF TWO YEARS  
13 IMMEDIATELY PRECEDING THE DATE OF APPLICATION FOR A LOAN UNDER  
14 AS 16.10.310(a)(1)(B) AND HAVE HAD A CREWMEMBER OR COMMERCIAL  
15 FISHING LICENSE UNDER AS 16.05.480 OR A PERMIT UNDER AS 16.43 FOR  
16 THE YEAR IMMEDIATELY PRECEDING THE DATE OF APPLICATION AND ANY  
17 OTHER TWO OF THE PAST FIVE YEARS, AND WHO ACTIVELY PARTICIPATED  
18 IN THE FISHERY DURING THAT PERIOD, FOR THE REPAIR, RESTORATION OR  
19 UPGRADING OF EXISTING VESSELS AND GEAR, FOR THE PURCHASE OF GEAR,  
20 AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS];

21 (2) designate agents and delegate its powers to them as  
22 necessary;

23 (3) adopt regulations necessary to carry out its functions;

24 (4) establish amortization plans for repayment of loans,  
25 which may include extensions for poor fishing seasons or for adverse  
26 market conditions for Alaskan products;

27 (5) enter into agreements with private lending intuitions,  
28 other state agencies, or agencies of the federal government, to carry  
29 out the purposes of AS 16.10.300 - 16.10.370;

1 (6) enter into agreements with other agencies or organiza-  
2 tions to create an outreach program to make loans under AS 16.10.300 -  
3 16.10.370 in rural areas of the state;

4 (7) allow an assumption of a loan if

5 (A) the applicant has been a state resident for a  
6 continuous period of two years immediately preceding the date of  
7 the request for an assumption; and

8 (B) approval of the assumption would be consistent  
9 with the purposes of AS 16.10.300 - 16.10.370; it is not neces-  
10 sarily inconsistent with the purposes of AS 16.10.300 - 16.10.370  
11 to approve an assumption by an applicant who does not meet the  
12 loan eligibility requirements as they exist at the time of the  
13 application;

14 (8) prequalify loan applicants and charge a fee not to  
15 exceed \$100 for prequalification.

16 \* Sec. 2. AS 16.10.310 is amended by adding a new subsection to read:

17 (c) In determining whether an individual commercial fisherman is  
18 reasonably likely to be able to repay a loan made under AS 16.10.300 -  
19 16.10.370, the commissioner shall consider the individual commercial  
20 fisherman's income from commercial fishing and from all other sources.

21 \* Sec. 3. AS 16.10.315 is amended to read:

22 Sec. 16.10.315. ALLOCATION OF LOANS. The department shall  
23 allocate at least 10 percent of the money that is appropriated for a  
24 state fiscal year to make loans under AS 16.10.310 for loans of  
25 \$35,000 or less made under AS 16.10.310(a)(1)(B) [AND (C)]. An allo-  
26 cation made under this section terminates on April 15 of the state  
27 fiscal year for which the allocation is made.

28 \* Sec. 4. AS 16.10.320(a) is amended to read:

29 (a) Except as permitted in (h) of this section, a [A] loan

1 under AS 16.10.300 - 16.10.370 [16.10.310 - 16.10.370]

2 (1) may not exceed a term of 15 years, except for exten-  
3 sions under AS 16.10.310(a)(4);

4 (2) may not bear interest exceeding 10-1/2 percent;

5 (3) must [SHALL] be secured by a first priority lien and  
6 appropriate security agreement; and

7 (4) may not exceed 90 percent of the appraised value of the  
8 collateral used to secure the loan[, EXCEPT THAT A LOAN GRANTED UNDER  
9 AS 16.10.333 FOR THE PURCHASE OF AN ALASKA LIMITED ENTRY PERMIT MAY  
10 NOT EXCEED AN AMOUNT DETERMINED IN ACCORDANCE WITH (f) OR (h) OF THIS  
11 SECTION].

