

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 867261

611 SCOM118: HOUSE SPECIAL COMM. ON PERMANENT FUND 1978-80

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Other than the changes noted and a number of very minor ones, the latest Hohman proposal is the same as the earlier SS.

The accompanying resolution takes the governor's proposal for a constitutional amendment to increase the contributions to the permanent fund and changes it to provide for a whole series of dedications. Under the CS, 75% of all mineral royalties and 100% of all bonuses would be dedicated as follows: 25% to the permanent fund, 5% to the Renewable Resources Development Fund, 25% to the capital outlay account, 5% to the energy facilities development account, and 15% to the loan programs fund.

It is worth noting that this latest loan fund bill, when it is detached from the House proposal for fund management, no longer has any tie to the permanent fund, assuming that the permanent fund earnings are distributed as specified in the resolution. The loan programs fund would now have nothing to do with either the permanent fund income or principal, but would be funded by a separate dedication from oil revenues. (This would impact the permanent fund only to the extent that the contribution rates to it could not be increased.)

TO: ☐

DATE: February 27, 1978

John Sackett

FILE NO:

FROM:

Judy Crondahl 

TELEPHONE NO:

SUBJECT: SB-429 Alaska Permanent Fund

The following will be a brief analysis of the Senate Permanent Fund Bill and some of its possible ramifications.

Section 1 of SB-429 ¹ establishes the Alaska Loan Program Fund and provides the State Bond Committee with revenue bonding authority "to carry out the fund's purposes". Obligations of the fund would be secured by the establishment of an Unallocated Reserve Account. This account would receive all the income from the 25% Permanent Fund contribution, and other funds as appropriated. In turn it would fund other accounts established to service specific needs of the Revenue Bonds. They are the Fire Insurance and Liability Reserve Account, the Loss Reserve Account, and the Capital Reserve Account. Other expenditures could be made from the Unallocated Reserve Account as appropriated.

There would also be established, as a sub-account of the Unallocated Reserve Account, the General Fund Contributions Account. Its revenue would come from the lesser of two sources: either the revenue of the 40% of mineral lease rentals, royalties, etc. going to the General Fund; or the Unobligated General Fund amounts for which appropriations have not lapsed at the end of the fiscal year. Expenditures from this sub-account would be the same as the Unallocated Reserve Account, subject to appropriation. ²

The effect of authorizing Revenue Bonds for the Loan Program will be to have a multiplier effect on the available revenues from the Permanent Fund. It is possible that these funds could be increased ten-fold through the sale of Revenue Bonds. At the same time, while the liability of the state is limited in terms of not obligating the full faith and credit nor the taxing power of the state, the revenues and assets of the Loan Program Fund are obligated ³. As stated earlier, this includes not only the income from the Permanent Fund, but also other funds as appropriated and General Fund amounts automatically appropriated to the General Fund Contribution Account.

The types of loans allowable under the Alaska Loan Program would be of four (or five) major types. They would be for residential housing, commercial purposes, public purposes and education. (Reference Sec. 45.96.250, page 14). A fifth type for tourism, historical and open space loans is included under Sec. 45.96.360 (page 27). These five types increase the scope of the current state loan programs immeasurably. It would appear that there would be very few enterprises not covered by this proposed program ⁴.

To administer the Alaska Loan Program there would be established a Division of Alaska Loan Programs in the Department of Commerce and Economic Development and a Division of Collections in the Department of Revenue. Also established in Section 1 of SB-429 would be two evaluations committees. One would be the Alaska Loan Programs Evaluation Committee comprised of the Directors of the two new above-named divisions, and also the Director of the Division of Economic Development. The other committee, the Renewable Resources Loans Evaluation Committee, would be comprised of the two new above-named divisions and the Director of a third new division, the Division of Renewable Resources in the Department of Commerce and Economic Development ⁵.

Section 2 of SB-429 ⁶ establishes the Permanent Fund under AS 37.13. Changes in investment of the Permanent Fund from Chapter 6, SLA 77 ⁷ increase the number of allowable types of investment. It would be advisable to obtain professional opinion as to the relative security of the added types.

Under Sec. 15 of SB-429 ⁸ surplus General Funds are permitted to be invested in all loans under the Alaska Loan Program, rather than just the current agricultural and veteran's loans. This could immeasurably increase the amount of illiquid General Funds.

1. Attachment "A", pp 1-38
2. Attachment "B"
3. Attachment "A", Sec. 45.93.090, page 6
4. Attachment "C"
5. Attachment "A", Sec. 37.11.130, p. 43.
6. Attachment "A", pp. 38-40
7. Attachment "D"
8. Attachment "A", p. 55.

ALASKA LOAN PROGRAMS FUNDUnallocated Reserve Account

<u>Revenues</u>	<u>Expenditur</u>
1. Permanent Fund Income	1. Funding for Fire Ins. & Liability Res. Acct.
2. Other Appropriated Funds	2. Funding for Loss Reserve Acct.
	3. Other expenditures as appropriated
	4. Funding for Capital Reserve Acct.

General Fund Contribution (Sub-) Account

<u>Revenues</u>	<u>Expenditures</u>
Lesser of:	
1. All G.F. Revenue from mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments & bonuses received by state,	1. As above-subject to Legislative Appropriation
or;	
2. Unobligated G.F. amounts for which appropriation has not lapsed at end of F.Y.	

Debt Service Reserve Account

<u>Revenues</u>	<u>Expenditures</u>
1. Proceeds of sale of obligations - The maximum allowable under Federal law & regs for tax-exempt obligations.	1. When funds not available from principal & interest acct. or Cap. Res. Acct: (a) payment of principal (b) redemption or purchase (c) payment of interest (d) redemption premium
	2. Balance at retirement to Unallocated Reserve Account.

Capital Reserve Account

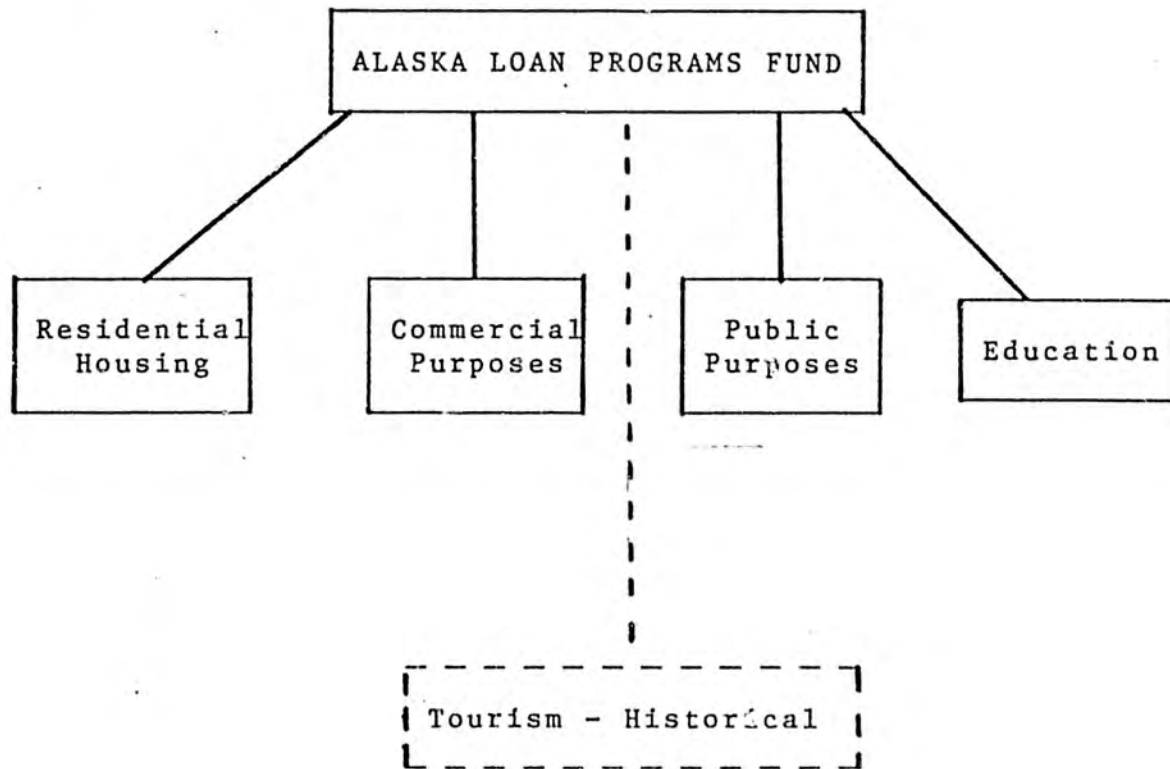
<u>Revenues</u>	<u>Expenditures</u>
1. 5% of obligations issued & sold from Unallocated Reserve Account	1. From each account to the Unallocated Reserve Acct at end of F.Y.: (a) any amt in excess of 5% of obligations secured.
2. From the Unallocated Reserve Acct at end of F.Y.: (a) any amt necessary to bring Capital Reserve Acct to 5% of obligations secured.	2. When funds not available from Principal & Interest Acct: (a) payment of principal of obligations. (b) purchase redemption of obligations. (c) payment of interest of obligations. (d) payment of required redemption premium.
3. Interest earned	3. Interest paid to Unallocated Reserve Account
	4. Remaining balance when issue fully retired paid to Unallocated Reserve Account.

