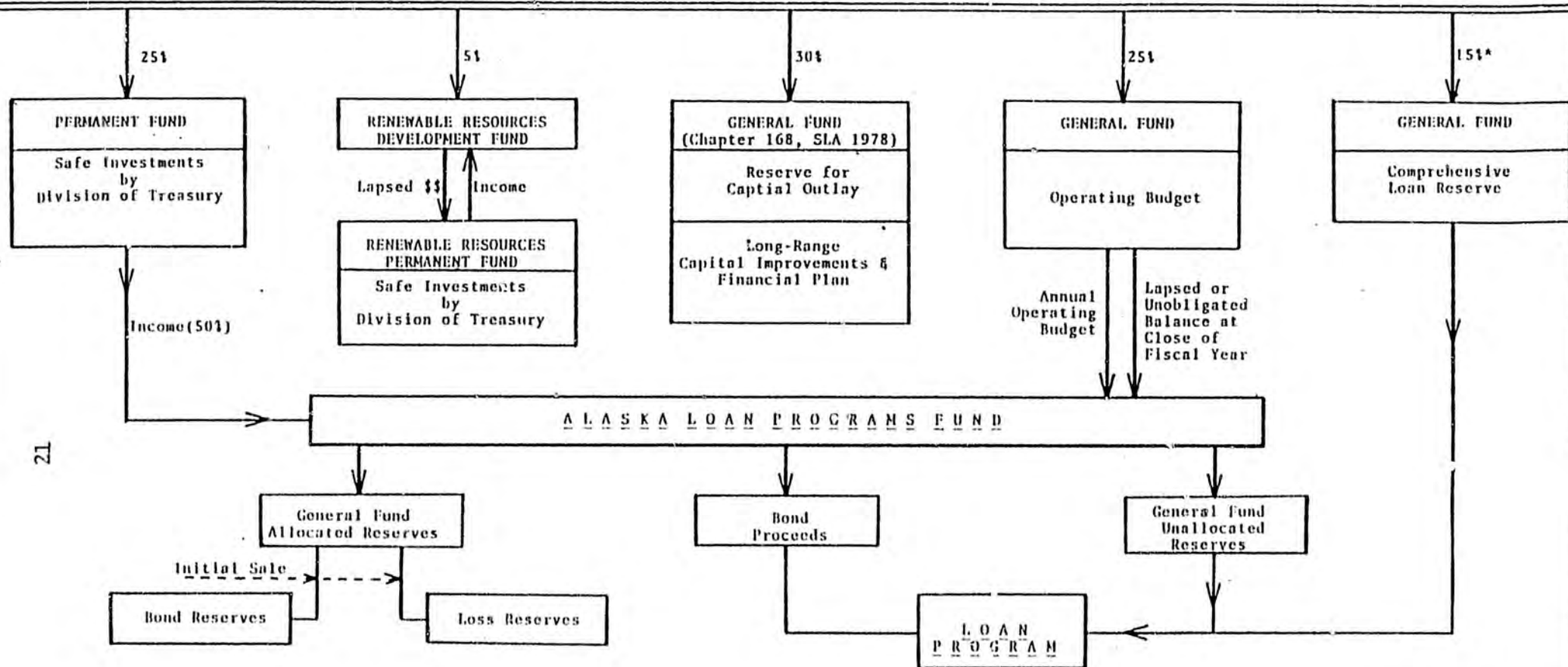


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECTS 86 / 2

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

LEGISLATIVE COUNCIL STUDY--POSSIBLE 1980 PROGRAM

1001 MINERAL RECEIPTS



21

Organizational Chart C

*Based on ANCSA repayment projections

Future needs of Alaska's citizens can be met from the savings accounts within the Alaska Loan Program, which are: all unallocated reserves (income from Permanent Fund) and unallocated reserve subaccount (General Fund contribution account). Projections indicate that in eight to ten years the oil & gas receipts will deteriorate. The bond program will be ready then to assume more of a position in the Alaska Loan Program.

COMPARATIVE SAMPLES

The following Samples A through D have been prepared by the Senate Special Committee on the Permanent Fund - 1978 Interest Level.

Sample A

A Comparative Sample of Available Residential Loans and the Senate Proposed Alaska Loan Program in Urban Alaska - 1978 Interest Level.

