

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

612 SCOMM18: HOUSE SPECIAL COMM. ON PERMANENT FUND 1978-80

those rates will be cheaper for two reasons. Mr. Garfinkle mentioned earlier that tax exempt versus taxable, you could probably look for a 2% savings in interest. I think that is true, 2 to 2-1/2, for credit per credit, but we are not talking about credit per credit. For a gentleman that is anticipating moving into the lumbering or perhaps fishing area, it might be a question whether he gets any money at all because in the case of this bank, you have got the security of the income of the permanent fund that is behind this loan. So, I think in terms of your small industrial borrowers, you are going to see substantially greater interest savings to them, and/or the difference between the ability to borrow any money at all versus not borrowing it.

In looking at this bond as such would emanate from this program, you've got a bond that is secured by two sources of revenue: the borrower's and the interest income from the permanent fund. The borrower's will vary probably fairly widely. To the extent that there is a lot of housing involved in any specific borrowing, your borrowers will probably be fairly strong (a fairly strong security aspect behind the bonds). To the extent that you have a lot of small industrial borrowers, your credit probably will be weakened to that extent. However,

the credit is essentially identical in all of the loans in that the anticipated source of revenue from the permanent fund will be very, very substantial.

Obviously, if you were to borrow under this program presently, under one of these bond issues presently, you are borrowing in anticipation of the security you are going to have in the future--the security from the permanent fund. I don't see that as any difficult problem in terms of marketing. You are, in terms of marketing this kind of issue, selling, in my opinion, a well secured obligation, and you are selling an unknown obligation; unknown to the extent that the investor, the institution, and the underwriter for that matter, has never been faced with a "critter" quite like this before. That doesn't mean that our industry hasn't been able to move enough to recognize a deal occasionally, but we are a little slow. It is different. It is unique. It is going to take some education on the part of the investors. I see no reason why that educational process, however, cannot commence and be successful in convincing the large institutional investors, as well as the individuals, that this "animal," this "creature" of the state legislature is one that is beneficial to an investment portfolio, and would be beneficial to the people of the state of Alaska.

A question was asked before in terms of congressional intent on changing, possibly, these ratios as to the amount of money that can be "diverted" to private enterprise. I think that if Alaska were to implement this type of program, it would be one of few states, if any other states, implementing it, and I have found, at least in my experience in the advanced refunding area, that until a program becomes highly visible and is utilized nationwide, the Treasury Department's interest in doing anything about it has been really insignificant. I think an example is the whole concept of advanced refunding which is under some change right now. I've been doing advanced refundings for 20 some years. We have never heard from the Treasury Department, and they never heard from us for many, many years until the large issues in Tennessee, Florida, Mississippi, and the East Coast started to be done, and then the Treasury Department felt there was a problem. I don't see a change in regulations in connection with those dollars that can be utilized in private industry.

I would like to try to answer some questions.

HOHMAN: Any questions of Mr. Wiesner?

GRUENING: Are you aware of what the present earnings from the permanent fund are?

WIESNER: Insignificant, because the permanent fund is so small. You'll not see earnings of any consequence until about 1981 or 82.

GRUENING: So that borrowings made in the next couple of years will be in anticipation of income. I am wondering whether - isn't the ultimate security the amount of the reserve whether it's permanent fund income or a cash reserve that is committed?

WIESNER: Define, if you will.

GRUENING: Well, there is nothing magic, is there, about the use of permanent fund income. If you allocated the same amount that you are estimating, but you don't know is going to accrue, but you think is going to accrue, actually allocate that in terms of cash to a reserve fund, aren't you providing a greater security in that the borrower doesn't have to anticipate--he's got it.

WIESNER: Well, to the extent that money is in hand versus promised, you know one in hand is always worth two in the bush, but -

GRUENING: In this case it's two in bush!

WIESNER: But in this case I think you are looking at something a little - (laughter in response to Rep. Gruening's previous statement precludes answer) In the sense that if money is needed now, and is borrowed now, the permanent fund is not in a position, now, of securing bonds of a substantial cash balance unless they were to use permanent money. A lender, a municipal lender, is lending money

on a longer term view. He is not lending on the basis of what is going to happen in Alaska next year or the year after. He is lending money, say for 20 or 25 years, and he is looking essentially at what the permanent fund is going to look like in years to come, and what reasonable sources of cash flow can he see out of the interest earnings off that fund. The fact that there is no yield this year, or very little, or next year, is not nearly as of great a consequence to him as how much does he think is going to be there 5 or 10 years from now, because that is what is going to pay him off--not the money that is there tomorrow.

GRUENING: Doesn't it require him to look at the underlying security of the permanent fund? In other words, the projects, incidentally, are based not on the security of the permanent fund, but on our oil income largely, so if the pipeline blows up or springs a leak, or there is a drop in the price of oil, these have the greatest impact on earnings at this point anyway, because we don't have a real investment plan developed for the permanent fund. My point is, wouldn't a reserve fund that we could set up today in larger quantity than could be established by flow of the income from the permanent fund help to get this program off the ground quicker then?

In other words, your suggestion is to establish, I think, a track record since there is no "critter" of this nature, you say, and perhaps starting a reserve fund to begin with so we can see whether establishing a track record might be better than anticipating income and having it materialize -

WIESNER: Let me paraphrase it, perhaps, in how I could look at an issue in two different categories. If you were to issue 100 million dollars in bonds today, and say we will put into a cash reserve today 25 million dollars (a good size figure or whatever) say 30 million dollars as security behind that bond, and that is what we are going to put up (no more, no less) but you've got 30 million to play with--versus buying a 100 million dollar issue and give me the security of the income from the permanent fund (admittedly not there today, or of any consequence, but over the next 20 years is going to amount to hundreds of millions of dollars) I will, if you will, take the two in bush versus the one in hand. I would rather have the security of the permanent fund (the total permanent fund income) than a cash balance in hand today, unless you were going to make the cash a hundred million dollars, assuming that is what the bond issue is.

GRUENING: (Question inaudible.)

last '79 SB1

Nancy Lord
% Malone

Original sponsor: Hohman

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; to
7 the investment, review and use of state revenues; to
8 Alaska loan programs; to legislative oversight; and
9 providing for an effective date."

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

11 * Section 1. FINDINGS. The legislature finds that there is a substantial
12 need for oversight of the performance of those agencies of the state which
13 perform lending or investment functions since those functions do not receive
14 the detailed review to which other expenditures of public money are subject,
15 and therefore the knowledge necessary for sound legislation in this area is
16 not readily available. There is a need for legislative oversight which will
17 provide information on the policy and performance of these agencies, the
18 extent to which the agencies conform to statutory intent, and the impact of
19 their performance on the economy and the state treasury. This need will be
20 met by the enactment of AS 24.20.156 - 24.20.209 and secs. 3 and 4 of this
21 Act.