12 \* Sec. 5. AS 16.10.320(d) is amended to read:

13 (d) The total of balances outstanding on loans [LOANS] made to a  
14 borrower under AS 16.10.310(a)(1)(A) may not exceed [A TOTAL OF]  
15 \$300,000. The total of balances outstanding on loans [LOANS] made to  
16 a borrower under AS 16.10.310(a)(1)(B) [OR (C)] may not exceed [A  
17 TOTAL OF] \$100,000. [A LOAN TO AN ASSOCIATE OF THE BORROWER IS CON-  
18 sidered to be a loan to the borrower. FOR THE PURPOSES OF THIS SEC-  
19 tion, "ASSOCIATE OF THE BORROWER" MEANS

20 (1) A CORPORATION OR OTHER ORGANIZATION OF WHICH THE BOR-  
21 ROWER IS AN OFFICER, DIRECTOR OR PARTNER, OR IS, DIRECTLY OR INDI-  
22 RECTLY, THE BENEFICIAL OWNER OF 10 PERCENT OR MORE ON ANY CLASS OF  
23 EQUITY SECURITIES;

24 (2) A PERSON WHO IS, DIRECTLY OR INDIRECTLY, THE BENEFICIAL  
25 OWNER OF 10 PERCENT OR MORE OF ANY CLASS OF EQUITY SECURITIES OF THE  
26 BORROWER;

27 (3) A TRUST OR OTHER ESTATE IN WHICH THE BORROWER HAS A  
28 SUBSTANTIAL BENEFICIAL INTEREST OR AS TO WHICH THE BORROWER SERVES AS  
29 TRUSTEE OR IN A SIMILAR FIDUCIARY CAPACITY.]

1 \* Sec. 6. AS 16.10.320(e) is amended to read:

2 (e) Two or more individual commercial fishermen who each satisfy  
3 the requirements specified in AS 16.10.310(a)(1)(B) may jointly,  
4 whether operating as a corporation, partnership, joint venture, or  
5 otherwise, obtain a commercial fishing loan for the repair, restora-  
6 tion, or upgrading of an existing vessel and gear, for the purchase of  
7 gear, and for the construction [OF A FISHING VESSEL] or the purchase  
8 of a [AN EXISTING] fishing vessel. Loans granted under this subsec-  
9 tion

10 [(1)] may not exceed the amount specified in (d) of this  
11 section multiplied by the number of qualified commercial fishermen  
12 applying for the loan [;

13 (2) MAY NOT EXCEED A TERM OF 15 YEARS;

14 (3) SHALL BE SECURED BY A FIRST PRIORITY LIEN AND APPRO-  
15 PRIATE SECURITY AGREEMENT;

16 (4) MAY NOT BEAR INTEREST EXCEEDING 10-1/2 PERCENT;

17 AND

18 (5) MAY NOT EXCEED 90 PERCENT OF THE APPRAISED VALUE OF  
19 THE COLLATERAL USED TO SECURE THE LOAN].

20 \* Sec. 7. AS 16.10.320(i) is amended to read:

21 (i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A),  
22 a subsequent loan may not be made to the borrower [OR AN ASSOCIATE OF  
23 THE BORROWER] under AS 16.10.310(a)(1)(B) [OR (C)]. If a loan is made  
24 to a borrower under AS 16.10.310(a)(1)(B) [OR (C)], a subsequent loan  
25 may be made to the borrower [OR AN ASSOCIATE OF THE BORROWER] under  
26 AS 16.10.310(a)(1)(A) if the total of the balances outstanding on  
27 loans received by the borrower [OR THE ASSOCIATE] under AS 16.10.310  
28 does not exceed \$300,000.

29 \* Sec. 8. AS 16.10.333(a) is amended to read:

1           (a) Loans under AS 16.10.310(a) [AS 16.10.320(a)] may be made to  
2           an individual commercial fisherman for the purchase of a limited entry  
3           permit upon certification by the commission that the fisherman is a  
4           person who qualifies as a transferee for the permit under AS 16.43 and  
5           the regulations adopted by the commission.