Sample B

A Comparative Sample of Available Residential Loans and the Senate Proposed Alaska Loan Program in Rural Alaska - 1978 Interest Level.

Sample C

A Comparative Sample of Available Home Improvement Loans and the Senate Proposed Alaska Loan Program - 1978 Interest Level.

Sample D

A Comparative Sample of Available Business Loans and the Senate Proposed Alaska Loan Program - 1978 Interest Level.

Sample E

A Comparative Sample of Available Loans and the Senate Proposed Alaska Loan Program in Rural Alaska - August 1979.

Sample F

A Comparative Sample of Available Residential Loans and the Senate Proposed Alaska Loan Program in Urban Alaska - August 1979.

A Comparative Sample of Available Residential Loans
And the Senate Proposed Alaska Loan Program
In Rural Alaska
1978 Interest Level

TERM: 30 year loan

SAMPLE: \$50,000 home

Lending Agency	Downpayment ¹	Interest	Monthly Pymts	Insurance ²	Total Cost
Federal National Mortgage Association	\$ 5,000.	9.5%	\$ 378.39	\$ 30,000.00	\$ 171,220.40
State Veterans Loan Program	5,000	7.5%	314.65	30,000.00	148,274.00
Federal Housing Authority	1,500	8.5%	372.93	30,000.00	165,754.80
Alaska Housing Finance Corporation	5,000	7.75%	322.39	30,000.00	151,060.40
State Banks ³ (not available; pro forma only)	5,000	9.6%	381.69	30,000.00	172,408.40
Farmer's Home Administration	NONE	8.0%	366.89	30,000.00	162,080.40
Alaska Loan Program	2,500	7.0%	316.02	6,832.80	123,100.00
Veteran Incentive	2,500	6.0%	284.79	6,555.60	111,580.00

¹ All the programs have 10% down with the exception of Farmer's Home (none); FHA (3%); and the Alaska Loan Program (5% for most of rural Alaska).

² Insurance fees are computed at a 2% of value of the home over a 30 year period and is a low estimate. The Alaska Loan Program insurance fee is based on an optional .6% added to the 7% interest costs and covers the mortgage only.

³ Interest quoted is taken from bank questionnaires received by the Senate Committee on the the Permanent Fund

A Comparative Sample of Available Business Loans
And the Senate Proposed Alaska Loan Program
1978 Interest Levels

TERM: 15 years

SAMPLE: \$125,000 business loan
(no equipment costs)

Lending Agency	Value Limitation	Interest	Monthly Payments	Total Cost	
Small Business Administration	90%	9.5%	\$ 1,305.30	\$ 234,954.00	
Bank (pro forma only)	75%	9.5%	1,305.30	234,954.00	URBAN
	75%	9.8%	1,306.50	235,170.00	RURAL
Small Business Loan Fund (State)	75%	8.0%	1,194.60	215,028.00	
State Veterans Loan Fund	75%	7.5%	1,158.80	208,584.00	
Alaska Loan Program	90%	7.0%	1,123.60	202,248.00	
Veterans Incentive	90%	6.0%	1,054.90	189,882.00	

The actual maximum loan amounts for each program listed as follows:

SBA guarantees
Bank
Small Business (state)
Alaska Loan Program

None given
Varies statewide
\$ 300,000
\$ 500,000 per individual
\$ 5 million for group of 10
individuals per project

A Comparative Sample of Available Residential Loans
And the Senate Proposed Alaska Loan Program
In Rural Alaska