22 * Sec. 2. AS 24.20 is amended by adding new sections to read:

23 Sec. 24.20.156. PURPOSES. The purposes of the Legislative Budget
24 and Audit Committee include

25 (1) monitoring and reporting

26 (A) the performance of the agencies of the state which
27 perform lending or investment functions,

28 (B) the extent to which the performance of these agen-
29 cies has contributed to the fiscal, financial, economic and social

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1 improvement of the state and its citizens,

2 (C) the extent to which these agencies and the executive
3 have prepared and coordinated short and long term economic, fiscal,
4 investment and financial planning;

5 (2) holding these agencies accountable to statutory intent in
6 their performance by recommending, where appropriate, changes in policy
7 to the agencies or changes in legislation to the legislature;

8 (3) annually reviewing the extent of capitalization of the
9 investment funds of the state and alternative investment policy for the
10 general fund surplus and recommending needed legislation.

11 Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Commit-
12 tee shall

13 (1) report to the legislature its recommendations relating to
14 the confirmation of suggested appointees to the Board of Trustees of the
15 Alaska Permanent Fund Corporation and the Board of Trustees of the
16 Alaska Renewable Resources Corporation;

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

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

21 (4) present a complete report of investment programs, plans,
22 performance, and policies of all agencies of the state which perform
23 lending or investment functions to the legislature within 30 days after
24 the convening of each regular session;

25 (5) present to the legislature within 30 days after the con-
26 vening of each regular session a review of the report of the governor
27 under AS 37.07.020(d) with recommendations for any needed legislation;

28 (6) in conjunction with the finance committee of each house
29 recommend annually to the legislature the investment policy for the

1 general fund surplus and for the income from the permanent fund;

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

5 Sec. 24.20.209. RECORDS. The Legislative Budget and Audit Commit-
6 tee shall keep a complete file of all reports presented to it and all
7 reports presented by it to the legislature or to a legislative commit-
8 tee.

9 * Sec. 3. AS 24.20.201(a) is amended by adding new paragraphs to read:

10 (8) hold public hearings on the confirmation of the members
11 of the Board of Trustees of the Alaska Permanent Fund Corporation, and
12 the members of the Board of Trustees of the Alaska Renewable Resources
13 Corporation;

14 (9) make recommendations concerning the structure and operat-
15 ing practices of all agencies of the state which perform lending or
16 investment functions;

17 (10) enter into and enforce all contracts necessary or desira-
18 ble for the functions of the committee.

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

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

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

25 (2) alternative investment policy for the general fund sur-
26 plus.

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

28 CHAPTER 13. ALASKA PERMANENT FUND.

29 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15

(1) 50

(2)

(3) 50% of all ... leases issued after July 1, 1979.

Same

of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) 100 per cent of mineral lease bonuses remaining after deduction of any amounts allocated

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

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

(2) 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the state from mineral leases issued on or before July 1, 1979;

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

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

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

Sec. 37.13.020. FINDINGS. The people of the state, by constitutional amendment, have required the placement of at least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

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

(2) the corporation's goal should be to maintain safety of principal while maximizing total return;

(3) the corporation should be used as a savings device

1 managed to allow the maximum use of disposable income from the corpora-
2 tion as needed for purposes designated by law.

3 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
4 provide a mechanism for the management and investment of those permanent
5 fund assets allocated to the Alaska Permanent Fund Corporation in a
6 manner consistent with the findings established in AS 37.13.020.

7 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. (a) There is
8 established the Alaska Permanent Fund Corporation. The corporation is a
9 public corporation and government instrumentality in the Department of
10 Revenue managed by a board of trustees but has a legal existence inde-
11 pendent of and separate from the state. The purpose of the board is to
12 manage and invest the assets of the corporation in accordance with this
13 chapter.

14 (b) The existence of the corporation is terminated on June 30,
15 1982, and its functions and responsibilities transferred to the Depart-
16 ment of Revenue, unless the legislature continues its existence under
17 the provisions of AS 44.66.050.

18 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The Board
19 of Trustees of the Alaska Permanent Fund Corporation consists of five
20 members appointed by the governor and confirmed by a majority of the
21 members of the legislature in joint session.

22 (b) The board shall annually elect a chairman from among its
23 members.

24 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
25 appointed for terms of three years, and they may be reappointed subject
26 to reconfirmation by a majority of the members of the legislature in
27 joint session. Terms shall be staggered. Initial terms shall be two
28 members serving for one year, two members serving for two years, and one
29 member serving for three years.

Same as 281
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1 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
2 remove a member of the board from office by and with the consent of a
3 majority of the members of the legislature in joint session. A removal
4 by the governor shall be in writing and state the reason for removal.
5 If the legislature is not in session, the governor may suspend a member
6 of the board. Upon suspension, a vacancy is not created but the board
7 member may not participate in board business and may not be counted for
8 purposes of establishing a quorum. The joint session shall be held
9 within 30 days from the date of removal if the removal occurs while the
10 legislature is in session or within 30 days of convening of the legis-
11 lature if the legislature is not in session. If the legislature refuses
12 to consent to his removal, the board member shall be reinstated to his
13 position.

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

23 (c) A vacancy on the board does not impair the authority of a
24 quorum of the board to exercise all the powers and perform all the
25 duties of the board.

26 Sec. 37.13.080. QUALIFICATIONS OF BOARD OF TRUSTEES. (a) No
27 individual may be appointed to the board who has not been a resident of
28 the state for at least three years.

29 (b) No member of the board may hold any other state or federal

1 office, position or employment, either elective or appointive, except as
2 a member of the armed forces of the United States or of this state.

3 (c) At least three members of the board shall have recognized
4 competence and wide experience in finance, investments, or other busi-
5 ness management-related field.

6 Sec. 37.13.090. QUORUM. Three members of the board constitute a
7 quorum for the transaction of business and the exercise of the powers
8 and duties of the board.

9 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Members of the board
10 receive an honorarium of \$250 for each meeting day if they attend the
11 meeting and are entitled to per diem and travel allowances as provided
12 by law for members of state boards and commissions.

13 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
14 determine the salary of an executive director. The executive director
15 may, with the approval of the board, select and employ additional staff
16 as necessary. No employee of the corporation, including the executive
17 director, may be a member of the board. The executive director and all
18 other employees of the board are in the exempt service under AS 39.25.

19 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board
20 and the executive director are subject to the provisions of AS 39.50.

21 (b) If a member or employee acquires, owns or controls an in-
22 terest, direct or indirect, in an entity or project in which corporation
23 assets are invested, he shall immediately disclose the interest to the
24 board. The disclosure is a matter of public record and shall be in-
25 cluded in the minutes of the board meeting next following the disclo-
26 sure.

27 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule
28 shall be applied by the board in the management and investment of per-
29 manent fund assets. The prudent-man rule as applied to investments of

1 the corporation means that in making investments the board shall exer-
2 cise the judgment and care under the circumstances then prevailing which
3 an institutional investor of ordinary prudence, discretion, and intel-
4 ligence exercises in the management of large investments entrusted to it
5 not in regard to speculation but in regard to the permanent disposition
6 of funds, considering probable safety of capital as well as probable
7 income.