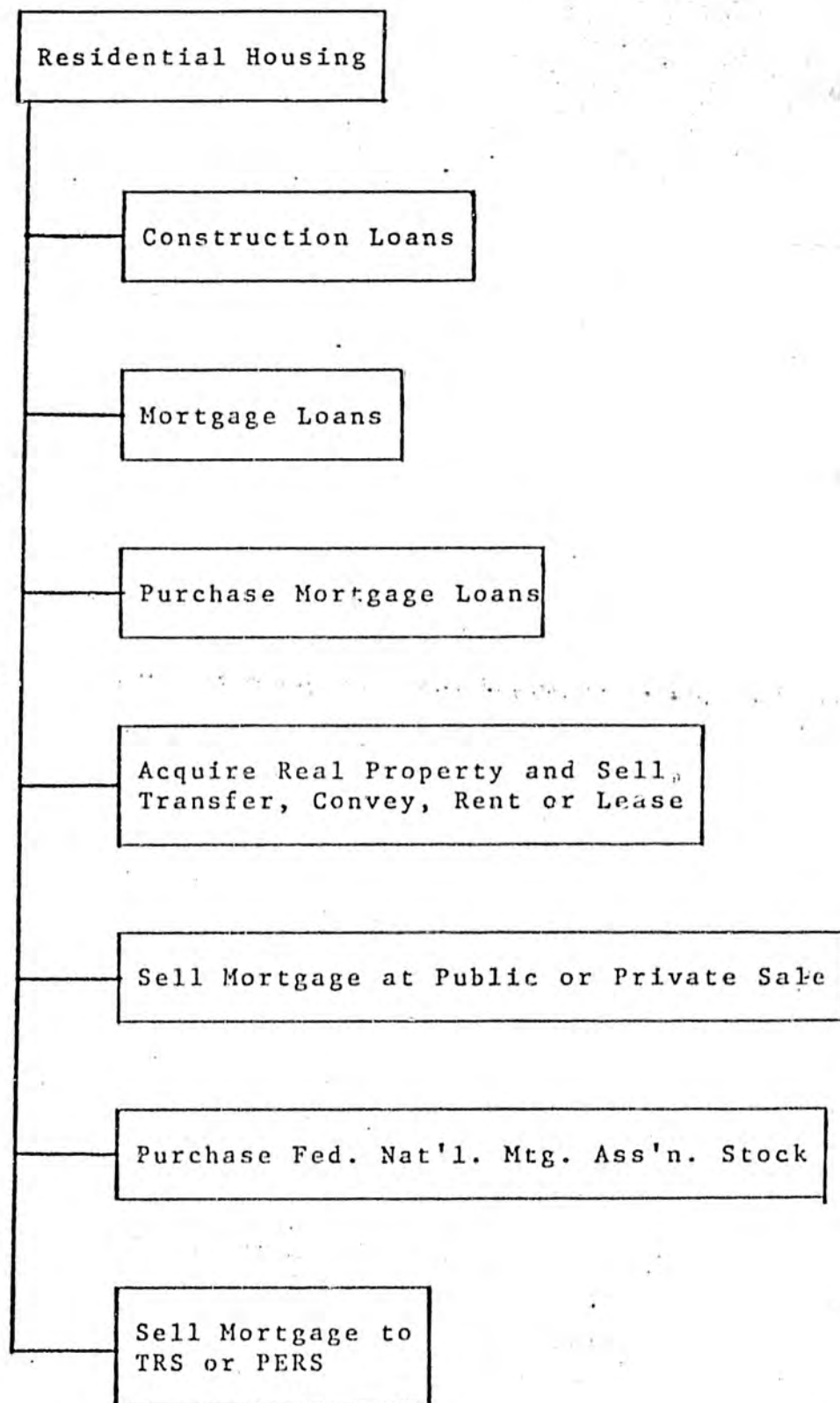
Loss Reserve Account

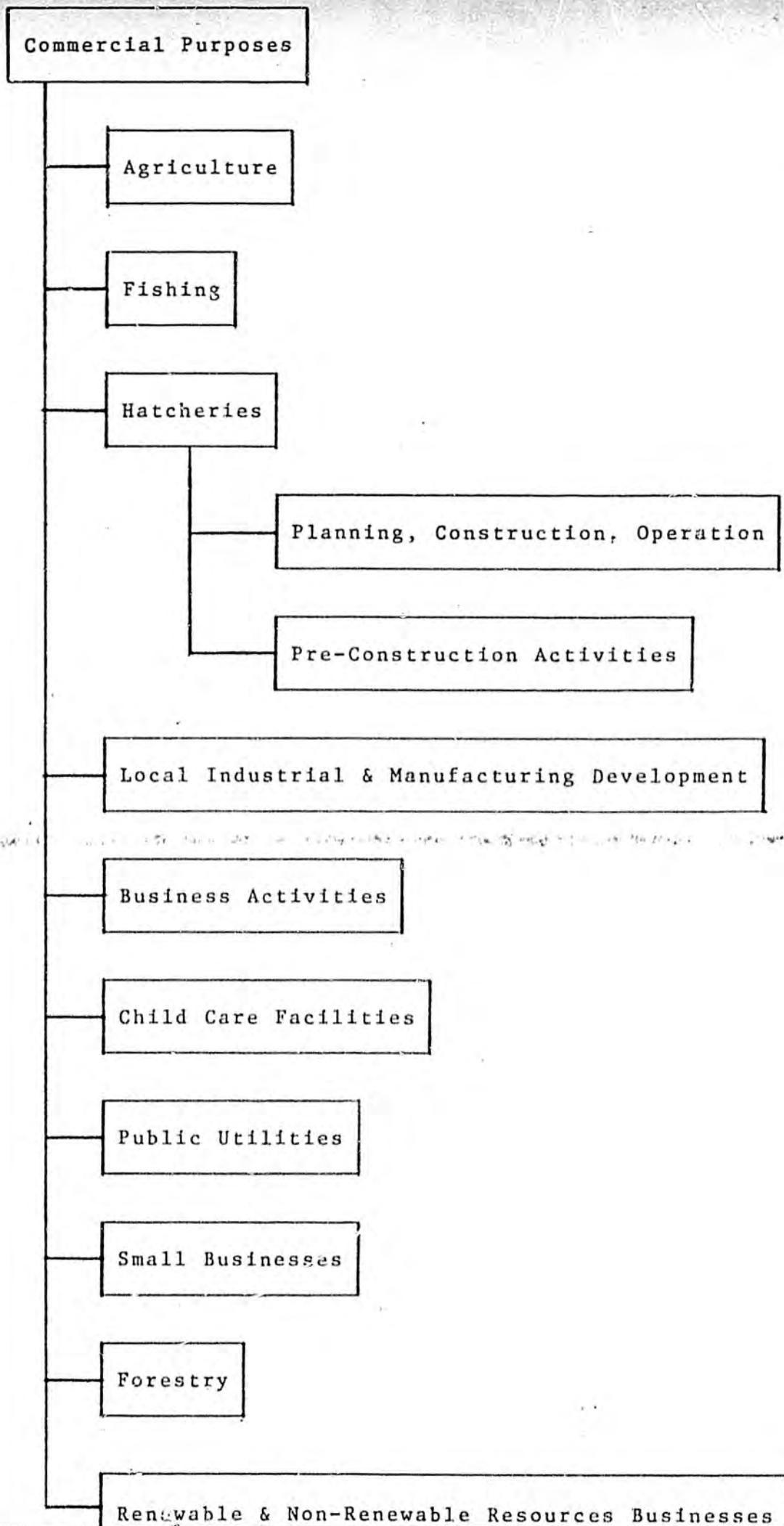
<u>Revenues</u>	<u>Expenditures</u>
1. From Unallocated Reserve Acct: (a) 5% of estimated loans to be made during first year. (b) Amt. necessary to bring balance to 5% of loans outstanding during each succeeding year. (c) Sufficient funds to bring balance to 5% at any (and all) times during year.	1. Losses realized from loans
2. 1% difference between interest paid by borrower and interest paid by fund.	2. Excess of 5% (a) Unallocated Reserve Acct until all amts paid to Loss Reserve & Capital Reserve have been re-paid, then (b) Earned Income Acct of Loan Programs Fund.

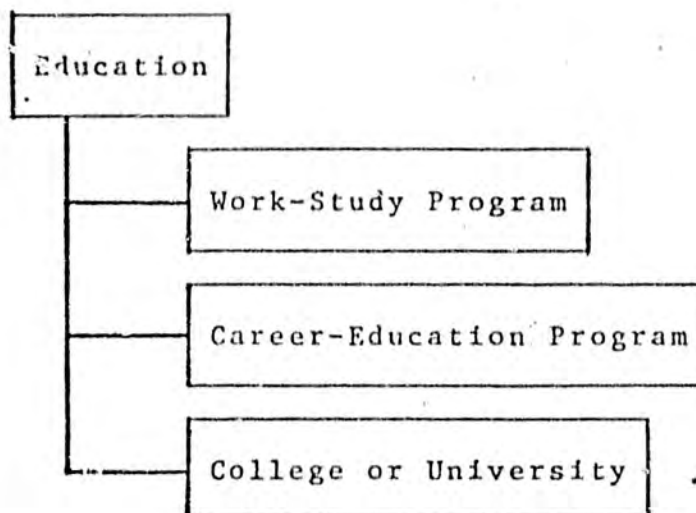
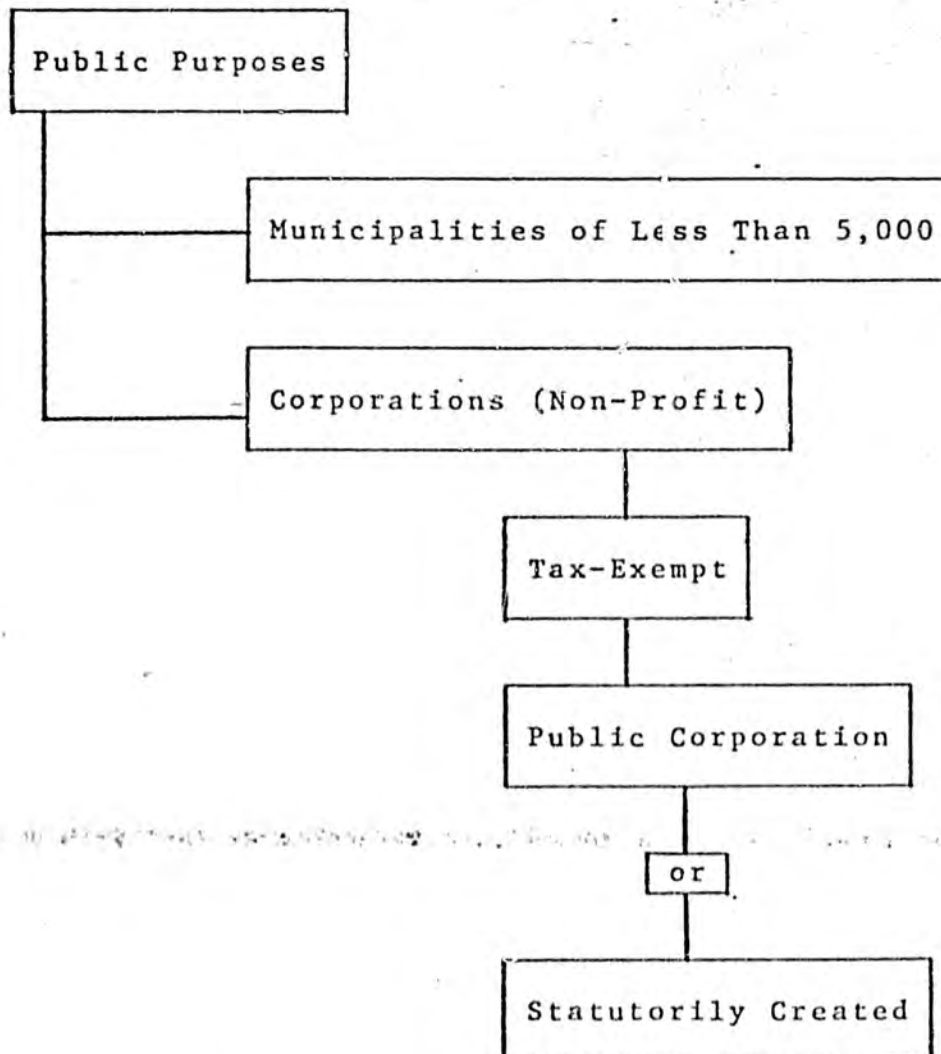
Fire Insurance & Liability Reserve Account