TERM: 30 year loan

SAMPLE: \$50,000 home

LENDING AGENCY	DOWNPAYMENT ¹	INTEREST	MONTHLY PAYMENTS	INSURANCE ²	TOTAL COST
Federal National Mortgage Assoc. (1979)	\$5,000 (2,500)	9.5% (11.6%)	\$378.39 (\$474.02)	\$30,000.00 (same)	\$171,220.40 (\$203,145.75)
State Veterans Loan Program (1979 - no change)	5,000	7.5%	314.65	30,000.00	148,274.00
Federal Housing Authority (1979)	1,500 (1,750)	8.5% (10.0%)	372.93 (423.43)	30,000.00 (same)	165,754.80 (\$184,184.18)
Alaska Housing Finance Corp. (1979)	5,000 (2,500)	7.75% (8.75%)	322.39 (373.68)	30,000.00 (same)	151,060.40 (167,024.80)
State Banks ³ (not available; pro forma only) (1979)	5,000 (2,500)	9.6% (11.6%)	381.69 (474.02)	30,000.00 (same)	172,408.40 (203,145.75)
Farmer's Home Administration (1979 no subsidy) (1979 subsidized)	NONE	8.0% (9.0%) (1.0%)	366.89 (402.31) (160.82)	30,000.00 (same) (same)	162,080.40 (174,832.07) (87,895.13)
Alaska Loan Program	2,500	7.0%	316.02	6,832.80	123,100.00
Veteran Incentive	2,500	6.0%	284.79	6,555.60	111,580.00
Juneau Borough Program ⁴		8.65%			
5% down	2,500		370.31	7,500	144,356.20
10% down	5,000		350.82	7,500	139,795.20
15% down	7,500		331.33	7,500	135,228.80
Jefferson Parish ⁵	2,500	7.625%	336.20	7,500	131,657.73
State of Alaska Retirement Invest- ment Fund (Dept. of Revenue)	5,000	11.5%	445.63	7,500	172,927.21

1. All the programs have 10% down with the exception of Farmer's Home (none); FHA (3%); and the Alaska Loan Program (5% for most of rural Alaska).

A Comparative Sample of Available Residential Loans
And the Senate Proposed Alaska Loan Program
In Urban Alaska

TERM: 30 year loan

SAMPLE: \$50,000 home

LENDING AGENCY	DOWNPAYMENT ¹	INTEREST	MONTHLY PAYMENTS	INSURANCE ²	TOTAL COST
Federal National Mortgage Assoc. (1979)	\$5,000 (\$2,500)	9.5% (11.6%)	\$378.39 (\$474.02)	\$7,500.00 (same)	\$148,720.40 (\$180,645.75)
State Veterans Loan Program (1979) - no change)	5,000	7.5%	314.65	7,500.00	125,774.00
Federal Housing Authority (1979)	1,500 (1,750)	8.5% (10.0%)	372.93 (423.43)	7,500.00 (same)	143,254.80 (161,684.18)
Alaska Housing Finance Corp. (1979)	5,000 (2,500)	7.75% (8.75%)	322.39 (373.68)	7,500.00 (same)	128,560.40 (144,524.80)
State Banks ³ (not available; pro forma only) (1979)	5,000 (2,500)	9.2% (11.6%)	368.21 (474.02)	7,500.00 (same)	145,051.60 (180,645.75)
Alaska Loan Program	5,000	7.0%	299.39	6,699.60	119,480.00
Veteran Incentive	5,000	6.0%	269.80	6,192.00	108,320.00
Juneau Borough Program ⁴		8.65%			
5% down	2,500		370.31	7,500	144,356.20
10% down	5,000		350.82	7,500	139,795.20
15% down	7,500		331.33	7,500	135,228.80
Jefferson Parish ⁵	2,500	7.625%	336.20	7,500	131,657.73
State of Alaska Retirement Investment Fund (Dept. of Revenue)	5,000	11.5%	445.63	7,500	172,927.21

1. All the programs have a 10% downpayment with the exception of the Federal Housing Authority which requires 3%.

2. Insurance fees are computed at a .5% of the value of the home over a 30 year period and are approximate averages only. The Alaska Loan Program insurance fee is based on an optional .5% added to the 7% interest cost and covers the mortgage only.

I L L U S T R A T I O N S

The following Illustrations have been prepared by the Senate Special Committee on the Permanent Fund and give examples of loans that could be made through the Alaska Loan Program and the Renewable Resources Division.

*Loans Made in Conjunction with the Renewable Resources Division (Senate Original Position)

Illustration A

Bottom Fish Processing Plant

Illustration B

Fishing Boat

Commercial Loans Made through the Alaska Loan Program

Illustration C

Retail Store and Housing Development Project

*Note that the Senate's original position was that a Renewable Resource Division within the Department of Commerce and Economic Development be utilized in lieu of a separate corporation. The division personnel would be project oriented and advocates for these development projects. These illustrations indicate only how the Alaska Loan Program can be used as of February 1980.

RENEWABLE RESOURCES DIVISION

Illustration A

PROJECT: Bottom Fish Processing Plant

			<u>Alaska Loan Program</u>	<u>Equity</u>
Real Estate	\$ 3,000,000	90%	\$2,700,000	\$300,000
Equipment	2,000,000	80%	1,600,000	400,000
	\$ 5,000,000		\$4,300,000	\$700,000

A 50% equity position by the Renewable Resources Development Fund = \$350,000

* Interest Cost = 7% over the life of the loan.