8 (b) The corporation assets shall only be used for income-producing
9 investments.

10 (c) The board shall maintain a reasonable diversification among
11 corporation investments unless under the circumstances it is clearly
12 prudent not to do so.

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

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

17 (f) The board may enter into and enforce all contracts necessary,
18 convenient or desirable for purposes of the corporation.

19 (g) Subject to the limitations in (a), (h), and (i) of this sec-
20 tion, the board may invest corporation assets in

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

24 (2) obligations secured by reserves paid in by the United
25 States or agencies or instrumentalities of the United States or obliga-
26 tions of corporations in which the United States is a shareholder or
27 member;

28 (3) certificates of deposit issued by United States domestic
29 banks which are members of the Federal Deposit Insurance Corporation and

no
Federal
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1 which are secured as to the payment of principal and interest in accor-
2 dance with Alaska law and for which a generally recognized secondary
3 market exists;

4 (4) corporate debt securities which are rated AA or better by
5 a nationally recognized rating service;

6 (5) short-term corporate promissory notes of the highest
7 rating assigned by a nationally recognized rating service;

8 (6) bankers' acceptances drawn on and accepted by United
9 States banks each of which have a combined capital and surplus aggrega-
10 ting at least \$200,000,000;

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

13 (8) the guaranteed portion of Federal Small Business Admini-
14 stration loans;

15 (9) the portion of first lien real estate mortgages guaran-
16 teed by the Federal Veterans Administration;

17 (10) the portions of business and industrial loans made under
18 the Rural Development Act of 1972 which are guaranteed by the Farmer's
19 Home Administration;

20 (11) the guaranteed portion of Farmer's Home Administration
21 loans.

22 (h) Investments under (g)(4) of this section may not exceed 25 per
23 cent of the total investments of the fund. Investments under (g)(8) -
24 (11) of this section may not exceed in the aggregate 25 per cent of the
25 total investments of the fund.

26 (i) No portion of the assets of the fund may be used for the pur-
27 chase of bonds of a corporation, upon which any regular interest payment
28 has been defaulted within five years before purchase, except bonds never
29 in default but which have been outstanding for less than five years.

amended
on house bill

1 (j) The board shall establish and from time to time as necessary
2 modify guidelines for the investment of the assets of the corporation.
3 Before adoption of guidelines the guidelines shall be reported to the
4 Legislative Budget and Audit Committee for review and comment.

5 (k) Nothing in this section precludes in-state investments that
6 have a risk level and expected yield comparable to alternative invest-
7 ment opportunities.

8 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
9 the total amount of losses on the sales of securities, not offset by
10 gains on the sales of securities during that year, shall be computed,
11 with a portion of these losses to be deducted each fiscal year from the
12 income and the resulting amount of income added to the principal of the
13 fund. Losses taken on the sales of securities shall be accumulated over
14 a period equal to the average remaining life of the securities sold,
15 unless these losses are offset by gains on future sales of securities.
16 In any fiscal year in which the gains on the sales of securities exceed
17 the losses on the sales of securities, the excess shall be added to the
18 principal of the fund.

19 Sec. 37.13.150. INCOME. The interest received in a year is the
20 income of the corporation for that year. The income available for
21 disbursement shall be determined on an averaging basis. For the first
22 five years, income will be the simple averaging of the annual current
23 return at cost. Subsequently, there will be a moving average current
24 return, in which the latest fiscal year will replace the oldest year.
25 The income available for disbursement will be the lesser of the latest
26 fiscal year's income, or the average annual current income for the past
27 five fiscal years of the fund at cost, and after adjustment for capital
28 losses charged to that fiscal year.

29 Sec. 37.13.160. BOARD BUDGET. The operating budget of the board

1 is from the general fund and is subject to the Executive Budget Act
2 (AS 37.07).

3 Sec. 37.13.170. AUDITS. The Legislative Budget and Audit Commit-
4 tee shall provide for an annual post audit and annual operational and
5 performance evaluations of the investments and investment programs of
6 the corporation.

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

27 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
28 taxes and assessments in the state. Security instruments issued by the
29 corporation, their transfer, and their income are exempt from all taxes

1 and assessments in the state.

2 Sec. 37.13.200. POLITICAL ACTIVITIES. The resources of the cor-
3 poration may not be used to finance or influence any political activi-
4 ties.

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

14 Sec. 37.13.220. DEFINITIONS. In this chapter,

15 (1) "board" means the Board of Trustees of the Alaska Per-
16 manent Fund Corporation;

17 (2) "corporation" means the Alaska Permanent Fund Corpora-
18 tion.

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

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

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

24 (QQ) Board of Trustees and executive director of the
25 Alaska Permanent Fund Corporation.

26 * Sec. 8. AS 43.20.015 is repealed and re-enacted to read:

27 Sec. 43.20.015. INDIVIDUAL TAX CREDIT. (a) For tax years begin-
28 ning after December 31, 1977, each individual filing an Alaska net
29 income tax return is entitled to a cost-of-living credit provided for in

1 this section. For married taxpayers filing a joint return, the return
2 may claim the credit for each spouse.

3 (b) The amount of the annual cost-of-living credit is as follows,
4 but not exceeding the net tax liability of the taxpayer after appli-
5 cation of all other credits:

6 (1) for the 1978 tax year -- \$100;

7 (2) for the 1979 and 1980 tax years -- \$100 plus an amount
8 determined by the department under (c) of this section times the number
9 of years, up to a maximum of five, that the taxpayer has filed a return
10 under this chapter;

11 (3) for the 1981 and following tax years -- an amount deter-
12 mined by the department under (c) of this section times the number of
13 years, up to a maximum of five, that the taxpayer has filed a return
14 under this chapter.

15 (c) The additional credit amount under (b)(2) of this section, and
16 the amount under (b)(3) of this section, is equal to the quotient of 50
17 per cent of the income of the Alaska permanent fund during the previous
18 fiscal year divided by the total number of creditable years as deter-
19 mined in (d) of this section, but no additional credit amount may be
20 allowed under (b)(2) or (b)(3) of this section until a constitutional
21 amendment providing for dedication of at least 75 per cent of all
22 mineral lease rentals, royalties, royalty sale proceeds, and federal
23 mineral revenue sharing payments received by the state becomes effec-
24 tive.

25 (d) The number of creditable years is the number of individual tax
26 returns filed under this chapter in the current year multiplied by the
27 number of years that the individuals filing those returns previously
28 filed returns up to a maximum of five years per individual.

29 (e) For part-year resident and non-resident individual taxpayers,

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1 the credit provided in this section shall be prorated according to the
2 number of months present in the state for those years in which the
3 taxpayer is claiming credit.