<u>Revenues</u>	<u>Expenditures</u>
1. Add'l charge of .6%/year on loans which do not provide proof of fire & liability insurance.	1. Fund loss reimbursement









Tourism, Historical and Open Space Loans

Restoration, Improvement, Rehabilitation,
or Maintenance of a Structure

Within Boundaries of Historical District

or

Important in State or National History

Attachment D



LAWS OF ALASKA

1977

Source

HB 210

Chapter No.

6

AN ACT

Providing for interim management of the Alaska Permanent Fund; and providing for an effective date.

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

* Section 1. AS 37.10 is amended by adding a new section in art. 3 to read:

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

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

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

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

(4) corporate investment-grade securities;

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

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

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

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

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

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

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.070(c).

TO: Rep. Cowper, Chairman
House Finance Committee

DATE: 8 March 1978

FROM: James B. Rhode, AA

SUBJECT: Economic Premises of HB 596 (Alaska Permanent Fund) and
Related Bills

You have asked for a brief comment on the economic premises that emerge in HB 596 and related bills. They are grouped below under three broad headings: (1) public savings, (2) closing the "capital gap", and (3) subsidies.

(1) The trust in HB 596 is a "nest egg" or public savings account for the future. This serves a number of compatible purposes:

- to support the budget as oil revenues decline
- to check the use of revenues for lower state priorities
- to hold revenues that are not immediately needed (but otherwise might not be collected)
- to give time for the state to better assess its priorities

These purposes are met by the historic trust rule of maximum return consistent with safety of principle.

(2) The Enterprise Fund is to close the "capital gap" in Alaska, private and public. This gap is measured by economists as the amount of capital that would normally be provided by private markets but is not because of "institutional barriers" in the financial community as a whole. Such barriers include lack of information, lack of experience with particular kinds of investment, and racial and other bias. Local regulatory practice can be a barrier, but the effects are probably not great due to the relatively free flow of capital within and even between countries.

A capital gap is not a sheer absence of funds. Money can usually be obtained at some price. Rather, the usual reason that funds are not forthcoming is that other areas, offering better returns and lesser risks, can pay more for capital and enjoy more investor confidence.

The full scale of this gap in Alaska is not documented. However, the evidence is that the shortfall is in the millions, not billions, of dollars and is focused in rural Alaska, mainly in small and medium ventures. Elsewhere, there is no proof that large, attractive loans are being missed or rejected by the private capital markets (banks and their lines of credit, bond and money markets, insurance companies).

(3) Many appropriations are made to further economic goals that are not met, or met as well, by the growth of the private economy. We concentrate here on spending meant to spur development, including

capital items (whether from bond proceeds or the general fund), loan programs, technical assistance programs, job training, and, soon, the renewable resources fund. The economic goals of these efforts include reducing the seasonal and cyclical nature of the Alaskan economy, stable employment, improving resident and minority hire, raising personal incomes, lowering the cost of living, and the like. For the most part, the money spent on these goals represent a subsidy, direct or indirect. They provide a good or service for which people are unable to pay or, at times, unwilling to pay.

HB 596, in turning away from subsidies, is not opposing them as such. Indeed, they are permitted for the Enterprise Fund under special conditions. Yet most subsidies are expected to be made in the state budget process. And that forum is to receive more scrutiny as the result of a new legislative committee for investment oversight. The premise of this approach is simply that more intelligent subsidies will be made if they are openly voted---if the public can see what money is at stake, who gets it, and who wanted them to have it.

cc: Rep. Gruening, Chairman
House Special Committee on the Alaska Permanent Fund

of liability. The liability of a certifying officer in the same manner as provided by law. The liability of a disbursing and other officer (CLA 1949)

2. Accounting.

Section

60. Department of Revenue to deposit money to state treasury

for state money and payment to deposit in proper fund. (a) Each officer authorized to collect or receive fees, belonging to the state shall account for fees or other money, less fees to which the Department of Revenue at least once each

state shall be deposited by the collector of the Department of Revenue when directed this to be done.

Revenue in June and December of each year in newspaper of general circulation in each of the state shall be deposited in each named bank or other institution of the semiannual report on bank deposits to the Legislative Affairs Agency for distribution of the legislature. The terms of the deposit may be requested. (§ 12-2-1 ACLA 1949; am § 8 art 186 SLA 1957; am § 1 ch 115 SLA 1968)

ACLA Cross reference. — As to deposit of state funds, see AS 37.10.075.
SLA Quoted in *Empire Printing Co. v. Rabin*, 17 Alas. 209, 247 F.2d 8 (9th Cir. 1957).
Appealed Am. Jur. and C.J.S. references. — 42 Am. Jur., Public Funds, §§ 5 to 41.
SLA 26 C.J.S. Depositories §§ 7 to 14.
2nd of C.J.S. States § 155.
red § 8.
A 1957

ent of Revenue to deposit money to state funds received by the Department of Revenue deposited in the state treasury at least once each month to the department to the proper fund. (§ 12-2-1

Article 3. Investment and Deposit of State Funds.

Section

65. Investment of the Alaska Permanent Fund
70. Investment of surplus funds
75. Deposit of state funds
79. Purchase of bonds
80. Sale of bonds held as investments

Section

85. Financial aid to corporations by state or political subdivision
87. Loans to bond construction funds
88. Department of Administration authorized to make advances to the University

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

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

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

MEMORANDUM

To: Representative Hugh Malone
From: Nancy Lord, Aide
Date: May 3, 1979
Subject: CS for SS for SB1 and CS for SJR26

At your request I have prepared the following summary of the contents of the latest version of Senator Hohman's permanent fund bill and his CS for the governor's proposal for a constitutional amendment.

CS for SS for SB1 is basically a gluing together of CS for HB281 (the House permanent fund bill), HB99 (the governor's tax credit bill), and SS for SB1, with a few important changes.

I have not attempted here to analyze any of the bill but only to identify the changes from previous drafts of SB1 as well as changes in the House and governor's bills which are incorporated into it.

Pages 1 through 12 are identical to CS for HB281 except in three places.

First, the contribution level of the permanent fund is set at 100% of bonuses and 25% of royalties rather than the 50% level for both set forth in the House bill. This conflicts with the accompanying CS for SJR26, however, in that it provides for the dedication to the permanent fund of 25% of all dedicated mineral

revenues (i.e. 25% of 100% of bonuses and 25% of 75% of royalties). Mr. Berrier assures me that this is a drafting error and that the intent of the resolution was for the permanent fund to receive 25% of both bonuses and royalties. Thus, should that correction be made and should the constitutional amendment become law, the permanent fund would receive 25% of bonuses, not 100% as stated in the bill.

Second, the new Hohman bill sunsets the Permanent Fund Corporation in 1982 (page 5, lines 14-17) and turns the management of the fund back to the Department of Revenue.

Third, the language in section k (page 10) differs from 281's language and offers a possibly dangerous loophole concerning allowable permanent fund investments.

Pages 12-13 correspond to HB99 except that the tax credits are not given unless a constitutional amendment dedicating 75% of mineral revenues to various funds and accounts becomes effective.

The allocated reserve account (page 19) now gets one-half of the permanent fund earnings instead of all. This, however, is inconsistent with the resolution, which says that half of the earnings go to tax credits and half to the general fund.

The problem of the spread of responsibilities for the loan program among departments is partially taken care of by assigning the

accounting and collecting duties to the Department of Commerce.

This latest CS excludes veteran and scholarship loans. (That is, those loan programs are not repealed and replaced under the umbrella program.) The loan programs, funds, and authorities now repealed are those for agriculture, commercial fishing, housing, recreation and open space, area development, child care, state development, small business development, AIDA, water resources, alternative power, tourism, business, and historical districts.

A new section 45.96.300 (page 34) says that "public purpose" loans may not be made unless certified by the commissioner of Revenue as good risks.

A section in earlier drafts which prevented municipalities from selling industrial development bonds is now deleted.

A new Sec. 27 (page 50) sets up a comprehensive loan program reserve account to receive 15% of mineral royalties (bonuses aren't mentioned here). That money is then appropriated to the allocated reserve account for the securing of the bonds, and flows from there to various other reserve accounts.

Another new section, Sec. 34 (page 52), sets up for six months a "special account" in the general fund, made up of the general fund surplus in excess of \$100 million. This provides interim loan money for the period between the time the old loan programs

shut down and the time the new one is operable. The loans in the interim, purchased by the special account, shall all have an interest rate of $9\frac{1}{2}\%$.

Other than the changes noted and a number of very minor ones, the latest Hohman proposal is the same as the earlier SS.

The accompanying resolution takes the governor's proposal for a constitutional amendment to increase the contributions to the permanent fund and changes it to provide for a whole series of dedications. Under the CS, 75% of all mineral royalties and 100% of all bonuses would be dedicated as follows: 25% to the permanent fund, 5% to the Renewable Resources Development Fund, 25% to the capital outlay account, 5% to the energy facilities development account, and 15% to the loan programs fund.