Note: With section 284 of the Alaska Loan Program, included in the above cost are:

- 1) Interest during construction (12 - 18 months)
- 2) Interest, costs, and working capital for 30 months

Therefore, the project has not paid anything from earnings for 48 months.

* 1978 Interest Level.

RENEWABLE RESOURCES DIVISION

Illustration B

PROJECT: Fishing Boat

			Alaska Loan Program	Equity
Fishing vessel	\$ 150,000	90%	\$ 135,000	\$ 15,000
Equipment	30,000	80%	24,000	6,000
	\$ 180,000		\$ 159,000	\$ 21,000

- *Division of Renewable Resources may:
- 1) supply an interest incentive
 - 2) hold 50% equity position equal to \$ 10,500.

* Senate original program now must use Alaska Renewable Resources Corporation.

ALASKA LOAN PROGRAM

COMMERCIAL LOANS

Illustration C

PROJECT: Retail Store

		<u>Alaska Loan Program</u>	<u>Equity</u>
Real Estate	\$ 400,000	90% \$ 360,000	\$ 40,000
Equipment	100,000	80% 80,000	20,000
	<u>\$ 500,000</u>	<u>\$ 440,000</u>	<u>\$ 60,000</u>

PROJECT: Housing Development *

		<u>Alaska Loan Program</u>	<u>Equity</u>
Real Estate	\$5,000,000	90% \$ 4,500,000	\$ 500,000

* Project has participation of 10 individuals each assuming individual liability.

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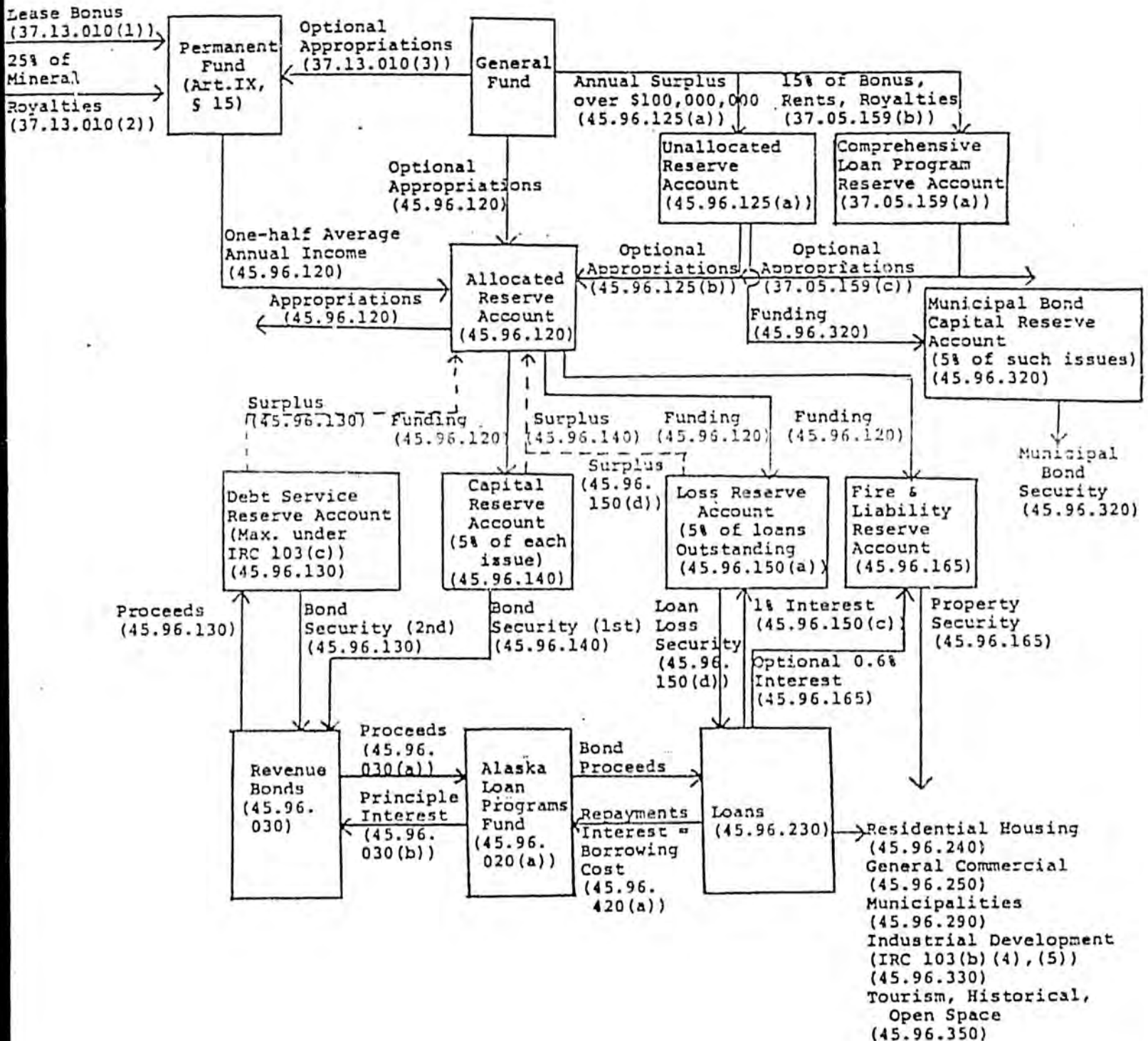
REPEALERS -- SB 1 (1980)