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

5 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

6 Sec. 45.96.010. PURPOSE. The purpose of the loan programs fund is
7 to provide the lowest possible interest costs to Alaska borrowers con-
8 sistent with sound financial practices and to make available to all
9 sectors of the Alaska economy loans including long-term financing. A
10 strong loan source, by being available to secure interest rates and
11 terms better than those available to loan funds limited in size for a
12 specific purpose, will make a significant contribution to lowering costs
13 of living for Alaska residents and costs of operations in the private
14 and public sector.

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

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

28 (c) The division of Alaska loan programs shall manage the loan
29 programs fund in accordance with this chapter.

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

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

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

anticipation notes have been executed and are available for delivery.

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

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

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

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

Sec. 45.96.050. REMEDIES. A holder of obligations issued under the provisions of this chapter or coupons attached to them if not restricted by the resolution, either at law or in equity, may enforce all rights granted under the coupons or under any other contract executed by

1 the fund under this chapter, and may enforce and compel the performance
2 of all duties required by this chapter to be performed by the fund or by
3 an officer of it.

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

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

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

29 (b) Refunding obligations may be sold or exchanged for outstanding

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

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

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

1 and governmental purpose, and the bond and the interest and income on
2 and from the bonds and all income of the fund are exempt from taxation
3 except for transfer, inheritance and estate taxes.

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

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

14 Sec. 45.96.120. ALLOCATED RESERVE ACCOUNT. For the purpose of
15 securing obligations of the fund, a special account within the general
16 fund called the allocated reserve account is established. One half of
17 the income from the Alaska permanent fund established in AS 37.13.010 is
18 allocated to the allocated reserve account, and other money may be
19 appropriated to the account. The amounts necessary to fund the capital
20 reserve account established under AS 45.96.140, the fire insurance and
21 liability reserve account under AS 45.96.165, and the loss reserve
22 account under AS 45.96.150 are allocated to those accounts from the
23 allocated reserve account. All other expenditures from the allocated
24 reserve account shall be in accordance with annual appropriations.

25 Sec. 45.96.125. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose
26 of securing obligations of the fund, a special account within the general
27 fund called the unallocated reserve account is established. The un-
28 allocated reserve account consists of any amount in excess of
29 \$100,000,000 remaining in the general fund at the end of a fiscal year

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1 which have not been obligated.

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

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

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

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

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

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

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

3 (c) The one per cent difference between the rate of interest paid
4 by a borrower and the rate of interest as required by AS 45.96.420 shall
5 be allocated to the loss reserve account.

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

15 Sec. 45.96.160. INVESTMENT OF RESERVE ACCOUNTS. (a) The director
16 of the division of treasury in the Department of Revenue shall invest
17 money in the reserve accounts established by this chapter, other than
18 funds in the debt service reserve account, only in

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

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

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

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

29 Sec. 45.96.165. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The

1 fund may issue loans without requiring proof of insurance against fire
2 and liability if an additional charge of six-tenths of one per cent per
3 year is made. The receipts from this charge shall be deposited in the
4 fire insurance and liability reserve account and may only be used to
5 reimburse the fund for losses which occur on property for which the
6 charge provided by this section was in effect at the time of loss.

7 Sec. 45.96.170. INVESTMENTS. (a) All investments of the fund
8 cash balances and of reserves for specific bond issues or statutorily
9 required reserves are managed for the fund by the director of the divi-
10 sion of treasury in the Department of Revenue. The director shall
11 determine investment policy and manage the investments of the fund under
12 the same criteria applicable to other state investments he manages.

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

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

21 Sec. 45.96.180. BUDGET. The operating budget of the fund is by
22 appropriation from the general fund unless the legislature specifically
23 appropriates from the unallocated reserve account. The operating budget
24 is subject to the Executive Budget Act (AS 37.07).

25 Sec. 45.96.190. ACCOUNTING AND REPORTS. Accounting for the fund
26 shall be provided by the Department of Commerce and Economic Develop-
27 ment. Reports shall be made by the department to the Legislative Budget
28 and Audit Committee at least once a month. These reports shall include
29 an itemization of each loan which has been in default for a period in

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1 excess of 30 days and the measures taken for each to insure compliance
2 with terms and conditions of the loan. The Legislative Budget and Audit
3 Committee shall provide quarterly reports to the legislature summarizing
4 the information it receives under this section and under AS 45.96.170(b)
5 and including comments and suggestions the committee determines to be of
6 interest to the legislature relating to the administration of the loan
7 program. Other reports shall be made as prescribed by the Department of
8 Commerce and Economic Development.

9 Sec. 45.96.200. LOAN PROCEDURES. The director of the division of
10 Alaska loan programs shall establish district loan offices in Juneau,
11 Fairbanks, and Anchorage and may establish other loan offices as neces-
12 sary which shall be headed by district directors. A loan office shall
13 provide information concerning the loan programs under this chapter,
14 other state loan programs, state grant programs, federal loan or grant
15 programs, and, to the extent feasible, private loans.

16 Sec. 45.96.210. ALASKA LOAN PROGRAMS COMMITTEE. There is estab-
17 lished in the Department of Commerce and Economic Development the Alaska
18 Loan Programs Committee consisting of the directors, or their designees,
19 of the following divisions: (1) the division of economic enterprises
20 in the Department of Commerce and Economic Development, (2) the divi-
21 sion of collections in the Department of Commerce and Economic Develop-
22 ment, and (3) the division of Alaska loan programs in the Department of
23 Commerce and Economic Development. The committee shall make a monthly
24 report to the Legislative Budget and Audit Committee on the status of
25 loan collections.

26 Sec. 45.96.220. COLLECTIONS; DIVISION OF COLLECTIONS. There is
27 established within the Department of Commerce and Economic Development
28 the division of collections. The director of the division is in the
29 classified service under AS 39.25 and shall receive an annual salary

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1 within range 27 of the salary schedule established in AS 39.27.011 or
2 within one range below the range on which the highest paid deputy com-
3 missioner in the department is paid if that range is higher than
4 range 27. In order to qualify for the position of director, a person
5 must be an attorney licensed to practice in this state with at least
6 four years of practice in business law and business practices.

7 Sec. 45.96.230. LOAN PURPOSES. Loans may be made from the fund
8 for residential housing, commercial purposes, and public purposes.