It is worth noting that this latest loan fund bill, when it is detached from the House proposal for fund management, no longer has any tie to the permanent fund, assuming that the permanent fund earnings are distributed as specified in the resolution. The loan programs fund would now have nothing to do with either the permanent fund income or principal, but would be funded by a separate dedication from oil revenues. (This would impact the permanent fund only to the extent that the contribution rates to it could not be increased.)

Introduced: 2/22/79
Referred: Special Permanent
Fund Committee and Finance

IN THE HOUSE

BY THE SPECIAL PERMANENT
FUND COMMITTEE

HOUSE BILL NO. 279

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

* Section 1. AS 24.20.151 is amended to read:

Sec. 24.20.151. LEGISLATIVE BUDGET AND AUDIT COMMITTEE ESTABLISHED. The Legislative Budget and Audit Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for full-time technical assistance in accomplishing the fiscal analysis, budget review, investment oversight and post-audit functions.

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

(8) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending or investment functions;

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

(10) provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs.

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

Sec. 24.20.321. INVESTMENT OVERSIGHT DIVISION. The investment

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

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

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

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

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

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

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

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

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

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

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

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

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

9 CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 members.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 programs.

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

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

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

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

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

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

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

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

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

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

21 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

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

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

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

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

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

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

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

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

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

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

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

1 as if he had remained in office until delivery.

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

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

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

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

1 provisions.

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

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

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

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

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

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

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

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

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

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

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

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

1 lations for tax exempt obligations which may be invested without limi-
2 tation as to yield. All money held in a debt service reserve account
3 may be used as required, when money is not available from the principal
4 and interest account or the capital reserve account, solely for (1) the
5 payment of the principal of obligations, (2) the purchase or redemption
6 of obligations, (3) the payment of interest on obligations, or (4) the
7 payment of any redemption premium required to be paid when those obli-
8 gations are redeemed before maturity. Any amount remaining in a debt
9 service reserve account when the issue the account secures is fully
10 retired shall be paid to the allocated reserve account.

11 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-
12 curing each issue of its obligations, the fund shall establish a special
13 account called the capital reserve account. The commissioner of revenue
14 shall pay into that account from the allocated reserve account upon
15 establishment an amount equal to five per cent of the principal amount
16 of the obligations issued and sold and upon subsequent sales, if any, of
17 obligations of the issue secured, an additional amount equal to five per
18 cent of the principal amount of the obligations sold. At the end of
19 each fiscal year the commissioner of revenue shall withdraw from each
20 capital reserve account and pay to the allocated reserve account any
21 amount in the account in excess of five per cent of the remaining prin-
22 cipal balance of the obligations secured or, if the amount in the ac-
23 count is less than five per cent of the remaining principal balance of
24 the obligations secured, pay into the account from the allocated reserve
25 account the amount necessary to bring the reserve to five per cent. All
26 money held in a capital reserve account may be used as required, when
27 money is not available from the principal and interest account, solely
28 for (1) the payment of the principal of obligations, (2) the purchase or
29 redemption of obligations, (3) the payment of interest on obligations or

1 (4) the payment of any redemption premium required to be paid when those
2 obligations are redeemed before maturity. Income or interest earned by
3 a capital reserve account shall be paid to the allocated reserve account
4 established by sec. 120 of this chapter. Any amount remaining in a
5 capital reserve account when the issue the account secures is fully
6 retired shall be paid to the allocated reserve account.

7 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of
8 protecting the financial integrity of the fund, a special account called
9 the loss reserve account is established. The commissioner of revenue
10 shall pay into that account from the allocated reserve account an amount
11 equal to five per cent of the estimated total amount of all loans to be
12 made by the fund during the first fiscal year of operation. At the
13 first of the succeeding fiscal year and each fiscal year thereafter, the
14 commissioner shall pay into the fund from the allocated reserve account
15 the amount necessary to bring the balance of this account to five per
16 cent of the total amount of loans projected to be outstanding during
17 that fiscal year.

18 (b) If during the fiscal year the total amount of loans outstand-
19 ing exceeds the amount projected to be outstanding, the commissioner of
20 revenue shall pay into this account from the allocated reserve account
21 the sum needed to bring the balance of this account to five per cent of
22 the amount of loans outstanding.

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

26 (d) Money in the loss reserve account may only be used for losses
27 realized from loans made under this chapter, except when, at the begin-
28 ning of a fiscal year, the balance of this account exceeds five per cent
29 of the remaining principal balance of the total amount of loans

1 projected to be outstanding during the fiscal year, the amount in excess
2 of five per cent shall be paid to the allocated reserve account until
3 all amounts paid to the loss reserve account and the capital reserve
4 account have been paid and then to the earned income account of the loan
5 programs fund.

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

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

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

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

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

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

27 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund
28 cash balances and of reserves for specific bond issues or statutorily
29 required reserves are managed for the fund by the director of the

1 division of treasury in the Department of Revenue. The director shall
2 determine investment policy and manage the investments of the fund under
3 the same criteria applicable to other state investments he manages.

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

- 7 (1) a summary of long-range and short-term investment policy;
- 8 (2) a list of investments made during the previous month;
- 9 (3) an evaluation of the performance of investments made;
- 10 (4) other information requested by the budget and audit

11 committee.

12 Sec. 45.96.190. BUDGET. The operating budget is by appropriation
13 from the general fund unless the legislature specifically appropriates
14 from the unallocated reserve account. The operating budget is subject
15 to the Executive Budget Act (AS 37.07).

16 Sec. 45.96.200. ACCOUNTING AND REPORTS. Accounting for the fund
17 shall be provided by the Department of Administration. Reports shall be
18 made by that department to the Department of Revenue, the Department of
19 Commerce and Economic Development, and the Legislative Budget and Audit
20 Committee at least once a month. These reports shall include an itemi-
21 zation of each loan which has been in default for a period in excess of
22 30 days and the measures taken for each to insure compliance with terms
23 and conditions of the loan. The Legislative Budget and Audit Committee
24 shall provide quarterly reports to the legislature summarizing the
25 information it receives under this section and under secs. 180(b) and
26 240(b) of this chapter and including comments and suggestions the com-
27 mittee determines to be of interest to the legislature relating to the
28 administration of the loan program. Other reports shall be made as
29 prescribed by the Department of Commerce and Economic Development.

1 Sec. 45.96.210. LOAN PROCEDURES. (a) The director of the divi-
2 sion of Alaska loan programs shall establish district loan offices in
3 Juneau, Fairbanks, and Anchorage and may establish other loan offices as
4 necessary which shall be headed by district directors. The office shall
5 provide information concerning the loan programs under this chapter,
6 other state loan programs, state grant programs, federal loan or grant
7 programs, and, to the extent feasible, private loans.

8 (b) Each district loan office shall include a veterans' loans
9 section. The veterans' loans section shall process loan applications
10 from applicants who meet the eligibility requirement of sec. 440 of this
11 chapter. The veterans' loan section shall also provide information and
12 assistance to veterans relating to loan applications under this chapter,
13 other state loan programs or state grant programs, federal loan or grant
14 programs, and to the extent feasible, private loans.

15 Sec. 45.96.220. ALASKA LOAN PROGRAMS EVALUATION COMMITTEE. (a)
16 There is established in the Department of Commerce and Economic De-
17 velopment the Alaska Loan Programs Evaluation Committee consisting of
18 the directors, or their designees, of the following divisions: (1) the
19 division of economic enterprises in the Department of Commerce and
20 Economic Development, (2) the division of collections in the Department
21 of Revenue, and (3) the division of Alaska loan programs in the De-
22 partment of Commerce and Economic Development.

23 (b) The committee shall notify recipients of loans under the pro-
24 visions of this chapter who have been delinquent in their loan repay-
25 ments for a period in excess of 30 days. Upon notification of delin-
26 quency, the borrower may request reevaluation and technical assistance
27 from the committee. If the borrower requests reevaluation, the com-
28 mittee shall consider the terms and conditions of the loan as well as
29 all other pertinent information to determine whether there are feasible

1 alternative terms and conditions which will protect the interest of the
2 state and prevent the default of the loan.

3 (c) In performing the duties described in (b) of this section, the
4 committee shall have access to all nonconfidential records, data, in-
5 formation, and statistics of all departments, boards, commissions,
6 agencies, and institutions of the state. The committee shall also have
7 access to any records or other information of the borrower which are
8 pertinent to its investigation. Failure on the part of the borrower to
9 provide the records or information shall be grounds for refusal to
10 reevaluate.

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

15 Sec. 45.96.240. COLLECTIONS; DIVISION OF COLLECTIONS. (a) There
16 is established within the Department of Revenue the division of col-
17 lections. The director of the division is in the classified service
18 under AS 39.25 and shall receive an annual salary within range 27 of the
19 salary schedule established in AS 39.27.011 or within one range below
20 the range on which the highest paid deputy commissioner in the depart-
21 ment is paid if that range is higher than range 27. In order to qualify
22 for the position of director, a person must be an attorney licensed to
23 practice in this state with at least four years of practice in business
24 law and business practices.

25 (b) If a borrower who has received notification of delinquency in
26 accordance with sec. 220 of this chapter does not request reevaluation,
27 or if the evaluation committee determines that renegotiation of the
28 existing terms and conditions is not feasible or justified, and the loan
29 is not brought current within 30 days after the notification of delin-

1 quency is sent, the loan shall be transferred to the loss reserve ac-
2 count and transmitted for collection to the division of collections. A
3 monthly report of the status of the collection effort shall be made to
4 the Legislative Budget and Audit Committee. The total principal and
5 interest due shall be transferred from the loss reserve account to the
6 fund upon assignment of each loan.

7 Sec. 45.96.250. LOAN PURPOSES. Loans may be made from the fund
8 for residential housing, commercial purposes, public purposes, and
9 education.