The following existing loan funds, authorities, and development corporations are effectively repealed by the current version of SB 1.

- 03.10 Agricultural Revolving Loan Fund
- 16.10 Commercial Fishing Revolving Loan Fund
- 16.10 Fisheries Enhancement Revolving Loan Fund
- 18.26 Alaska Medical Facility Authority
- 18.56 Alaska Housing Finance Corporation
- 18.100 Housing Development Revolving Loan Fund (allows grants only)
- 18.100 Senior Citizens Housing Development Fund (allows grants only)
- 26.15 Veterans Revolving Loan Fund
- 41.22 Outdoor Recreational, Open Space, and Historical Properties Development Fund
- 41.30 Area Redevelopment Revolving Loan Fund
- 44.33 Child Care Facility Revolving Loan Fund
- 44.33 Residential Care Facility Revolving Loan Fund
- 44.55 Alaska Gas Pipeline Financing Authority
- 44.56 Alaska Power Authority
- 44.58 Alaska Municipal Bond Bank Authority
- 44.59 Alaska State Development Corporation
- 44.60 Alaska Small Business Development Corporation
- 44.61 Alaska Industrial Development Corporation
- 45.86 Water Resources Revolving Loan Fund
- 45.88 Alternative Technology and Power Resources Revolving Loan Fund
- 45.90 Tourism Revolving Loan Fund
- 45.95 Small Business Revolving Loan Fund
- 45.98 Historical District Revolving Loan Fund

Existing funds and corporations which are not repealed by SB 1 are:

- 14.40 Scholarship Revolving Loan Fund (apparently an oversight)
- 14.40 Memorial Scholarship Revolving Loan Fund (apparent oversight)
- 44.47 Temperate Social Activities Revolving Loan Fund
- 44.56 Power Project Revolving Fund (an oversight?)
- 44.19 Disaster Relief Fund
- 37.11 Alaska Economic Disaster Impact Fund
- 37.12 Alaska Renewable Resources Corporation
- 44.54 Commercial Fishing and Agriculture Bank





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 the Alaska loan programs fund, the
7 Alaska permanent fund, and state investment policy and
8 other state revenues; changing Rule 45, Rules of Appellate
9 Procedures; and providing for an effective date.

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

11 * Section 1. AS 24.20.151 is amended to read:

12 Sec. 24.20.151. LEGISLATIVE BUDGET AND AUDIT COMMITTEE ESTAB-
13 LISHED. The Legislative Budget and Audit Committee is established as
14 permanent interim committee of the legislature. The establishment of
15 the committee recognizes the need of the legislature for full-time
16 technical assistance in accomplishing the fiscal analysis, budget re-
17 view, investment oversight and post-audit functions.

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

19 (8) make recommendations concerning the structure and opera-
20 ing practices of all agencies of the state which perform lending or
21 investment functions;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (2) alternative investment policy for the general fund sur-
4 plus.