6           \* Sec. 9. AS 16.10.335 is amended to read:

7           Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor  
8           defaults upon a note for which a limited entry permit has been pledged  
9           as security under AS 16.10.333 or [UNDER AS] 16.10.338, the commis-  
10          sioner shall provide the debtor, by both [REGISTERED OR] certified and  
11          first class mail sent to the debtor's last known address on file with  
12          the commissioner, with a notice of default that [WHICH] includes

13                 (1) a description of the security given for the note in-  
14                 cluding the number assigned to the pledged permit by the commission;

15                 (2) the date upon which the default occurred;

16                 (3) the amount of arrearages as of the date of the notice,  
17                 the total amount remaining on the note less unearned interest, and the  
18                 amount of daily interest;

19                 (4) a statement that the debtor may, within 15 days after  
20                 [OF] the postmark date of the notice, request a hearing to submit  
21                 evidence showing the debtor has not defaulted;

22                 (5) a statement that the note may be reinstated if brought  
23                 current within 60 days after [FROM] the postmark date of the notice;

24                 (6) a statement that the note may be paid in full less  
25                 unearned interest within 120 days after [FROM] the postmark date of  
26                 the notice;

27                 (7) the place where reinstatement or payment in full may be  
28                 made; and

29                 (8) a notice in at least 10-point bold type stating:

1 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE  
2 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT  
3 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

4 (b) In each case of a limited entry permit being pledged as  
5 security under AS 16.10.333 or 16.10.338, the debtor shall maintain on  
6 file with the department an address where notice of default is to be  
7 sent, if necessary, and where that notice will be timely received by  
8 the debtor.

9 (c) Upon presentation of evidence of mailing in accordance with  
10 (a) of this section, the receipt of the notice of default by the  
11 debtor will be presumed for all purposes. This presumption is rebut-  
12 table by presentation of evidence sufficient to demonstrate lack of  
13 receipt of notice through no fault of the debtor. Upon presentation  
14 of evidence sufficient to prove lack of receipt of notice through no  
15 fault of the debtor, the notice is a nullity.

16 (d) Upon good cause shown, the commissioner may waive any of the  
17 time limits in (a) of this section, if the department receives from  
18 the debtor or the debtor's representative a request for the waiver  
19 before the expiration of the time limit for which the waiver is  
20 sought.

21 (e) Except as otherwise provided in (c) and (d) of this section,  
22 upon [UPON] the debtor's failure to satisfy the note within the time  
23 specified in (a)(6) of this section, the debtor's interest in the  
24 permit is terminated by operation of law without further notice. Any  
25 entry permit cards issued to the debtor under the permit must [SHALL]  
26 be cancelled immediately upon receipt by the commission of a certifi-  
27 cate of termination containing a copy of the notice required by (a) of  
28 this section issued by the commissioner.

29 \* Sec. 10. AS 16.10.339 is amended to read:

1           Sec. 16.10.339. REGULATIONS. The [COMMISSION, WITH THE APPROVAL  
2 OF THE] department[,] shall adopt regulations to implement AS 16.10.-  
3 333 - 16.10.337.

4 \* Sec. 11. AS 16.10 is amended by adding a new section to read:

5           Sec. 16.10.355. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR FORE-  
6 CLOSURE. The department shall dispose of property acquired through  
7 default or foreclosure of a loan made under AS 16.10.300 - 16.10.370  
8 or former AS 16.10.650 - 16.10.720. Disposal shall be made in a  
9 manner that serves the best interests of the state, and may include  
10 the amortization of payments over a period of years, but may not be by  
11 lease.

12 \* Sec. 12. AS 16.10 is amended by adding a new section to read:

13           Sec. 16.10.507. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
14 established as a special account within the fisheries enhancement  
15 revolving loan fund the foreclosure expense account. This account is  
16 established as a reserve from fund equity.

17           (b) The commissioner may expend money credited to the foreclo-  
18 sure expense account when necessary to protect the state's security  
19 interest in collateral on loans made under AS 16.10.520 or to defray  
20 expenses incurred during foreclosure proceedings after a default by an  
21 obligor.

22 \* Sec. 13. AS 16.10 is amended by adding a new section to read:

23           Sec. 16.10.555. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
24 FORECLOSURE. The Department of Commerce and Economic Development  
25 shall dispose of property acquired through default or foreclosure of a  
26 loan made under AS 16.10.500 - 16.10.620. Disposal shall be made in a  
27 manner that serves the best interests of the state, and may include  
28 the amortization of payments over a period of years.

29 \* Sec. 14. AS 26.15 is amended by adding a new section to read:

1           Sec. 26.15.085. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
2 FORECLOSURE. The Department of Commerce and Economic Development  
3 shall dispose of property acquired through default or foreclosure of a  
4 loan made under this chapter. Disposal shall be made in a manner that  
5 serves the best interests of the state, and may include the amortiza-  
6 tion of payments over a period of years.