10 Sec. 45.96.260. RESIDENTIAL HOUSING. In addition to other powers
11 granted in this chapter, the director of the division of Alaska loan
12 programs may, for the purpose of providing housing for persons who meet
13 the eligibility requirements of sec. 370 of this chapter,

14 (1) make or participate in the making of construction loans
15 from the fund to sponsors, developers, and builders of land development
16 or residential housing;

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

20 (3) purchase or participate in the purchase of mortgage loans
21 made from the fund to sponsors, developers, builders, owners, and pur-
22 chasers of residential housing;

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

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

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

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

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

20 (1) individual farmers, homesteaders, and partnerships or
21 corporations composed of farmers and homesteaders, for development of
22 farms, storage and processing of farm produce, livestock, machinery and
23 equipment, and farm irrigation;

24 (2) individual commercial fishermen who have had a commercial
25 fishing license for at least one of the previous five years, for the
26 repair, restoration or upgrading of existing vessels and gear and for
27 the purchase of entry permits and gear and the construction and purchase
28 of vessels; loans made under this paragraph are subject to the provi-
29 sions of secs. 295 and 297 of this chapter;

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

7 (4) develop, rehabilitate, and expand business activities in
8 the state;

9 (5) child care facilities in the state to comply with the
10 appropriate licensing standards for child care facilities or to comply
11 with the requirements for certification by the Department of Education
12 subject to the following conditions:

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

16 (B) the applicant shall demonstrate that the proposed
17 loan will enable the child care facility to obtain a license from
18 the Department of Health and Social Services or a certificate from
19 the Department of Education;

20 (C) the applicant shall apply to the Department of
21 Community and Regional Affairs for and receive a certificate of
22 need;

23 (6) small businesses to acquire, finance or refinance or
24 equip businesses;

25 (7) loggers and forest products manufacturers and processors
26 for logging operations and equipment, forest products manufacturing or
27 processing plants, and for working capital for logging operations and
28 forest products manufacturing or processing;

29 (8) other businesses for equipment and operations related to

1 harvesting, manufacturing and processing other renewable or nonrenewable
2 resources in the state.

3 (b) Notwithstanding the provisions of secs. 410 and 420 of this
4 chapter, a loan under (a)(2) of this section may not run longer than 15
5 years or exceed 90 per cent of the appraised value of the collateral
6 used to secure the loan.

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

8 (a) The Department of Community and Regional Affairs shall determine
9 whether to award a certificate of need to child care facilities applying
10 for a loan under sec. 270(7) of this chapter on the basis of the fol-
11 lowing criteria:

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

14 (2) the number of children in the geographic area who need
15 child care;

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

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

20 (b) The Department of Community and Regional Affairs shall submit
21 its decision and the reasons for it to the applicant within 60 days of
22 receipt of the application.

23 Sec. 45.96.295. LOANS MADE TO COMMERCIAL FISHERMEN. A loan under
24 sec. 270(2) of this chapter shall be secured by a first lien and appro-
25 priate security agreements, except that a lien in favor of the state is
26 not required for loans guaranteed fully by the federal government under
27 the Federal Ship Financing Act of 1972 (46 U.S.C. secs. 1271 ~ 1279b; 86
28 Stat. 909), as amended. In the case of a security agreement given to
29 secure a loan made under sec. 270(2) of this chapter and covering a

1 vessel documented under the laws of the United States and so long as the
2 Ship Mortgage Act of 1920 (46 U.S.C. secs. 911 - 984; 41 Stat. 1000), as
3 amended, and the Shipping Act of 1916 (46 U.S.C. secs. 801 - 842; 39
4 Stat. 728), as amended, remain ambiguous with respect to whether or not
5 a state or state agency qualifies as a citizen of the United States for
6 purposes of those Acts, the first lien requirement of this section may
7 be satisfied by the recordation and endorsement of a first preferred
8 ship mortgage under the Ship Mortgage Act of 1920, and by perfection of
9 a security interest under the Uniform Commercial Code - Secured Trans-
10 actions (AS 45.05.690 - 45.05.794), if the approval of the Secretary of
11 Commerce is obtained under 46 U.S.C. sec. 839 for the transfer to the
12 department of the interest in a vessel documented under the laws of the
13 United States. In the case of a security agreement given to secure a
14 loan made under sec. 270(2) of this chapter and covering a vessel docu-
15 mented under the laws of the United States, the first lien requirement
16 of this section may also be satisfied by use of a trust deed and bond
17 issue under it, if the trustee is a citizen of the United States and
18 obtains a first preferred ship mortgage on the vessel under the Ship
19 Mortgage Act of 1920, and the approval of the Secretary of Commerce is
20 obtained under 46 U.S.C. secs. 839 and 961 for the transfer of the bond
21 or bonds to the department if the trustee is not a trustee approved by
22 the Secretary of Commerce under 46 U.S.C. secs. 808, 835 and 961.

23 Sec. 45.96.297. LOANS FOR PURCHASE OF ALASKA LIMITED ENTRY PER-
24 MITS. (a) Loans under sec. 270(2) of this chapter for the purchase of
25 a limited entry permit may be made only upon certification by the Alaska
26 Commercial Fisheries Entry Commission (AS 16.43.020) that the fisherman
27 is a person who qualifies as a transferee for the permit under AS 16.43
28 and the regulations adopted by the commission.

29 (b) Upon approval by the director of the division of Alaska loan

1 programs, the permit to be purchased may be pledged as security for a
2 loan under (a) of this section, if

3 (1) the certificate for the pledged permit lists the director
4 as the legal owner of the permit;

5 (2) the certificate for the pledged permit lists the debtor
6 as the equitable owner of the permit;

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

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

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

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

19 (d) Upon satisfaction of the note by the debtor, the director
20 of the division of Alaska loan programs shall certify to the Alaska
21 Commercial Fisheries Entry Commission that the note has been satisfied.

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

25 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-
26 sion of Alaska loan programs shall lend money to municipalities with
27 populations of less than 5,000 according to the most recent survey
28 conducted by the United States Census Bureau and to those corporations
29 eligible under (d) of this section. Loans to municipalities shall be

1 made through the purchase by the fund of municipal bonds. Loans to
2 nonprofit corporations shall be made through purchase by the fund of
3 revenue bonds issued on behalf of the corporation by the municipality in
4 which the project to be financed by the loan is constructed. If the
5 loan to a nonprofit corporation is for construction outside a munici-
6 pality, the revenue bonds to be purchased by the fund shall be issued by
7 the state bond committee on behalf of the nonprofit corporation. The
8 cost of a loan made under this section shall be the same as the cost of
9 borrowing to the fund. Loans made under this subsection are subject to
10 the following conditions:

11 (1) When the amount of the issuance is \$5,000,000 or less,
12 the loan shall be made through the purchase by the fund of general
13 obligation or revenue bonds.

14 (2) The borough or city attorney shall certify that all legal
15 requirements relating to required bond elections, if necessary, and bond
16 issuance have been met, or if the bonds are issued outside a munici-
17 pality, certification shall be made by the Department of Law.

18 (3) The bonds shall be prepared by the municipality's attor-
19 ney, approved by the attorney general and need not be in definitive form.

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

22 (b) The director of the division of Alaska loan programs shall
23 submit a bid for all general obligation bonds offered on a competitive
24 basis by a home rule borough or city or general law borough or city of
25 any class incorporated under the laws of the state if the borough or
26 city provides its bid form to the director at least 10 days before the
27 opening of the bid. The request for bids and the bid proposal shall
28 provide for issuing all or a portion of the bonds based upon the best
29 combination of bids. The bid shall be determined on the basis of the

1 Daily Bond Buyer 20 bond average as follows:

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

4 (A) 100 points under the average for the first five
5 years maturity;

6 (B) 75 Points under the average for the next five years
7 maturity;

8 (C) 50 points under the average for the next five years
9 maturity;

10 (D) 25 points under the average for the next five years
11 maturity;

12 (E) 0 points under the average for the next five years
13 maturity;

14 (F) 25 points above the average for the next five years
15 maturity.

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

18 (A) 50 points under the average for the first five years
19 maturity;

20 (B) 25 points under the average for the next five years
21 maturity;

22 (C) 0 points under the average for the next five years
23 maturity;

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

26 (E) 50 points above the average for the next five years
27 maturity;

28 (F) 75 points above the average for the next five years
29 maturity.

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

13 (1) 50 points under the average for the first five years
14 maturity;

15 (2) 25 points under the average for the next five years
16 maturity;

17 (3) 0 points under the average for the next five years
18 maturity;

19 (4) 25 points above the average for the next five years
20 maturity;

21 (5) 50 points above the average for the next five years
22 maturity;

23 (6) 75 points above the average for the next five years
24 maturity;

25 (d) A nonprofit corporation is eligible for a loan under this
26 section if

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

29 (2) it is a public corporation or other municipal

1 instrumentality under AS 29.59.010; or

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

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

7 (f) The limitations in secs. 400 - 430 of this chapter do not
8 apply to loans or purchases made under this section.

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

18 (b) If money is not available to make any payment of principal and
19 interest when due on a bond issue, the chief executive officer of the
20 municipality which issued the bonds shall notify the commissioner of
21 revenue at least 20 days in advance of the pending default that a de-
22 fault is pending. Failure to give the notice of pending default is
23 grounds for removal of the chief executive officer from office and, if
24 default occurs, the office is forfeited and is filled as provided by law
25 for filling vacancies.

26 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the
27 purpose of securing each tax exempt bond issue of municipalities of the
28 state and those bonds on behalf of nonprofit corporations guaranteed or
29 issued under this chapter there is established a special account called

1 the municipal bond capital reserve account. The commissioner of revenue
2 shall pay into that account from the unallocated reserve account upon
3 establishment an amount equal to five per cent of the obligations issued
4 and sold after July 1, 1979 and upon subsequent sales, if any, of obli-
5 gations of the issue secured an additional amount equal to five per cent
6 of the obligations sold. At the end of each fiscal year the commis-
7 sioner of revenue shall withdraw from the municipal bond capital reserve
8 account and pay to the unallocated reserve account any amount in the
9 account in excess of five per cent of the obligations secured or, if the
10 amount in the account is less than five per cent of the obligations
11 secured, pay into the account from the unallocated reserve account the
12 amount necessary to bring the reserve to five per cent. All money held
13 in a municipal bond capital reserve account shall be used as required,
14 when money is not available from the principal and interest account,
15 solely for (1) the payment of the principal of obligations, (2) the
16 purchase or redemption of obligations, (3) the payment of interest on
17 obligations, or (4) the payment of any redemption premium required to be
18 paid when those obligations are redeemed before maturity. Any income or
19 interest earned by the account shall be paid to the unallocated reserve
20 account. Any amount remaining in a municipal bond capital reserve ac-
21 count when the issue the account secures is fully retired shall be paid
22 to the unallocated reserve account.