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

6 CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

23 Sec. 37.13.020. INVESTMENT OF THE PERMANENT FUND. (a) The
24 prudent-man rule is applicable to the management and investment of
25 permanent fund assets. The prudent-man rule as applied to investments
26 of the permanent fund means that in making investments the commissioner
27 of revenue shall exercise the judgment and care under the circumstances
28 then prevailing which an institutional investor of ordinary prudence,
29 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
8 is clearly prudent not to do so.

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

11 (e) Subject to (a) and (b) of this section, unless otherwise
12 instructed in accordance with AS 37.13.090, the commissioner may invest
13 permanent fund assets in obligations of, or obligations insured or
14 guaranteed by, the United States or agencies or instrumentalities of the
15 United States; corporate securities which under the Securities Act of
16 1933 are freely marketable; and short-term investments which meet the
17 requirements of (a) and (b) of this section except for the term of the
18 investments.

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

26 (2) No portion of the assets of the permanent fund may be
27 used in the purchase of stock if immediately following the purchase the
28 proportionate market value of all stocks held by the fund would exceed
29 30 per cent of the assets of the fund.

1 (f) Subject to (a) and (b) of this section, unless otherwise
2 instructed in accordance with AS 37.13.090, the commissioner may invest
3 permanent fund assets in

- 4 (1) Federal Housing Administration mortgages;
5 (2) Federal Veterans Administration mortgages;
6 (3) conventional residential mortgages if the offering fi-
7 nancial institution retains at least 25 per cent of the mortgage.

8 (g) To qualify as a mortgage or secured loan which may be pur-
9 chased by the commissioner under (h) of this section, the mortgage or
10 secured loan shall

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

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

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

1 Sec. 37.13.030. GAINS AND LOSSES. At the end of each fiscal year
2 the total amount of losses on the sales of securities, not offset by
3 gains on the sales of securities during that year, shall be computed,
4 with a portion of these losses to be deducted each fiscal year from the
5 interest and dividend income and the resulting amount of interest and
6 dividend income added to the principal of the fund. Losses taken on the
7 sales of bonds shall be accumulated over a period equal to the average
8 remaining life of the bonds sold, and losses taken on the sales of
9 stocks shall be accumulated within a period of five years, unless these
10 losses are offset by gains on future sales of securities. In any fiscal
11 year in which the gains on the sales of securities exceed the losses on
12 the sales of securities, the excess shall be added to the principal of
13 the fund.

14 Sec. 37.13.040. INCOME. The interest and dividends received in a
15 year are the income of the permanent fund for that year. The income
16 available for allocation shall be determined on an averaging basis. The
17 income shall be allocated in accordance with AS 37.13.080 and AS 45.96.
18 120. For the first five years, income will be the simple averaging of
19 the annual current return at cost. Subsequently, there will be a moving
20 average current return, in which the latest fiscal year will replace the
21 oldest year. The income available for allocation will be the lesser of
22 the latest fiscal year's income, or the average annual current income
23 for the past five fiscal years of the fund at cost, and after adjustment
24 for capital losses charged to that fiscal year.

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

28 Sec. 37.13.060. ACCOUNTING. Accounting for the fund shall be
29 provided by the Department of Administration. Reports shall be made by

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

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

29 Sec. 37.13.080. DISTRIBUTION OF INCOME TO RESIDENTS. (a) No

1 later than June 30, 1981, the commissioner of revenue shall issue one
2 share of the Alaska permanent fund to each resident of the state, re-
3 gardless of age, who has been a resident continuously since July 1,
4 1980, and who, no later than February 1, 1981, has filed with the com-
5 missioner a statement of residency. The commissioner shall notify the
6 public of the availability of shares under this subsection and the
7 method for qualifying for shares. The notification shall be by publi-
8 cation in at least one newspaper of statewide circulation, by radio and
9 television announcements, and by other means the commissioner determines
10 to be appropriate and reasonable.

11 (b) One share issued under (a) of this section represents the
12 total principal amount of the permanent fund at the time of the annual
13 distribution of income under (c) of this section divided by the number
14 of shares issued.

15 (c) Beginning July 1, 1981, and annually thereafter, the commis-
16 sioner shall distribute one-half of the net income after allocations
17 required in AS 37.13.140(f) and AS 45.96.120 from general investments
18 the permanent fund for the previous fiscal year to the qualified share-
19 holders in accordance with the procedures established by this section.