9 Sec. 45.96.240. RESIDENTIAL HOUSING. The director of the division
10 of Alaska loan programs may, for the purpose of providing housing for
11 persons who meet the eligibility requirements of AS 45.96.360,

12 (1) make or participate in the making of mortgage loans from
13 the fund to sponsors, developers, builders, and purchasers of residen-
14 tial housing;

15 (2) purchase or participate in the purchase of mortgage loans
16 made from the fund to sponsors, developers, builders, owners, and pur-
17 chasers of residential housing;

18 (3) acquire real property, or any interest in real property,
19 in the name of the fund, by purchase, transfer or foreclosure, when the
20 acquisition is necessary or appropriate to protect any loan in which the
21 fund has an interest; sell, transfer and convey any such property to a
22 buyer; and, if the sale, transfer or conveyance cannot be effected with
23 reasonable promptness or at a reasonable price, rent or lease the pro-
24 perty to a tenant pending the sale, transfer or conveyance;

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

29 (5) purchase, in order to meet the requirements of the sale

1 of its mortgages to the Federal National Mortgage Association, stock of
2 the Federal National Mortgage Association;

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

11 Sec. 45.96.250. COMMERCIAL LOANS. (a) The director of the divi-
12 sion of Alaska loan programs may make loans from the fund to

13 (1) individual farmers, homesteaders, and partnerships or
14 corporations composed of farmers and homesteaders, for development of
15 farms, storage and processing of farm produce, livestock, machinery and
16 equipment, and farm irrigation;

17 (2) individual commercial fishermen who have had a commercial
18 fishing license for at least one of the previous five years, for the
19 repair, restoration or upgrading of existing vessels and gear and for
20 the purchase of entry permits and gear and the construction and purchase
21 of vessels; loans made under this paragraph are subject to the provi-
22 sions of AS 45.96.270 and 45.96.280;

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

29 (4) develop, rehabilitate, and expand business activities in

1 the state;

2 (5) child care facilities in the state to comply with the
3 appropriate licensing standards for child care facilities or to comply
4 with the requirements for certification by the Department of Education
5 subject to the following conditions:

6 (A) the applicant shall submit to the director of the
7 division of Alaska loan programs a plan for the use of the loan
8 funds which is approved by the commissioner of commerce and eco-
9 nomic development;

10 (B) the applicant shall demonstrate that the proposed
11 loan will enable the child care facility to obtain a license from
12 the Department of Health and Social Services or a certificate from
13 the Department of Education;

14 (C) the applicant shall apply to the Department of
15 Community and Regional Affairs for and receive a certificate of
16 need;

17 (6) small businesses to acquire, finance or refinance or
18 equip businesses;

19 (7) loggers and forest products manufacturers and processors
20 for logging operations and equipment, forest products manufacturing or
21 processing plants, and for working capital for logging operations and
22 forest products manufacturing or processing;

23 (8) other businesses for equipment and operations related to
24 harvesting, manufacturing and processing other renewable or nonrenewable
25 resources in the state.

26 (b) Notwithstanding the provisions of AS 45.96.400 and 45.96.410,
27 a loan under (a)(2) of this section may not run longer than 15 years or
28 exceed 90 per cent of the appraised value of the collateral used to
29 secure the loan.

1 Sec. 45.96.260. CERTIFICATE OF NEED FOR CHILD CARE FACILITIES.

2 (a) The Department of Community and Regional Affairs shall determine
3 whether to award a certificate of need to child care facilities applying
4 for a loan under AS 45.96.250(a)(5) on the basis of the following
5 criteria:

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

8 (2) the number of children in the geographic area who need
9 child care;

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

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

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

17 Sec. 45.96.270. LOANS MADE TO COMMERCIAL FISHERMEN. A loan under
18 AS 45.96.250(a)(2) shall be secured by a first lien and appropriate
19 security agreements, except that a lien in favor of the state is not
20 required for loans guaranteed fully by the federal government under the
21 Federal Ship Financing Act of 1972 (46 U.S.C. secs. 1271 - 1279b; 86
22 Stat. 909), as amended. In the case of a security agreement given to
23 secure a loan made under AS 45.96.270(a)(2) and covering a vessel docu-
24 mented under the laws of the United States and so long as the Ship
25 Mortgage Act of 1920 (46 U.S.C. secs. 911 - 984; 41 Stat. 1000), as
26 amended, and the Shipping Act of 1916 (46 U.S.C. secs. 801 - 342; 39
27 Stat. 728), as amended, remain ambiguous with respect to whether or not
28 a state or state agency qualifies as a citizen of the United States for
29 purposes of those Acts, the first lien requirement of this section may

1 be satisfied by the recordation and endorsement of a first preferred
2 ship mortgage under the Ship Mortgage Act of 1920, and by perfection of
3 a security interest under the Uniform Commercial Code - Secured Trans-
4 actions (AS 45.05.690 - 45.05.794), if the approval of the Secretary of
5 Commerce is obtained under 46 U.S.C. sec. 839 for the transfer to the
6 department of the interest in a vessel documented under the laws of the
7 United States. In the case of a security agreement given to secure a
8 loan made under AS 45.96.250(a)(2) and covering a vessel documented
9 under the laws of the United States, the first lien requirement of this
10 section may also be satisfied by use of a trust deed and bond issue
11 under it, if the trustee is a citizen of the United States and obtains a
12 first preferred ship mortgage on the vessel under the Ship Mortgage Act
13 of 1920, and the approval of the Secretary of Commerce is obtained under
14 46 U.S.C. secs. 839 and 961 for the transfer of the bond or bonds to the
15 department if the trustee is not a trustee approved by the Secretary of
16 Commerce under 46 U.S.C. secs. 808, 835 and 961.

17 Sec. 45.96.280. LOANS FOR PURCHASE OF LIMITED ENTRY PERMITS. (a)
18 Loans under AS 45.96.250(a)(2) for the purchase of a limited entry
19 permit may be made only upon certification by the Alaska Commercial
20 Fisheries Entry Commission (AS 16.43.020) that the fisherman is a person
21 who qualifies as a transferee for the permit under AS 16.43 and the
22 regulations adopted by the commission.

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

26 (1) the certificate for the pledged permit lists the director
27 as the legal owner of the permit;

28 (2) the certificate for the pledged permit lists the debtor
29 as the equitable owner of the permit;

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

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

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

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

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

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

19 Sec. 45.96.290. PUBLIC PURPOSES. (a) The director of the divi-
20 sion of Alaska loan programs shall lend money to municipalities with
21 populations of less than 5,000 according to the most recent survey
22 conducted by the United States Census Bureau and to those corporations
23 eligible under (d) of this section. Loans to municipalities shall be
24 made through the purchase by the fund of municipal bonds. Loans to
25 nonprofit corporations shall be made through purchase by the fund of
26 revenue bonds issued on behalf of the corporation by the municipality in
27 which the project to be financed by the loan is constructed. If the
28 loan to a nonprofit corporation is for construction outside a munici-
29 pality, the revenue bonds to be purchased by the fund shall be issued by

1 the state bond committee on behalf of the nonprofit corporation. The
2 cost of a loan made under this subsection shall be the same as the cost
3 of borrowing to the fund. Loans made under this subsection may not
4 exceed \$5,000,000 and are subject to the following conditions:

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

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

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

14 (b) The director of the division of Alaska loan programs shall
15 submit a bid for all general obligation bonds offered on a competitive
16 basis by a home rule borough or city or general law borough or city of
17 any class incorporated under the laws of the state if the borough or
18 city provides its bid form to the director at least 10 days before the
19 opening of the bid. The request for bids and the bid proposal shall
20 provide for issuing all or a portion of the bonds based upon the best
21 combination of bids. The bid shall be determined on the basis of the
22 Daily Bond Buyer 20 bond average as follows:

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

25 (A) 100 points under the average for the first five
26 years maturity;

27 (B) 75 Points under the average for the next five years
28 maturity;

29 (C) 50 points under the average for the next five years

1 maturity;

2 (D) 25 points under the average for the next five years
3 maturity;

4 (E) 0 points under the average for the next five years
5 maturity;

6 (F) 25 points above the average for the next five years
7 maturity.