7 \* Sec. 15. AS 26.15 is amended by adding a new section to read:

8           Sec. 26.15.095. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
9 established as a special account within the Alaska World War II veter-  
10 ans' revolving fund the foreclosure expense account. This account is  
11 established as a reserve from fund equity.

12           (b) The commissioner of commerce and economic development may  
13 expend money credited to the foreclosure expense account when neces-  
14 sary to protect the state's security interest in collateral on loans  
15 made under AS 26.15.040 or to defray expenses incurred during fore-  
16 closure proceedings after a default by an obligor.

17 \* Sec. 16. AS 27.09 is amended by adding a new section to read:

18           Sec. 27.09.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
19 established as a special account within the mining loan fund the fore-  
20 closure expense account. This account is established as a reserve  
21 from fund equity.

22           (b) The commissioner of commerce and economic development may  
23 expend money credited to the foreclosure expense account when neces-  
24 sary to protect the state's security interest in collateral on loans  
25 made under AS 27.09.010 or to defray expenses incurred during fore-  
26 closure proceedings after a default by an obligor.

27 \* Sec. 17. AS 27.09 is amended by adding a new section to read:

28           Sec. 27.09.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
29 FORECLOSURE. The department shall dispose of property acquired

1 through default or foreclosure of a loan made under this chapter.  
2 Disposal shall be made in a manner that serves the best interests of  
3 the state, and may include the amortization of payments over a period  
4 of years.

5 \* Sec. 18. AS 44.33 is amended by adding a new section to read:

6 Sec. 44.33.242. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
7 established as a special account within the child care facility re-  
8 volving loan fund the foreclosure expense account. This account is  
9 established as a reserve from fund equity.

10 (b) The commissioner of commerce and economic development may  
11 expend money credited to the foreclosure expense account when neces-  
12 sary to protect the state's security interest in collateral on loans  
13 made under AS 44.33.245 or to defray expenses incurred during fore-  
14 closure proceedings after a default by an obligor.

15 \* Sec. 19. AS 44.33 is amended by adding a new section to read:

16 Sec. 44.33.272. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
17 FORECLOSURE. The department shall dispose of property acquired  
18 through default or foreclosure of a loan made under AS 44.33.240 -  
19 44.33.275. Disposal shall be made in a manner that serves the best  
20 interests of the state, and may include the amortization of payments  
21 over a period of years.

22 \* Sec. 20. AS 45.87 is amended by adding a new section to read:

23 Sec. 45.87.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
24 established as a special account within the bulk fuel revolving loan  
25 fund the foreclosure expense account. This account is established as  
26 a reserve from fund equity.

27 (b) The commissioner of commerce and economic development may  
28 expend money credited to the foreclosure expense account when neces-  
29 sary to protect the state's security interest in collateral on loans

1 made under this chapter or to defray expenses incurred during fore-  
2 closure proceedings after a default by an obligor.

3 \* Sec. 21. AS 45.87 is amended by adding new sections to read:

4 Sec. 45.87.040. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
5 FORECLOSURE. The department shall dispose of property acquired  
6 through default or foreclosure of a loan made under this chapter.  
7 Disposal shall be made in a manner that serves the best interests of  
8 the state, and may include the amortization of payments over a period  
9 of years.

10 Sec. 45.87.060. REGULATIONS. The department shall adopt regu-  
11 lations to implement this chapter.

12 \* Sec. 22. AS 45.88 is amended by adding a new section to read:

13 Sec. 45.88.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
14 established, as a special account within the revolving loan fund  
15 established under AS 45.88.010, the foreclosure expense account. This  
16 account is established as a reserve from fund equity.

17 (b) The commissioner of commerce and economic development may  
18 expend money credited to the foreclosure expense account when neces-  
19 sary to protect the state's security interest in collateral on loans  
20 made under AS 45.88.020 or to defray expenses incurred during fore-  
21 closure proceedings after a default by an obligor.

22 \* Sec. 23. AS 45.88 is amended by adding a new section to read:

23 Sec. 45.88.050. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
24 FORECLOSURE. The Department of Commerce and Economic Development  
25 shall dispose of property acquired through default or foreclosure of a  
26 loan made under this chapter. Disposal shall be made in a manner that  
27 serves the best interests of the state, and may include the amortiza-  
28 tion of payments over a period of years.