20 (d) The net income from general investments of the permanent fund
21 shall be distributed to shareholders in proportion to the amounts of
22 their shares which are in general investments. The amount or a part of
23 the amount represented by one share is considered to be in general
24 investments if the shareholder has not elected to direct under AS 37-
25 13.090 the amount or part of the amount represented by the share.

26 (e) A share issued under this section is not transferable by sale,
27 donation, lien, judgment, devise, or any other method. Alienation of
28 share is void as against public policy. Upon a shareholder's death or
29 the termination of his residency, his share lapses to the state and

1 shall be counted as a full share for the purposes of (b) of this sec-
2 tion. The lapsed share shall be invested for the state by the commis-
3 sioner in accordance with AS 37.13.020. Income of the lapsed share
4 shall be allocated to the general fund.

5 (f) Possession of a share imparts no right to ownership or posse-
6 sion of the principal of the permanent fund it represents; possession of
7 a share imparts only those rights specified in AS 37.13.080 - 37.13.150

8 Sec. 37.13.090. DIRECTED INVESTMENTS. (a) Within 60 days after
9 the determination under (b) of this section of the amount of permanent
10 fund principal available to each shareholder for directed investments,
11 shareholder may notify the commissioner of his election to direct the
12 investment of the available amount of permanent fund principal or a part
13 of it. The shareholder may direct investments to be made in any of the
14 investments listed by the commissioner in accordance with AS 37.13.130-
15 (b). The notification shall indicate the specific investments to be
16 made and the specific amounts to be invested. Unless the shareholder
17 notifies the commissioner otherwise, the commissioner shall consider any
18 investments directed by the shareholder from the previous determination
19 under (b) of this section as part of the shareholder's directions for
20 the current determination. The commissioner shall distribute net income
21 as it is received from investments made under this subsection to the
22 shareholder directing the investments.

23 (b) The amount of permanent fund principal for which the share-
24 holder may direct investments under this section shall be determined by
25 the commissioner no later than February 1, 1980, when the principal of
26 the permanent fund reaches \$3 billion and at each \$1 billion increase in
27 principal thereafter. The amount of permanent fund principal available
28 to a shareholder for directed investments is equal to the value of one
29 share, as determined under AS 37.13.080(b). The commissioner shall give

1 public notice of the amount available for directed investments by publi
2 cation in at least one newspaper of statewide circulation, by radio and
3 television announcements, and by any other means the commissioner deter
4 mines to be reasonable and appropriate.

5 (c) Upon receipt of notification provided in accordance with (a)
6 of this section, the commissioner or his designee shall make investment
7 of permanent fund principal in accordance with the notification.

8 (d) If the notification under (c) of this section is defective in
9 that it directs investment of an amount greater than that which is
10 available under (b) of this section to a shareholder, or in that it
11 contains directions which are unclear or which the commissioner or his
12 designee is not able to follow, the commissioner or his designee shall
13 make reasonable efforts to expeditiously inform the shareholder of the
14 defect. If the shareholder fails to revise his directions to cure the
15 defect or fails to notify the commissioner or his designee of the revi-
16 sion within the time period established in (a) of this section, or if
17 there is insufficient time to allow the commissioner or his designee to
18 inform the shareholder of the defect within the time period established
19 in (a) of this section, the shareholder's investment directions are
20 void, and the shareholder shall share in the distribution of income
21 under AS 37.13.080.

22 (e) If the notification under (c) of this section directs invest-
23 ment of an amount less than that which is available under (b) of this
24 section to a shareholder, the commissioner or his designee shall make
25 the investments specified in the notification, and the shareholder shall
26 receive, in addition to net income earned by the directed investments, a
27 proportionate share of the distribution of net income under AS 37.13.080
28 for the amount not invested by his direction.

29 (f) A shareholder may direct the commissioner or his designee to

1 sell an investment directed under (a) of this section at any time. The
2 shareholder may direct the investment of the principal recovered at the
3 sale in another eligible investment under (a) of this section or may
4 allow the principal recovered at the sale to be invested by the commis-
5 sioner in accordance with AS 37.13.020. If the shareholder decides to
6 allow investment by the commissioner in accordance with AS 37.13.020,
7 the shareholder may not direct any investments until the next determi-
8 nation under (a) of this section.