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

10 (A) 50 points under the average for the first five years
11 maturity;

12 (B) 25 points under the average for the next five years
13 maturity;

14 (C) 0 points under the average for the next five years
15 maturity;

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

18 (E) 50 points above the average for the next five years
19 maturity;

20 (F) 75 points above the average for the next five years
21 maturity.

22 (c) The director of the division of Alaska loan programs shall
23 submit a bid for all revenue bonds offered on a competitive basis by a
24 home rule borough or city or general law borough or city of any class or
25 on behalf of a nonprofit corporation performing any of the functions
26 described in AS 29.48 for which revenue sharing is received directly or
27 indirectly by the corporation or on behalf of those nonprofit corpora-
28 tions described in (d) of this section if the borough, city, or non-
29 profit corporation provides its bid form to the director at least

1 10 days before the opening of the bid. The request for bids and the bid
2 proposal shall provide for issuing all or a portion of the bonds based
3 upon the best combination of bids. The bid shall be determined on the
4 basis of the Daily Bond Buyer 20 bond average as follows:

5 (1) 50 points under the average for the first five years
6 maturity;

7 (2) 25 points under the average for the next five years
8 maturity;

9 (3) 0 points under the average for the next five years
10 maturity;

11 (4) 25 points above the average for the next five years
12 maturity;

13 (5) 50 points above the average for the next five years
14 maturity;

15 (6) 75 points above the average for the next five years
16 maturity;

17 (d) A nonprofit corporation is eligible for a loan under this
18 section if

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

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

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

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

28 (f) The limitations in AS 45.96.370 - 45.96.410 do not apply to
29 loans or purchases made under this section.

new
Section

1 Sec. 45.96.300. CERTIFICATE REQUIRED. No loan may be made or
2 bonds purchased under AS 45.96.290 unless the commissioner of revenue
3 has certified to the director of Alaska loan programs that, in the
4 judgment of the commissioner, the borrower or seller has sufficient
5 financial capacity, resources or assets to reasonably assure repayment
6 of the loan or payment of the bonds when due.

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

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

24 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the
25 purpose of securing each tax exempt bond issue of municipalities of the
26 state guaranteed or issued under this chapter there is established a
27 special account called the municipal bond capital reserve account. The
28 commissioner of revenue shall pay into that account from the unallocated
29 reserve account upon establishment an amount equal to five per cent of

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

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

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

29 (1) the municipality in which the activity is conducted,

1 unless the municipality has provided otherwise by a resolution adopted
2 before approval of the loan; or

3 (2) the state if the activity is not conducted within a
4 municipality.

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

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

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

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

23 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
24 to costs directly related to a project, the total of all costs of
25 financing and carrying out a project are eligible for bonding under AS
26 45.96.290 - 45.96.330. These include, but are not limited to, the costs
27 of all necessary studies, surveys, plans and specifications, architec-
28 tural, engineering or other special services, acquisition of real pro-
29 perty, site preparation and development, purchase, construction, recon-

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

10 Sec. 45.96.350. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a)
11 The director of the division of Alaska loan programs may make loans from
12 the fund to a business directly involved in the tourist industry.

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

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

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

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

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

Scholarship
loans out

1 Sec. 45.96.360. ELIGIBILITY. In order to be eligible for a loan
2 under this chapter, a person must have been a resident of the state for
3 at least five years on the date of application for the loan and must be
4 18 years of age or older. A corporation is eligible for a loan if more
5 than 60 per cent of its shareholders have been residents of the state
6 for at least five years on the date of the application for the loan, the
7 chief executive officer and all members of the governing board of the
8 corporation have been residents of the state for at least five years on
9 the date of application for the loan, and the chief executive officer
10 and members of the governing board assume full individual liability for
11 repayment of the loan. A loan to a corporation is immediately due and
12 payable if the corporation ceases to meet the eligibility requirements
13 of this section. The eligibility requirements of this section do not
14 apply to loans made under AS 45.96.330. An individual is ineligible for
15 a loan under this chapter if an earlier loan to the individual from the
16 state or an agency of the state has been discharged in bankruptcy unless
17 the defaulted loan has been repaid in full and 10 years have elapsed
18 from the date of repayment.

19 Sec. 45.96.370. MAXIMUM LOAN AMOUNTS. (a) Loans made under the
20 authority of AS 45.96.240 for the purchase or construction of residen-
21 tial housing may not exceed: (1) \$90,000 for a single family dwelling;
22 (2) \$130,000 for a duplex; (3) \$170,000 for a triplex; (4) \$210,000 for
23 a fourplex. A loan made for the purchase or construction of residential
24 facilities in excess of four units shall be treated as a commercial
25 building loan subject to the limitations placed on such loans in (b)(1)
26 of this section.

27 (b) Commercial loans made under the authority of AS 45.96.250 may
28 not exceed:

29 (1) \$500,000 by a borrower for business activities; farm

1 development; agricultural irrigation systems; purchase, construction,
2 renovation, or repair of commercial buildings; fish processing; fishing
3 vessels and gear; logging operations and equipment; timber manufacturing
4 and processing; nonrenewable resource extraction; or any other commer-
5 cial activity not specifically provided for in this section;

6 (2) \$350,000 by a borrower for farm chattels other than
7 irrigation systems.

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

10 (1) the loan is made to more than one but not more than 10
11 individual borrowers participating in the project and the loan to each
12 individual borrower does not exceed the maximum limit under (b)(1) of
13 this section; or

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

18 (d) A loan may not be made under (c) of this section if a
19 borrower or an owner of stock in a corporate borrower has unpaid debt on
20 a loan made under (c) of this section.

21 (e) A loan to an associate of the borrower is considered to be a
22 loan to the borrower. For the purposes of this section, "associate of
23 the borrower" means

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

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

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1 borrower;

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

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

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

9 (f) The maximum loan amounts established in (a) - (d) of this
10 section shall increase in proportion to increases in the consumer price
11 index for Anchorage. The consumer price index for Anchorage for July 1,
12 1979, is the basis for determining annual percentage increases in the
13 maximum loan amounts.

14 Sec. 45.96.380. AREA COST DIFFERENTIAL. (a) The maximum loan
15 amounts established in AS 45.96.370(a) and (b) shall be increased by the
16 area cost differential (ACD) determined by the formula $ACD = LCC/BCC \times$
17 $LCOL/BCOL$ where

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

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

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

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

26 (b) For purposes of this section the Department of Transportation
27 and Public Facilities shall annually determine the cost of construction
28 and the cost of living in each area of the state under regulations
29 promulgated by the department establishing standards for the determi-

1 nation.