29 \* Sec. 24. AS 45.89 is amended by adding a new section to read:

1           Sec. 45.89.015. SPECIAL ACCOUNT ESTABLISHED.   (a)   There is  
2 established as a special account within the residential energy conser-  
3 vation fund the foreclosure expense account. This account is estab-  
4 lished as a reserve from fund equity.

5           (b) The commissioner may expend money credited to the foreclo-  
6 sure expense account when necessary to protect the state's security  
7 interest in collateral on loans made under AS 45.89.030 or to defray  
8 expenses incurred during foreclosure proceedings after a default by an  
9 obligor.

10 \* Sec. 25. AS 45.89 is amended by adding new sections to read:

11           Sec. 45.89.050 DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
12 FORECLOSURE. The department shall dispose of property acquired  
13 through default or foreclosure of a loan made under this chapter.  
14 Disposal shall be made in a manner that serves the best interests of  
15 the state, and may include the amortization of payments over a period  
16 of years.

17           Sec. 45.89.070. REGULATIONS. The department shall adopt regu-  
18 lations to implement this chapter.

19 \* Sec. 26. AS 45.90 is amended by adding a new section to read:

20           Sec. 45.90.015. SPECIAL ACCOUNT ESTABLISHED.   (a)   There is  
21 established as a special account within the tourism revolving fund the  
22 foreclosure expense account. This account is established as a reserve  
23 from fund equity.

24           (b) The commissioner of commerce and economic development may  
25 expend money credited to the foreclosure expense account when neces-  
26 sary to protect the state's security interest in collateral on loans  
27 made under AS 45.90.020 or to defray expenses incurred during fore-  
28 closure proceedings after a default by an obligor.

29 \* Sec. 27. AS 45.90 is amended by adding a new section to read:

1           Sec. 45.90.050. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
2 FORECLOSURE. The Department of Commerce and Economic Development  
3 shall dispose of property acquired through default or foreclosure of a  
4 loan made under this chapter. Disposal shall be made in a manner that  
5 serves the best interests of the state, and may include the amortiza-  
6 tion of payments over a period of years.

7 \* Sec. 28. AS 45.95 is amended by adding a new section to read:

8           Sec. 45.95.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
9 FORECLOSURE. The Department of Commerce and Economic Development  
10 shall dispose of property acquired through default or foreclosure of a  
11 loan made under this chapter. Disposal shall be made in a manner that  
12 serves the best interests of the state, and may include the amortiza-  
13 tion of payments over a period of years.

14 \* Sec. 29. AS 45.95 is amended by adding a new section to read:

15           Sec. 45.95.065. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
16 established as a special account within the small business revolving  
17 loan fund the foreclosure expense account. This account is estab-  
18 lished as a reserve from fund equity.

19           (b) The commissioner may expend money credited to the foreclo-  
20 sure expense account when necessary to protect the state's security  
21 interest in collateral on loans made under AS 45.95.020 or to defray  
22 expenses incurred during foreclosure proceedings after a default by an  
23 obligor.

24 \* Sec. 30. AS 45.98 is amended by adding a new section to read:

25           Sec. 45.98.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is  
26 established as a special account within the historical district re-  
27 volving loan fund the foreclosure expense account. This account is  
28 established as a reserve from fund equity.

29           (b) The commissioner of commerce and economic development may

1        expend money credited to the foreclosure expense account when neces-  
2        sary to protect the state's security interest in collateral on loans  
3        made under this chapter, or to defray expenses incurred during fore-  
4        closure proceedings after a default by an obligor.

5        \* Sec. 31. AS 45.98.020 is amended to read:

6                Sec. 45.98.020. HISTORICAL DISTRICT LOANS. Upon endorsement and  
7        plan approval by a local historical district commission established  
8        under AS 29.48.108 and the recommendation of a majority of the members  
9        of the Historic Sites Advisory Committee, the Department of Commerce  
10       and Economic Development may make loans to a person, firm, business or  
11       municipality subject to applicable laws for the restoration, improve-  
12       ment, rehabilitation, or maintenance of

13                (1) a structure which is [(1)] within the boundaries of a  
14       historical district established under AS 29.48.110 and [;]

15                [(2)] identified as important in state or national history as  
16       provided for in AS 29.48.110(b); or [AND]

17                (2) a [(3) ANOTHER] building or structure within a histor-  
18       ical district, that is [AND] suitable for superficial modification so  
19       that it can conform to the period or motif of the surrounding build-  
20       ings or structures that are the reason for the area's designation as a  
21       historical district.