23 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director
24 of the division of Alaska loan programs may lend money from the fund to
25 businesses conducting exempt activities under sec. 103(b)(4) and (5) of
26 the Internal Revenue Code of 1954 for those activities either directly
27 or through purchase by the fund of industrial development bonds issued
28 on behalf of the business by the state bond committee.

29 (b) A loan may be made under this section only if upon payment of

1 the loan the project financed by the loan will be the property of

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

5 (2) the state if the activity is not conducted within a
6 municipality.

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

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

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

17 (d) A corporation, partnership, or firm which requests a loan of
18 greater than \$5,000,000 for a project under this section may request a
19 special series of bonds for its project. The director of the division
20 of Alaska loan programs may request the state bond committee to issue
21 the special series of bonds on behalf of the corporation, partnership,
22 or firm in place of making a direct loan. A corporation, partnership,
23 or firm is eligible for a special bond series for its project if it has
24 a credit rating of "A" or better.

25 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
26 to costs directly related to a project, the sum total of all costs of
27 financing and carrying out a project are eligible for bonding under
28 secs. 300 - 330 of this chapter. These include, but are not limited to,
29 the costs of all necessary studies, surveys, plans and specifications,

1 architectural, engineering or other special services, acquisition of
2 real property, site preparation and development, purchase, construction,
3 reconstruction and improvement of real property and the acquisition of
4 machinery and equipment as may be necessary in connection with a pro-
5 ject; an allocable portion of the administrative and operating expenses
6 of the issuer; the cost of financing the project, including interest on
7 bonds issued to finance the project; and the cost of other items, in-
8 cluding any indemnity and surety bonds and premiums on insurance, legal
9 fees, fees and expenses of trustees, depositaries, financial advisors,
10 and paying agents for the bonds issued as the issuer considers neces-
11 sary.

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

16 (b) Proceeds from scholarship loans may only be used for trans-
17 portation, books, tuition and required fees, and for room and board.
18 The loans may only be used to attend a career education program approved
19 by the Alaska Commission on Postsecondary Education or a college or
20 university accredited by the accreditation association for the region in
21 which the college or university is located.

22 (c) To maintain a loan the student must continue to be enrolled as
23 a full-time student in good standing in a work study program approved by
24 the Department of Education, in a career education program, or in a
25 college or university designated under (b) of this section.

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

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

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

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

- 13 (1) the first year after a student terminates his studies;
14 (2) return by the student to student status as provided in
15 (c) of this section;
16 (3) performance by the student of military or required alter-
17 native service; or
18 (4) 50 per cent or greater disability of the student, as
19 certified by competent medical authority.

20 Sec. 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a) In
21 addition to other powers granted in this chapter, the director of the
22 division of Alaska loan programs may make loans from the fund to a
23 business directly involved in the tourist industry.

24 (b) Upon endorsement and plan approval by a local historical
25 district commission established under AS 29.48.108 and the recommend-
26 ation of a majority of the members of the Historic Sites Advisory Com-
27 mittee, loans may be made from the fund to a person, firm, business or
28 municipality subject to applicable laws for the restoration, im-
29 provement, rehabilitation, or maintenance of a structure which is

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

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

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

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

12 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan
13 under this chapter, other than a loan made under sec. 350 of this chap-
14 ter, a person must have been a resident of the state for at least five
15 years on the date of application for the loan and must be 18 years of
16 age or older. Except for loans made under sec. 330 of this chapter, a
17 corporation is eligible for a loan if more than 60 per cent of its
18 shareholders have been residents of the state for at least five years on
19 the date of the application for the loan, the chief executive officer
20 and all members of the governing board of the corporation have been
21 residents of the state for at least five years on the date of applica-
22 tion for the loan, and the chief executive officer and members of the
23 governing board assume full individual liability for repayment of the
24 loan. A loan to a corporation is immediately due and payable if it
25 ceases to meet these eligibility requirements. An individual is ineli-
26 gible for a loan under this chapter if an earlier loan to the individual
27 from the state or an agency of the state has been discharged in bank-
28 ruptcy unless the defaulted loan has been repaid in full and 10 years
29 have elapsed from the date of repayment.

1 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the
2 authority of sec. 260 of this chapter for the purchase or construction
3 of residential housing may not exceed: (1) \$90,000 for a single family
4 dwelling; (2) \$130,000 for a duplex; (3) \$170,000 for a triplex; (4)
5 \$210,000 for a fourplex. A loan made for the purchase or construction
6 of residential facilities in excess of four units shall be treated as a
7 commercial building loan subject to the limitations placed on such loans
8 in (b)(1) of this section.

9 (b) Commercial loans made under the authority of sec. 270 of this
10 chapter may not exceed:

11 (1) \$500,000 per individual for business activities; farm
12 development; agricultural irrigation systems; purchase, construction,
13 renovation, or repair of commercial buildings; fish manufacturing and
14 processing; fishing vessels and gear; logging operations and equipment;
15 timber manufacturing and processing; nonrenewable resource extraction;
16 or any other activity not otherwise specifically provided for in this
17 section;

18 (2) \$350,000 per individual for farm chattel other than for
19 irrigation systems.

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

22 (1) the loan is made to more than one but not more than 10
23 individuals participating in the project and the loan to each individual
24 does not exceed the maximum limit under (b)(1) of this section; or

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

29 (d) Educational loans made under the authority of sec. 350 of this

chapter may not exceed:

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

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

(1) a corporation or other organization of which the borrower is an officer, director or partner, or is, directly or indirectly, the beneficial owner of 10 per cent or more of any class of equity securities;

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

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

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

(5) a person directly or indirectly controlling, controlled by, or under common control with, the borrower.

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

Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan

1 amounts established in sec. 380(a) and (b) of this chapter shall be
2 increased by the area cost differential (ACD) determined by the formula
3 $ACD = LCC/BCC \times LCOL/BCOL$ where

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

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

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

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

12 (b) For purposes of this section the Department of Transportation
13 and Public Facilities shall annually determine the cost of construction
14 and the cost of living in each area of the state under regulations
15 promulgated by the department establishing standards for the determi-
16 nation.

17 Sec. 45.96.400. ADDITIONAL LOAN LIMITATIONS. The maximum loan
18 amounts established in secs. 380(b) and 390 of this chapter shall be
19 further limited, based upon the actual technical and managerial experi-
20 ence of the borrower relating to the project or activity for which the
21 loan is made, as follows:

22 (1) if the borrower's experience is less than two years, he
23 may receive up to 50 per cent of the maximum amount;

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

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

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

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

3 Sec. 45.96.410. VALUE LIMITATION. The provisions of secs. 380 -
4 400 of this chapter notwithstanding, no loan made under this chapter,
5 unless it is a loan made under the provisions of sec. 330 of this chap-
6 ter, may exceed

7 (1) 90 per cent of the appraised value of real property
8 pledged as security for the loan;

9 (2) 95 per cent of the appraised value of real property
10 pledged as security for the loan if the loan is for residential housing
11 in an area where Federal Housing Administration mortgage insurance is
12 not available; or

13 (3) 80 per cent of tangible personal property pledged as
14 security for the loan.

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

18 (1) 30 years on a loan secured by real property;

19 (2) 15 years or the life of the equipment on a loan secured
20 by equipment used for production of income;

21 (3) seven years on a loan secured by tangible personal prop-
22 erty.

23 Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest
24 charged to borrowers under this chapter shall be the amount determined
25 by the commissioner of revenue to be sufficient to cover anticipated
26 cost of money to the fund and, for borrowers other than municipalities,
27 one per cent over the anticipated cost for the loss reserve account plus
28 the amount required for any necessary insurance, but the rate of in-
29 terest charged may be lower if necessary to prevent bonds issued under

1 this Act from being arbitrage bonds under the provisions of and regula-
2 tions under section 103(c) of the Internal Revenue Code of 1954, as
3 amended. The determination of the anticipated cost by the commissioner
4 is conclusive. Rates of interest less than that, except as provided in
5 (b) of this section, may be charged if the renewable resource develop-
6 ment fund or another state fund agrees to pay the difference between
7 cost and the interest rate to be charged or if appropriation for the
8 purpose of paying the difference has been made.

9 (b) The rate of interest determined in accordance with (a) of this
10 section shall be reduced by one per cent if the loan is made to a vet-
11 eran or is made for agricultural purposes. If the loan is made to a
12 veteran, the World War II veterans' revolving fund, created in AS 26.-
13 15.090, shall pay the difference between the rate determined in (a) of
14 this section and the rate charged to the borrower. If the loan is made
15 for agricultural purposes, the agricultural revolving loan fund, created
16 in AS 03.10.040, shall pay the the difference between the rate deter-
17 mined in (a) of this section and the rate charged to the borrower. If
18 the loan is made to a veteran and for agricultural purposes, the rate of
19 interest shall be reduced by two per cent and each fund shall pay one-
20 half the difference.

21 (c) When the World War II veterans' revolving fund's assets become
22 depleted so that it can no longer pay the difference, the provisions of
23 (b) of this section relating to loans made to veterans apply only if
24 appropriation is made for the purpose of paying the difference. When
25 the agricultural revolving loan fund's assets become depleted so that it
26 can no longer pay the difference, the provisions of (b) of this section
27 relating to loans made for agricultural purposes apply only if appro-
28 priation is made for the purpose of paying the difference.

29 Sec. 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE. (a) The

1 following persons are eligible for special interest rates for veterans
2 established in sec. 430(b) of this chapter:

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

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

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

19 (2) any person who was dependent on a member of the armed
20 forces or a veteran of World War II at the time of the member's or
21 veteran's death if

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

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

29 (C) he died before the official date of the termination

1 of that war; and

2 (D) his discharge was not dishonorable;

3 (3) any person who has served in the Alaska Army National
4 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for
5 not less than six years and who has not received a discharge other than
6 honorable.