2 Sec. 45.96.390. ADDITIONAL LOAN LIMITATIONS. The maximum loan
3 amounts established in AS 45.96.370(b) and 45.96.380 shall be further
4 limited, based upon the actual technical and managerial experience in
5 Alaska of the borrower relating to the project or activity for which the
6 loan is made, as follows:

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

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

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

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

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

17 Sec. 45.96.400. VALUE LIMITATION. The provisions of AS 45.96.-
18 370 - 45.96.390 notwithstanding, no loan made under this chapter, unless
19 it is a loan made under the provisions of AS 45.96.330, may exceed

20 (1) 95 per cent of the appraised value of an owner-occupied
21 single family dwelling for which the loan is made;

22 (2) 90 per cent of the appraised value of an owner-occupied
23 multiple dwelling with four or less units for which the loan is made;

24 (3) 80 per cent of the appraised value of other residential
25 real property for which a loan is made;

26 (4) 75 per cent of the appraised value of other real or
27 personal property pledged as security for a loan.

28 Sec. 45.96.410. MAXIMUM TERMS OF LOANS. The term of a loan made
29 under this chapter may not exceed the useful life of the property

*down
from 80%*

1 pledged as security for the loan or

2 (1) 30 years on a loan secured by residential real property;

3 (2) 20 years on a loan secured by real property other than
4 residential real property;

5 (3) eight years or the life of the equipment on a loan
6 secured by equipment used for production of income;

7 (4) five years on a loan secured by tangible personal pro-
8 perty.

9 Sec. 45.96.420. RATE OF INTEREST. (a) The rate of interest
10 charged to borrowers under this chapter shall be the amount determined
11 by the commissioner of revenue to be sufficient to cover anticipated
12 cost of money to the fund and, for borrowers other than municipalities,
13 one per cent over the anticipated cost of money to the fund for the loss
14 reserve account plus the amount required for any necessary insurance.
15 However, the rate of interest charged a municipality may be lower if
16 necessary to prevent bonds issued under this chapter from being arbi-
17 trage bonds under sec. 103(c) of the Internal Revenue Code of 1954, as
18 amended. The determination of the anticipated cost of money to the fund
19 made by the commissioner is conclusive. Rates of interest less than the
20 rate established by this subsection may be charged if the renewable
21 resource development fund or another state fund pays the difference
22 between the cost of money to the fund and the interest rate charged or
23 if an appropriation is made to pay the difference.

24 (b) The rate of interest determined in accordance with (a) of this
25 section shall be reduced by one per cent if the loan is made for agri-
26 cultural purposes. If the loan is made for agricultural purposes, the
27 agricultural revolving loan fund, created in AS 03.10.040, shall pay the
28 the difference between the rate determined in (a) of this section and
29 the rate charged to the borrower.

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

6 Sec. 45.96.430. EMPLOYMENT PRACTICES. (a) In the performance of
7 contracts let by a recipient of a loan under this chapter for construc-
8 tion, repair, preliminary surveys, engineering studies, consulting,
9 maintenance work or any other retention of services necessary to com-
10 plete any project for which the loan was made, 95 per cent residents
11 shall be employed if they are available and qualified. If 10 or fewer
12 persons are employed under the contract, then 90 per cent residents
13 shall be employed if they are available and qualified.

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

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

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

26 Sec. 45.96.440. COOPERATION WITH OTHER AGENCIES. All departments,
27 agencies and public corporations of the state shall provide information,
28 services and facilities to the director of the Alaska loan programs fund
29 on request. The fund shall reimburse the department, agency or corpora-

1 tion for expenses reasonably incurred under this section.

2 Sec. 45.96.450. BANK PARTICIPATION. (a) Loans made under the
3 authority of this chapter may be made in participation with financial
4 institutions. The participating financial institution may act as agent
5 for the division of Alaska loan programs in the initial processing of
6 applications for loans. Fees for such services shall be mutually agreed
7 upon.

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

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

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

19 Sec. 45.96.460. ASSURANCE REQUIRED. (a) For each loan made from
20 the fund, the loan agreement shall include an assurance by the borrower
21 that no person who provides services to the borrower in preliminary
22 phases of a project for which the loan is made, including all studies
23 made in connection with the project,

24 (1) may participate in the implementation stages of that
25 project; or

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

28 (b) A list of all persons performing preliminary services for a
29 loan applicant shall be furnished to the division of Alaska loan pro-

1 grams as part of the loan application, and a list of all persons with
2 whom the borrower has contractual relations in respect to the project
3 after the application for loan shall be submitted to the division at
4 intervals set by the division of Alaska loan programs.

5 Sec. 45.96.470. DEFINITIONS. For purposes of this chapter, "the
6 fund" and "the loan programs fund" mean the Alaska loans program fund
7 created in AS 45.96.020.

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

9 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
10 administer the loan fund.

11 * Sec. 11. AS 18.100.050 is amended to read:

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

17 * Sec. 12. AS 18.100.070(a) is amended to read:

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

26 * Sec. 13. AS 18.100.070(b) is amended to read:

27 (b) Application for a grant [OR LOAN] under (a) of this section
28 shall be in the form prescribed by the department. The application
29 shall demonstrate the need for senior citizen housing in the area to be

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1 served, the feasibility of the proposed project, and an adequate manage-
2 ment plan which shall demonstrate the ability of the eligible recipient
3 to sustain the proposed project.

4 * Sec. 14. AS 37.10.050 is amended to read:

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

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

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

24 * Sec. 15. AS 37.10.070(a) is amended to read:

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

9f Surplus

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

3 (2) obligations secured by reserves paid in by the United
4 States or agencies or instrumentalities of the United States or obli-
5 gations of corporations in which the United States is a shareholder or
6 member;

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

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

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

12 (6) other securities, including corporate securities;

13 (7) Federal Housing Administration mortgages;

14 (8) Federal Veterans Administration mortgages;

15 (9) loans made under the provisions of the Alaska loan pro-
16 grams fund (AS 45.96) and [AS 03.10] AS 26.15;

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

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

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

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

26 (14) repurchase agreements or reverse repurchase agreements.

27 * Sec. 16. AS 37.10.070(f) is repealed and re-enacted to read:

28 (f) Investment policy shall be formulated by the director of the
29 division of treasury of the Department of Revenue subject to the ap-

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

9 * Sec. 17. AS 37.10.070(g) is amended to read:

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

14 * Sec. 18. AS 37.10.070(i) is amended to read:

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

19 * Sec. 19. AS 37.10.070 is amended by adding a new subsection to read:

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

23 * Sec. 20. AS 37.10.075(a) is amended to read:

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

1 state deposits provided for under this section.