22        \* Sec. 32. AS 45.98 is amended by adding a new section to read:

23                Sec. 45.98.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
24       FORECLOSURE. The Department of Commerce and Economic Development  
25       shall dispose of property acquired through default or foreclosure of a  
26       loan made under this chapter. Disposal shall be made in a manner that  
27       serves the best interests of the state, and may include the amortiza-  
28       tion of payments over a period of years.

29        \* Sec. 33. AS 16.10.310(b), 16.10.320(f), and 16.10.333(f) are

1 repealed.

2 \* Sec. 34. This Act takes effect July 1, 1985.

Introduced: 1/22/85  
Referred: Labor and Commerce  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 78

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making miscellaneous amendments to state loan  
7 programs administered by the Department of Commerce  
8 and Economic Development; and providing for an effective date."  
9

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

11 \* Section 1. AS 16.10.310 is amended to read:

12 Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department  
13 may

14 (1) make loans to

15 (A) individual commercial fishermen who have been  
16 state residents for a continuous period of two years immediately  
17 preceding the date of application for a loan under AS 16.10.300  
18 -- 16.10.370 and have had a crewmember or commercial fishing  
19 license under AS 16.05.480 or a permit under AS 16.43 for the  
20 year immediately preceding the date of application and any other  
21 two of the past five years, and who actively participated in the  
22 fishery during those periods, for the purchase of entry permits;

23 (B) individuals for the repair, restoration, or up-  
24 grading of existing vessels and gear, for the purchase of entry  
25 permits and gear, and for the construction and purchase of ves-  
26 sels, if the individuals have [AN INDIVIDUAL WHO HAS] been [A]  
27 state residents [RESIDENT] for a continuous period of two years  
28 immediately preceding the date of application for a loan under  
29 AS 16.10.300 -- 16.10.370, and either [WHO]

1 (i) because of lack of training or lack of em-  
2 ployment opportunities in the area of residence do [DOES]  
3 not have occupational opportunities available other than  
4 commercial fishing; or

5 (ii) are [IS] economically dependent on commer-  
6 cial fishing for a livelihood and for whom commercial fish-  
7 ing has been a traditional way of life [FOR THE INDIVIDUAL]  
8 in Alaska[, FOR THE REPAIR, RESTORATION OR UPGRADING OF  
9 EXISTING VESSELS AND GEAR, FOR THE PURCHASE OF ENTRY PERMITS  
10 AND GEAR, AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS];

11 (C) [CORPORATIONS, PARTNERSHIPS, OR JOINT VENTURES,  
12 100 PERCENT OF WHICH ARE OWNED BY INDIVIDUAL COMMERCIAL FISHERMEN  
13 WHO HAVE BEEN STATE RESIDENTS FOR A CONTINUOUS PERIOD OF TWO  
14 YEARS IMMEDIATELY PRECEDING THE DATE OF APPLICATION FOR A LOAN  
15 UNDER AS 16.10.310(a)(1)(B) AND HAVE HAD A CREWMEMBER OR COMMER-  
16 CIAL FISHING LICENSE UNDER AS 16.05.480 OR A PERMIT UNDER AS 16.-  
17 43 FOR THE YEAR IMMEDIATELY PRECEDING THE DATE OF APPLICATION AND  
18 ANY OTHER TWO OF THE PAST FIVE YEARS, AND WHO ACTIVELY PARTICI-  
19 PATED IN THE FISHERY DURING THAT PERIOD, FOR THE REPAIR, RESTORA-  
20 TION OR UPGRADING OF EXISTING VESSELS AND GEAR, FOR THE PURCHASE  
21 OF GEAR, AND FOR THE CONSTRUCTION AND PURCHASE OF VESSELS;]

22 (2) designate agents and delegate its powers to them as  
23 necessary;

24 (3) adopt regulations necessary to carry out its functions;

25 (4) establish amortization plans for repayment of loans,  
26 which may include extensions for poor fishing seasons or for adverse  
27 market conditions for Alaskan products;