7 (b) The provisions of sec. 430(b) of this chapter are extended to
8 persons who served other than dishonorably on active duty between
9 June 25, 1950, and January 31, 1955, who served other than dishonorably
10 on active duty between August 4, 1964, and six months after termination
11 of hostilities involving forces of the United States, and to dependents
12 of those persons, subject to the following provisions and eligibility
13 qualifications:

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

16 (2) at the time of entry into the service residency in the
17 territory or state for not less than one year before entry into the
18 service, and return to the territory or state within a reasonable length
19 of time after discharge or separation with the intention of remaining in
20 the territory or state; or lacking residency before entry into the
21 service, residency in the territory or state for at least five years
22 following release from active military service; and

23 (3) service in the armed forces of the United States for
24 90 days or more, or service for a lesser period because of injury or
25 disability incurred in line of duty, between June 25, 1950, and Janu-
26 ary 31, 1955, or service in the armed forces of the United States for
27 90 days or more or service for a lesser period because of injury or
28 disability incurred in line of duty, between August 4, 1964, and July 1,
29 1977.

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

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

12 (b) The commissioner of commerce and economic development shall
13 incorporate into all lending instruments issued under this chapter the
14 provisions of (a) of this section and a provision calling for immediate
15 foreclosure of the loan for violation of the provisions of (a) of this
16 section.

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

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

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

29 Sec. 45.96.470. BANK PARTICIPATION. (a) Loans made under the

1 authority of this chapter may be made in participation with financial
2 institutions. The participating financial institution may act as agent
3 for the division of Alaska loan programs in the initial processing of
4 applications for loans. Fees for such services shall be mutually agreed
5 upon.

6 (b) If a financial institution participates in a loan, the fund
7 and the participating institution shall share the same ratable interest
8 in the collateral securing the loan. Loan payments made by the borrower
9 shall be distributed between the financial institution and the fund on a
10 pro rata basis.

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

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

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

22 (1) may participate in the implementation stages of that
23 project; or

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

26 (b) A list of all persons performing preliminary services for a
27 loan applicant shall be furnished to the division of Alaska loan pro-
28 grams as part of the loan application, and a list of all persons with
29 whom the borrower has contractual relations in respect to the project

1 after the application for loan shall be submitted to the division at
2 intervals set by the division of Alaska loan programs.

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

6 * Sec. 10. AS 03.10.050 is repealed and re-enacted to read:

7 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
8 administer the loan fund.

9 * Sec. 11. AS 14.40.751(a) is amended to read:

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

18 * Sec. 12. AS 14.40.755(b) is amended to read:

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

23 * Sec. 13. AS 18.100.050 is amended to read:

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

29 * Sec. 14. AS 18.100.070(a) is amended to read:

(a) There is created within the Department of Community and Regional Affairs a senior citizens housing development fund. Subject to direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the department shall make grants [OR LOANS] to municipalities or to corporations designated as tax exempt under sec. 501(c)(3) and (4) of the Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER SEC. 50 OF THIS CHAPTER] for the purpose of developing senior citizen housing. [A GRANT FROM THE PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

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

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

* Sec. 16. AS 29.13.100 is amended by adding a new paragraph to read:

(39) AS 29.58.290 (industrial development bonds)

* Sec. 17. AS 29.58 is amended by adding a new section to read:

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

* Sec. 18. AS 37.10.050 is amended to read:

Sec. 37.10.050. ACCOUNTING FOR STATE MONEY AND PAYMENT TO DIVISION OF TREASURY [DEPARTMENT OF REVENUE] FOR DEPOSIT IN PROPER FUND. (a) Each office, board, commission, or bureau authorized to collect or receive fees, licenses, taxes or other money belonging to the state shall account for and pay the fees, licenses, taxes or other money, less fees to which he is entitled by law to the division of treasury of the

1 Department of Revenue at least once each month.

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

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

14 * Sec. 19. AS 37.10.070(a) is amended to read:

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

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

22 (2) obligations secured by reserves paid in by the United
23 States or agencies or instrumentalities of the United States or obli-
24 gations of corporations in which the United States is a shareholder or
25 member;

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

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

29 (5) corporate obligations of prime or equivalent quality, as

1 rated by a nationally recognized rating organization;

2 (6) other securities, including corporate securities;

3 (7) Federal Housing Administration mortgages;

4 (8) Federal Veterans Administration mortgages;

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

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

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

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

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

16 (14) repurchase agreements, reverse repurchase agreements, or
17 any trading practice or instrumentalities that may evolve in investment
18 management.

19 * Sec. 20. AS 37.10.070(f) is repealed and re-enacted to read:

20 (f) Investment policy shall be formulated by the director of the
21 division of treasury of the Department of Revenue subject to the ap-
22 proval of the commissioner of revenue. In formulating investment policy
23 the director of the division of treasury shall consider maximum income
24 and safety as governed by the prudent-man rule. The investment policy
25 shall be proposed to the legislature during the first 10 days of any
26 regular session. Investment policy only becomes effective 60 days after
27 presentation to the legislature or at the end of that session, whichever
28 is earlier, unless disapproved by a resolution concurred in by a major-
29 ity of the members of each house.

1 * Sec. 21. AS 37.10.070(g) is amended to read:

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

6 * Sec. 22. AS 37.10.070(i) is amended to read:

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

11 * Sec. 23. AS 37.10.070 is amended by adding a new subsection to read:

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

15 * Sec. 24. AS 37.10.075(a) is amended to read:

16 (a) When the commissioner of revenue determines that there are
17 funds in the state treasury which are not being used for the purposes
18 provided for in sec. 70 of this chapter, he may direct the director of
19 the division of treasury to deposit the funds [THEY MAY BE DEPOSITED] in
20 financial institutions in the state which offer the highest bid for the
21 state funds. Collateral may be required by the commissioner to secure
22 state deposits provided for under this section.

23 * Sec. 25. AS 39.25.120(2) is amended to read:

24 (2) the directors, division of personnel, division of public
25 health, division of medical assistance, and those other directors of the
26 major divisions of the principal departments of the executive branch as
27 are specifically designated by the governor, except the directors of the
28 division of Alaska loan programs, division of treasury and division of
29 collections are in the classified service and may not be designated as

1 partially exempt;

2 * Sec. 26. AS 41.22.020(a) is amended to read:

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

10 * Sec. 27. AS 41.35.180(5) is repealed and re-enacted to read:

11 (5) consult with local historical district commissions re-
12 garding the establishment of historical districts under AS 29.48.108 -
13 29.48.110 and recommend, if appropriate, the formulation of additional
14 criteria for the designation of historical districts under AS 29.48.-
15 110(b).

16 * Sec. 28. AS 44.21.020 is amended by adding new paragraphs to read:

17 (13) provide accounting services for the permanent fund (AS
18 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-
19 sources development fund (AS 37.11), and all other state funds;

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

22 * Sec. 29. AS 44.25 is amended by adding a new section to read:

23 Sec. 44.25.025. DIVISION OF TREASURY. (a) There is established
24 within the Department of Revenue the division of treasury. The director
25 of the division is in the classified service under AS 39.25 and shall
26 receive an annual salary within range 27 of the salary schedule estab-
27 lished in AS 39.27.011 or within one range below that on which the
28 highest paid deputy commissioner in the Department of Revenue is paid if
29 that range is higher than range 27.

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

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

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

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

17 * Sec. 30. AS 44.33.020 is amended by adding a new paragraph to read:

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

19 * Sec. 31. AS 18.56.110(a) is amended to read:

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

24 * Sec. 32. All state agencies, departments, commissions, corporations,
25 divisions or other instrumentalities administering or having authority over
26 or control of a loan program or loan fund affected by secs. 10 - 15, 26 - 27,
27 and 33 of this Act shall cease accepting applications for loans no later than
28 January 1, 1980. The division of Alaska loan programs shall begin to accept
29 applications for loans from the Alaska loan programs fund no later than

1 January 1, 1980.

2 * Sec. 33. The following laws are repealed: AS 03.10.010; 03.10.020(1),
3 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;
4 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; AS 18.100.030(1) and (4),
5 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060,
6 26.15.110 - 26.15.160; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080;
7 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.260;
8 AS 44.59.140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS
9 44.60.010, 44.60.130(7) - (13); 44.60.160 - 44.60.260, 44.60.310 - 44.60.320;
10 AS 44.61.010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c),
11 45.86.050 - 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4),
12 45.90.030; AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040,
13 45.98.060.

14 * Sec. 34. AS 37.10.065(c), 37.10.075(b) - (d), 37.10.079; and AS 44.25.-
15 020(2) are repealed.

16 * Sec. 35. AS 37.10.065(a) and (b) are repealed.

17 * Sec. 36. Section 35 of this Act takes effect upon transfer of the funds
18 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
19 provided in sec. 8 of this Act.

20 * Sec. 37. Sections 1 - 9, 16 - 25, 28 - 32, and 34 of this Act take
21 effect June 30, 1979. The unobligated general fund surplus as of June 30,
22 1979 shall lapse into the unallocated reserve account created in AS 45.96.125
23 on June 30, 1979.

24 * Sec. 38. Sections 10 - 15, 26, 27 and 33 of this Act take effect June
25 30, 1980.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

M E M O R A N D U M

February 21, 1979

SUBJECT: Permanent Fund
(Work Order No. 6582)

TO: Representative Hugh Malone

FROM: Kenneth E. Vassar, Legislative Counsel 

Enclosed is the bill you requested which duplicates SB 1.

Also enclosed is a memorandum delivered to me from Donna Spragg Pegues, our revisor of statutes, pointing out some technical and legal problems in the bill.

KEV:nem

Enclosures

STATE OF ALASKA THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 20, 1979

SUBJECT: The Permanent Fund Bill:
(Work Order No. 6582)

TO: Kenneth E. Vassar, Legislative Counsel

FROM: Donna Spragg Pegues, Revisor of Statutes

This memorandum is written to outline:

1. Some problems of clarity encountered in my review where changes may need to be made;
2. A few legal problems with the bill.

I will discuss the last category first. Then I will simply move through the bill section by section outlining certain problems encountered.