2 * Sec. 21. 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 AS 41.22.010 which are initiated by a municipality [,
7 AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE OPTION
8 PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF WHICH
9 FEDERAL FUNDS ARE ANTICIPATED].

10 * Sec. 22. 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. 23. AS 44.25 is amended by adding a new section to read:

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

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

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

29 (2) have five years of experience in banking or investment

1 management involving review, analysis, purchase and sell recommenda-
2 tions, and responsibility for performance with at least four of the
3 years in a managerial capacity.

4 (c) The director of the division of treasury shall collect, ac-
5 count for, have custody of, invest, and manage all state funds, except
6 the permanent fund established in AS 37.13, and all revenues of the
7 state except revenues incidental to a program of licensing and regula-
8 tion carried on by another state department. However, the division
9 shall issue fish and game licenses, collect fish and game license
10 revenues, and do all other acts incidental to the performance of those
11 functions.

12 * Sec. 24. AS 44.33.020 is amended by adding a new paragraph to read:

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

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

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

19 * Sec. 26. All state agencies, departments, commissions, corporations,
20 divisions or other instrumentalities administering or having authority over
21 or control of a loan program or loan fund affected by secs. 7 - 10, 18 - 19,
22 and 24 of this Act shall cease accepting applications for loans no later than
23 January 1, 1980. The division of Alaska loan programs shall begin to accept
24 applications for loans from the Alaska loan programs fund no later than
25 January 1, 1980.

26 * Sec. 27. AS 37.05 is amended by adding a new section to read:

27 Sec. 37.05.159. GENERAL FUND; COMPREHENSIVE LOAN PROGRAM RESERVE

28 ACCOUNT (a) There is created within the general fund the comprehen-
29 sive loan program reserve account.

new

15% of principal

new
new
new

(b) Fifteen per cent of the annual receipts paid the state from mineral lease rentals for state land and royalties derived from minerals produced on state land shall be allocated to the comprehensive loan program reserve account.

(c) The proceeds of the comprehensive loan program reserve account are subject to annual appropriation in the general appropriation Act and may be appropriated to the allocated reserve account established in AS 45.96.120.

(d) The term "comprehensive loan program" as used in this section means the loan program established under AS 45.96.

* Sec. 28. AS 39.25.120(2) is amended to read:

new

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

new

* Sec. 29. TRANSITION. Section 8 of this Act and AS 43.20.015(b)(1) in sec. 8 of this Act are intended to assure that taxpayers are allowed the credit provided for the 1978 tax year by AS 43.20.015 as enacted in ch. 144 SLA 1978, and to avoid a double credit for that tax year.

new

* Sec. 30. TRANSITION. The commissioner of revenue shall transfer all funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation established by this Act after request for transfer is made by the board of trustees of the corporation.

* Sec. 31. The following laws are repealed: AS 03.10.010; 03.10.020(1), (4), and (5); 03.10.030; 03.10.054; AS 16.10.300; 16.10.310(a)(1), (4), and (5); 16.10.320; AS 18.100.030(1) and (4), 18.100.040 - 18.100.060; AS 41.22.-

14.40 - no scholarships loans
26.15 - no vet loans

020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.33.245(a)(1), 44.33.245(b),
44.33.250 - 44.33.260; AS 44.59.140(7) - (14), 44.59.170, 44.59.190 - 44.59.-
410, 44.59.430; AS 44.60.010, 44.60.130(7) - (13), 44.60.160 - 44.60.260,
44.60.310 - 44.60.320; AS 44.61.010 - 44.61.220; AS 45.86.010 - 45.86.030,
45.86.040(b) - (c), 45.86.050 - 45.86.060; AS 45.88.010 - 45.88.040; AS 45.-
90.020(a)(1), (4), 45.90.030; AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.-
020 - 45.98.040, 45.98.060.

* Sec. 32. AS 37.10.065(c), 37.10.075(b) - (d), 37.10.079; and AS 44.25.-
020(2) are repealed.

* Sec. 33. AS 37.10.065(a) and (b) are repealed.

* Sec. 34. The unobligated general fund surplus as of June 30, 1979, in
excess of \$100,000,000 shall lapse into a special account in the general
fund. Money in the special account may be used only from June 30, 1979, to
December 31, 1979, for purchase of evidences of indebtedness acquired or to
be acquired after June 30, 1979, and before December 31, 1979, from state
loan programs which were in existence on January 1, 1979. Loans purchased
with money in the special account must bear interest at an annual rate of
nine and one-half per cent. Despite any provisions in existing loan pro-
grams, all state loans to be purchased with money in the special account bear
interest at an annual rate of nine and one-half per cent. Before January 31,
1980, the governor shall certify to the legislature the balance remaining in
the special account and that balance may be appropriated to the principal of
the permanent fund established by AS 37.13.010.

* Sec. 35. Section 8 of this Act is retroactive to January 1, 1978.

* Sec. 36. Sections 9, 14 - 20, 23 - 28, and 34 of this Act take effect
June 30, 1979.

* Sec. 37. Sections 10 - 13, 21, 22, and 31 of this Act take effect
June 30, 1980.

* Sec. 38. Section 23 of this Act takes effect upon transfer of the funds

1 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
2 provided in sec. ³⁰ of this Act. *The remainder of this act takes*

3 * Sec. 39. Sections 1 - 8, 29, 30, 32, and 35 of this Act take effect
4 immediately in accordance with AS 01.10.070(c).

5 *effect July 1, 1972*
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Introduced: 2/23/79
Referred: Commerce and
Finance

IN THE SENATE

BY HOHMAN

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1
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.

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

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

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

Sec. 24.20.331. STAFF. (a) The committee shall hire and determine the salary of the division director who shall serve both at the direction and pleasure of the committee. The director shall serve as head of the investment oversight division and, within the limits of the budget approved by the committee, shall employ and determine the compensation of the professional and clerical staff of the division.

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

Sec. 24.20.341. DUTIES. The investment oversight division shall

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

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

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

(4) present to the committee within 30 days after the convening of each regular session a review of the report of the governor under AS 37.07.020(d);

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

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

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

(2) alternative investment policy for the general fund surplus.

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

CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

(2) twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the state; and

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

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

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

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

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

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

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

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

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

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

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

invest permanent fund assets in

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

(g) To qualify as a mortgage or secured loan which may be purchased by the commissioner under (h) of this section, the mortgage or secured loan shall

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

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

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

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

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

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

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

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

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

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

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

28 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

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

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

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

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

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

1 programs fund in accordance with AS 45.96.010 - 45.96.490.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 Sec. 45.96.240. COLLECTIONS; DIVISION OF COLLECTIONS. (a) There
25 is established within the Department of Revenue the division of col-
26 lections. The director of the division is in the classified service
27 under AS 39.25 and shall receive an annual salary within range 27 of the
28 salary schedule established in AS 39.27.011 or within one range below
29 the range on which the highest paid deputy commissioner in the depart-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 receipt of the application.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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