28 (5) enter into agreements with private lending institutions,  
29 other state agencies, or agencies of the federal government, to carry

1 out the purposes of AS 16.10.300 -- 16.10.370;

2 (6) enter into agreements with other agencies or organiza-  
3 tions to create an outreach program to make loans under AS 16.10.300  
4 -- 16.10.370 in rural areas of the state;

5 (7) allow an assumption of a loan if

6 (A) the applicant has been a state resident for a  
7 continuous period of two years immediately preceding the date of  
8 the request for an assumption; and

9 (B) approval of the assumption would be consistent  
10 with the purposes of AS 16.10.300 -- 16.10.370.

11 (b) [THE DEPARTMENT SHALL CONSULT WITH THE DEPARTMENT OF FISH  
12 AND GAME ON REGULATIONS AND PROCEDURES ESTABLISHED UNDER THIS CHAP-  
13 TER.]

14 (c) In determining whether an individual commercial fisherman is  
15 reasonably likely to be able to repay a loan made under AS 16.10.300  
16 -- 16.10.370, the commissioner shall consider the individual commer-  
17 cial fisherman's income from commercial fishing and from all other  
18 sources.

19 \* Sec. 2. AS 16.10.315 is amended to read:

20 Sec. 16.10.315. ALLOCATIONS OF LOANS. The department shall  
21 allocate at least 10 percent of the money that is appropriated for a  
22 state fiscal year to make loans under AS 16.10.310 for loans of  
23 \$35,000 or less made under AS 16.10.310(a)(1)(B) [AND (C)]. An allo-  
24 cation made under this section terminates on April 15 of the state  
25 fiscal year for which the allocation is made.

26 \* Sec. 3. AS 16.10.320 is amended to read:

27 Sec. 16.10.320. LIMITATIONS ON LOANS. (a) Except as permitted  
28 in (h) of this section, a [A] loan under AS 16.10.300 [16.10.310] --  
29 16.10.370

1           (1) may not exceed a term of 15 years, except for exten-  
2 sions under AS 16.10.310(a)(4);

3           (2) may not bear interest exceeding 10-1/2 percent;

4           (3) must [SHALL] be secured by a first priority lien and  
5 appropriate security agreement; and

6           (4) may not exceed 90 percent of the appraised value of the  
7 collateral used to secure the loan[, EXCEPT THAT A LOAN GRANTED UNDER  
8 AS 16.10.333 FOR THE PURCHASE OF AN ALASKA LIMITED ENTRY PERMIT MAY  
9 NOT EXCEED AN AMOUNT DETERMINED IN ACCORDANCE WITH (f) OR (h) OF THIS  
10 SECTION].

11           (b) A lien in favor of the state is not required for loans  
12 guaranteed fully by the federal government under 46 U.S.C. 1271 --  
13 1279b (Federal Ship Financing Act of 1972), as amended. In the case  
14 of a security agreement given to secure a loan made under AS 16.10.300  
15 -- 16.10.370 and covering a vessel documented under the laws of the  
16 United States and so long as 46 U.S.C. 911-948 (Ship Mortgage Act,  
17 1920) as amended, and so long as 46 U.S.C. 801-842 (Shipping Act,  
18 1916), as amended, remain ambiguous with respect to whether or not a  
19 state or state agency qualifies as a citizen of the United States for  
20 purposes of those Acts, the first lien requirement of this section may  
21 be satisfied by the recordation and endorsement of a first preferred  
22 ship mortgage under 46 U.S.C. 911-984, and by perfection of a security  
23 interest under the Uniform Commercial Code - Secured Transactions  
24 (AS 45.09), if the approval of the Secretary of Commerce is obtained  
25 under 46 U.S.C. 839 for the transfer to the department of the interest  
26 in a vessel documented under the laws of the United States. In the  
27 case of a security agreement given to secure a loan made under AS 16.-  
28 10.300 -- 16.10.370 and covering a vessel documented under the laws of  
29 the United States, the first lien requirement of this section may also

1 be satisfied by use of a trust deed and bond issued under it, if the  
2 trustee is a citizen of the United States and obtains a first pre-  
3 ferred ship mortgage on the vessel under 46 U.S.C. 911-984, and the  
4 approval of the Secretary of Commerce is obtained under 46 U.S.C. 839  
5 and 961 for the transfer of the bond or bonds to the department if the  
6 trustee is not a trustee approved by the Secretary of Commerce under  
7 46 U.S.C. 808, 835 and 961.