The Title. You will recall that we discussed the problem involved in putting together the title for this bill which would:

1. Be confined to one subject; and
2. Express that subject,
(art II sec. 13, Alaska State Constitution).

In my opinion, the title does not meet the requirements of the Alaska constitution. But, if the legislation were challenged, the Alaska supreme court might well be more liberal than I seem to be. In the case of North Slope Borough v. Sohio Petroleum et. al., P.2d CPN. No. 1750 (October, 1978), the Court stated:

"[a]ll that is necessary is that the act should embrace some general subject; and by this is meant, merely, that all matters treated should fall under some one general idea, be so connected with or related to each other, either logically or in popular understanding, as to be parts of, or germane to, one general subject. Johnson v. Harrison, 50 N.W. 923, 924 (minn. 1891)."

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Perhaps here the "one general subject" required by the Court is the overall use of state revenues.

Local Hire. AS 45.96.450 establishes "employee practices" for a loan recipient who contracts for work to be done on the project financed by a loan. It requires that 90 to 95 percent Alaska resident hire on the project and calls for immediate foreclosure of the loan for a violation of the section. I think the constitutionality of this section is highly questionable in light of the United States Supreme Court opinion Hicklin v. Orbeck, (1978).

Confirmation of Members of Permanent Fund Corporation. AS 37.13.050 requires that the members appointed by the governor to the Permanent Fund Board of Trustees be confirmed by the legislature. It seems to me that this section is questionable under Bradner v. Hammond, 553 Pacific 21 (Alaska 1976). The Board of Trustees is not the head of a principal department under section 26 of the Alaska constitution. Likewise, it is not a regulatory or quasi-judicial board under section 26 of the Alaska constitution. However, I note that the legislature passed a similar provision when it enacted the Renewable Resource Corporation Act (Chapter 179, SLA 1979). I also note that there are other "independent" corporations in title 44 which include the same provision. The question is probably debatable and, none of the independent "corporations" has been challenged in court. I assume the legislature will want to let this one go through as drafted, but I did want to let you know of my concern about the constitutionality of the provision.

Removal of Board Members. In AS 37.13.070 the legislature is involved in the removal process. This is also a characteristic of the Alaska Renewable Resources Corporation which was enacted last session. The same comments apply as in the matter of confirmation.

Disposition of Permanent Fund Money. As you know, article IX, section 15 of the Alaska state constitution establishes the Alaska Permanent Fund. The final sentence of that section requires that "all income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law."

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I do not see any disposition of income in this act. Is the income meant to go to the General Fund? Also, as I earlier noted, I do not observe any tie-in between money from the Permanent Fund and the resources of the loan fund. I assume none was intended in this version of the bill?

Perhaps the income tax rebate section was meant to be a disposition of the income of the Permanent Fund. However, that section does not actually require the disposition of any money. In effect, the section relating to taxes only allows for an increased credit when the income reaches a certain level. No actual disbursement of income is involved.

Unallocated Reserve Account. As you know, AS 45.96.125 sets up an "unallocated reserve account" which apparently consists of the General Fund unobligated balance. It is not clear to me just what is to happen to that balance (for example, is it subject to regular appropriation?) after it is swallowed up by this reserve account. The precise money flow here evades me. So, in your absence I took up the matter with Billy Berrier. He told me that he thought that the legislature intended to make the "unallocated reserve account" an account in the General Fund. However, in the context of the bill it reads as if it were an account in the Loan Fund. You may want to take up this question with Billy Berrier.

I will now go through the bill and list some of the technical questions encountered.

37.13.130(g)(1) I do not understand the exception in this subsection. I think it needs some redrafting and will be happy to discuss it with you.

37.13.130(i). In this subsection "secured loans" are mentioned which may be purchased under (h). But, (h) describes only "mortgages." Subsection (h) does not mention "secured loans." I find this somewhat confusing. It seems to me that only mortgages should be listed in (i). I have the same problem with AS 37.13.130(j).

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37.15.150(b). This is the section concerning the tax credit which we discussed earlier. It remains unclear. This is especially true because of the difficulty of tying a tax year into a fiscal year. The Permanent Fund is apparently on a fiscal year basis and the income tax is levied on a calendar year basis.

45.96.020(b). See the same language at 45.96.240 and 44.25.025. Because a salary and not a "range" is what is received by an individual, I think this section needs redrafting.

45.96.040. See the last sentence of this section where the "fund" is selling its assets. Here and there throughout the bill we find the "fund" doing particular things. David and I agree that a fund is inanimate and cannot actually do anything. Rather, things are done with the money in the fund. I also wonder who the "officer" is in 45.96.050. We have not had any officers of the fund identified at any point in the bill.

45.96.240. In the last line of this section the phrase "business practice" is used. I am not certain exactly what this means.

45.96.300. As I noted to you earlier, I have had some difficulty with this section on "public purpose" loans. I still believe that (a)(1) says the same thing as (a) in general, since both kinds of bonds are included in both places. It seems to me that this is one of the matters that should be taken up with the sponsor. Let's discuss. This section could also probably use some reworking for clarity.

As for (b), I cannot tell if this includes the municipalities which are already included in (a) or not. What do you think? I am just not certain what they are trying to do through these sections.

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As for (e) - is the "major" part 51 percent? I am not sure what they mean by "major" part. Also, I am not certain whether (e) limits all "public purpose" loans under 45.96.300 or just some of the subsections. What do you think?

45.96.440(c). I believe this subsection needs to be tied back to 45.96.430(b) as to which fund pays this additional difference.

45.96.470(c). I believe there is a statute setting the rate of interest. It should be cited here.

37.10.070(a)(14). I wonder how the state can purchase a "trading practice?"

45.25.025(c). The exception here is unclear to me and I think the subsection should be redrafted for clarity. I will, of course, be glad to explain my problem with it.

A few other notes follow.

David pointed out that he thinks we should change the system so that section numbers change on a count of five rather than ten. In other words, AS 45.96.055 would follow AS 45.96.050. This gives more room for additions to the statutes. I do not think it is necessary to attempt to change this bill to conform with this new approach, but I did want to call it to your attention for future reference.

There is a section in the bill which provides that the legislature has power to pass on the executive branch investment policy. That policy can be rejected by the legislature. I note that the issue of the legislature's power to annul an executive action is now before the Alaska Supreme Court and may be decided sometime during the next session. It is something to think about as this bill proceeds.

I also note that almost all of the provisions for loans in the bill have residence requirements and in one section the limitations on the amount of loans is tied to length of residence. These sections may at some point be subject to challenge because of the durational residence requirements.

DSP:nem

SENATE FINANCE COMMITTEE

May 18, 1978

9:10 a.m.

TRANSCRIPT OF TESTIMONY BY REPRESENTATIVES FROM E. F. HUTTON
& CO., INC.

RE: PERMANENT FUND

SF-78 # 48 (1137 - end)

Mr. Dupere introduced Messrs. Alfred A. Wiesner and Leonard E. Matz from E. F. Hutton & Co., Inc., and Mr. Allan Garfinkle of Kutak Rock & Huie, advising that they would be speaking on proposed permanent fund legislation, Mr. Garfinkle to address IRS implications and legal aspects of the fund while Messrs. Wiesner and Matz address the marketability of this pioneer-type legislation.

LEGAL ASPECTS AND IRS IMPLICATIONS

GARFINKLE: I will discuss the purpose and rationale of fund bonds with respect to the IRS Code. The state can issue tax free bonds, but there are exceptions which limit the state's power built into the IRS Code. One limitation is the purpose, the other limitation is the dollar amount of the bonds designed to help private companies (Industrial Development Bonds).

Since the purpose of the committee is to assist in commerce within the state, I will discuss the limitations with an attempt to see if they can be used more easily and with fewer constraints. There is a benefit in having one agency which can issue bonds for many purposes, most of which are non-industrial

basis without congressional interest.

GRUENING: Alaska is perceived as a very rich state, and if congress were to feel that Alaska was getting tax exempt status which creates a drain on the treasury -

GARFINKLE: That is a possibility which would result in having to rewrite the legislation. I don't think that this is going to happen. Really, if Alaska is going to issue 25 million dollars in bonds to develop the state, that is just such a tiny drop in the bucket that I can't see anyone getting upset by it. If every state did it, then there might be problems, but I don't foresee those now.

MARKETABILITY

WIESNER: My name is Fred Wiesner, I am with E.F. Hutton Company. I handle underwriting as well as distribution out of Denver, Colorado. If I may sit down and discuss this bill a little. The bill before you is, at least in my experience, unique. Possibly in the Lower 48 the closest you could come to it is some of the bond banks. You have one up here, and a number of the other states have them. The bond banks are, however, essentially oriented to financing municipal improvements. A few of them are involved in housing, and a few are involved in small issues of bonds where they feel that a better

market can be achieved through the bond bank concept rather than individually. I think the jury is still out on whether a more economical basis has been achieved through the bond bank.

Probably a slightly closer concept of this bill is one presently being considered in New Mexico and one in Wyoming. Both states are going to be impacted to a considerable degree in terms of coal extraction, etc., and have extractive taxes, and intend to rake a goodly sum of that and use it in part to build roads, water systems, etc. in the impacted area, and a bit of it will be used to assist in house financing, etc. in these same areas. However, in terms of the industrial revenue aspect of this financing, it is not generally prevalent in either one of those situations.

In the case of the issues in the bond bank, the security is somewhat different than what you are looking at in this case. The bond bank deals are generally no better than the weakest link or the weakest issue in the bond bank. Most of them do not have preferral security provisions to bolster the security behind the bond bank. Some of them do, but most of them, to the extent they do, are very limited. In this case, however, you are looking at not only the security considerations in terms of loans made, but

you are looking at the income that is to be derived off of this permanent fund as an additional security behind this loan, and that is what makes the entire difference, really. Many states would, I think, like very much to set up a bill similar to what you are doing here, but the demand for loans would be heavy in the states of Colorado, New Mexico, or some of the energy states in the Lower 48, but the source of income, the source of revenue, will be nowhere near the amount of money that you are talking about up here. You are looking here at a permanent fund of somewhere between 150 and 250 million dollars a year as net addition to the permanent fund. And at that net addition, the income gets to be substantial. Unfortunately, most of the Lower 48 won't be taking in that kind of money under extractive taxes.

The bill is going to assist housing. It will assist municipalities on their water, sewers, schools, you name it. It will help the fishing industry. It will help virtually all areas of the industrial complex in Alaska in terms of its ability to borrow money from this bank (if you want to call it that) on a long term debt financing basis at rates that are more attractive than they could get in the private sector, for probably