8 (c) [Repealed by sec. 72, ch. 113, SLA 1982.]

9 (d) The total of balances outstanding on loans [LOANS] made to a  
10 borrower under AS 16.10.310(a)(1)(A) may not exceed [A TOTAL OF]  
11 \$300,000. The total of balances outstanding on loans [LOANS] made to  
12 a borrower under AS 16.10.310(a)(1)(B) [OR (C)] may not exceed [A  
13 TOTAL OF] \$100,000. [A LOAN TO AN ASSOCIATE OF THE BORROWER IS CON-  
14 sidered to be a loan to the borrower. FOR THE PURPOSES OF THIS SEC-  
15 tion, "ASSOCIATE OF THE BORROWER" MEANS

16 (1) A CORPORATION OR OTHER ORGANIZATION OF WHICH THE BOR-  
17 ROWER IS AN OFFICER, DIRECTOR OR PARTNER, OR IS, DIRECTLY OR INDI-  
18 RECTLY THE BENEFICIAL OWNER OF 10 PERCENT OR MORE ON ANY CLASS OF  
19 EQUITY SECURITIES;

20 (2) A PERSON WHO IS, DIRECTLY OR INDIRECTLY, THE BENEFICIAL  
21 OWNER OF 10 PERCENT OR MORE OF ANY CLASS OF EQUITY SECURITIES OF THE  
22 BORROWER;

23 (3) A TRUST OR OTHER ESTATE IN WHICH THE BORROWER HAS A  
24 SUBSTANTIAL BENEFICIAL INTEREST OR AS TO WHICH THE BORROWER SERVES AS  
25 TRUSTEE OR IN A SIMILAR FIDUCIARY CAPACITY.]

26 (e) Two or more individual commercial fishermen who each satisfy  
27 the requirements specified in AS 16.10.310(a)(1)(B) may jointly,  
28 whether operating as a corporation, partnership, joint venture, or  
29 otherwise, obtain a commercial fishing loan for the repair,

1 restoration, or upgrading of an existing vessel and gear, for the  
2 purchase of gear, and for the construction [OF A FISHING VESSEL] or  
3 the purchase of a [AN EXISTING] fishing vessel. Loans granted under  
4 this subsection

5 [(1)] may not exceed the amount specified in (d) of this  
6 section multiplied by the number of qualified commercial fishermen  
7 applying for the loan.[:]

8 [(2) MAY NOT EXCEED A TERM OF 15 YEARS;

9 (3) SHALL BE SECURED BY A FIRST PRIORITY LIEN AND APPRO-  
10 PRIATE SECURITY AGREEMENT;

11 (4) MAY NOT BEAR INTEREST EXCEEDING 10 1/2 PERCENT;

12 AND

13 (5) MAY NOT EXCEED 90 PERCENT OF THE APPRAISED VALUE OF  
14 THE COLLATERAL USED TO SECURE THE LOAN.]

15 (f) [EXCEPT AS PERMITTED IN (h) OF THIS SECTION, A LOAN MADE  
16 UNDER AS 16.10.310(a)(1)(A) AND (B) FOR THE PURCHASE OF AN ALASKA  
17 LIMITED ENTRY PERMIT MAY NOT EXCEED 90 PERCENT OF THE APPRAISED VALUE  
18 OF THE COLLATERAL USED TO SECURE THE LOAN.]

19 (g) [Repealed by sec. 72, ch. 113, SLA 1982.]

20 (h) A loan for an entry permit under AS 16.10.310(a)(1)(B) may  
21 be made for up to 100 percent of the appraised value of the collateral  
22 used to secure the loan if the borrower demonstrates that (1) the  
23 borrower has at least three years of experience as a commercial fish-  
24 erman in the fishery to which the entry permit applies; and (2) the  
25 borrower has not owned an Alaska limited entry permit in the year  
26 immediately preceding the application for the loan. In this subsec-  
27 tion "three years of experience as a commercial fishermen in the  
28 fishery" means that for an accumulated total of three fishing seasons  
29 in the same fishery the borrower has actively participated in the