9 (g) The commissioner shall invest, in accordance with AS 37.13.-
10 020, and distribute the net income of, in accordance with AS 37.13.080,
11 any increase in permanent fund principal during periods between deter-
12 minations under (b) of this section.

13 Sec. 37.13.100. DETERMINATION OF RESIDENCY. (a) An individual
14 who applies for a share of the Alaska permanent fund must prove his
15 eligibility to the satisfaction of the commissioner. The commissioner
16 may not issue an individual a share or make a payment to an individual
17 until proof of that individual's eligibility sufficient to satisfy a
18 reasonable person has been made to the commissioner.

19 (b) Proof of eligibility may be from school attendance records,
20 state and local tax and licensing records, voter registration records,
21 birth and marriage certificates, selective service records, sworn affi-
22 davits from others having knowledge of an individual's residence, and
23 from other forms of documentary evidence which a reasonable person would
24 rely on in the conduct of his own affairs. An affidavit from an indi-
25 vidual without supporting evidence of eligibility is not satisfactory
26 proof of eligibility.

27 (c) Upon determination of an individual's eligibility for a share,
28 the commissioner shall, by first class mail, notify the individual of
29 that determination. If the individual is determined to be ineligible,

1 he shall be informed by certified mail, of the following:

2 (1) the reason for his ineligibility;

3 (2) that he may file additional proof and file a request for
4 a hearing before the commissioner to present proof of his eligibility;
5 and

6 (3) that the decision becomes final and unappealable 30 days
7 after receipt of the notification unless, within that time, the individual
8 files additional proof or files a request for a hearing before the
9 commissioner.

10 (d) If an individual does not file additional proof or file a
11 request for a hearing with the commissioner within 30 days after his
12 receipt of the commissioner's notice of the determination, the commissioner's
13 decision becomes final as to the period involved and there is
14 no further appeal. The time limit is jurisdictional.

15 (e) If an individual files additional proof or files a request for
16 a hearing with the commissioner within 30 days after he receives the
17 commissioner's notice of the determination and, after the additional
18 evidence has been considered or the hearing held, he is still determined
19 to be ineligible, he may appeal to the superior court within 30 days
20 after he receives notice of the final decision. The time limit is
21 jurisdictional, and no appeal may be brought after it has elapsed. In
22 considering the appeal, the superior court may review solely on the
23 record which was before the commissioner and must apply the reasonable
24 basis test to factual matters and its own judgment on the law. The same
25 standard of review applies if a further appeal is taken to the supreme
26 court.

27 Sec. 37.13.110. CONFIDENTIALITY. An investment made at the direction
28 of a shareholder in accordance with AS 37.13.090(a) is confidential.
29

1 Sec. 37.13.120. REGULATIONS. The commissioner may adopt regula-
2 tions in accordance with the Administrative Procedure Act (AS 44.62) f
3 the administration and enforcement of AS 37.13.080 - 37.13.150.

4 Sec. 37.13.130. ELIGIBLE DIRECTED INVESTMENTS. (a) The commis-
5 sioner shall, by regulation, establish a list of at least 100 specific
6 investments which may be made at the direction of shareholders in acco-
7 dance with AS 37.13.020(a) and (b). The commissioner shall include in
8 the list only those investments which accord with the prudent-man rule

9 (b) An investment of permanent fund principal made under AS 37.-
10 13.020(a) and (b) in an investment which is removed by the commissione
11 from the list of eligible investments shall be redeemed by the commis-
12 sioner or his designee at the earliest possible time, and the commis-
13 sioner or his designee shall notify the shareholder at whose direction
14 the investment was made of the redemption. The shareholder may direct
15 the commissioner to reinvest the amount redeemed in eligible investment
16 in accordance with AS 37.13.020(a) and (b). *the 4B.*

17 Sec. 37.13.140. ALASKA PERMANENT FUND INVESTMENT FUND. (a) Ther
18 is established as a separate fund a special account within the permaner
19 fund called the Alaska permanent fund investment fund. The state bond
20 *bonds* committee may issue negotiable or nonnegotiable evidences of indebted-
21 ness on the terms and conditions the committee determines appropriate i
22 order to provide money to carry out the purposes of the fund. The
23 principal and interest on the indebtedness is payable from income or
24 assets of the fund.

25 (b) Obligations issued under the provisions of this section are
26 not a debt, liability or obligation of the state but are payable solely
27 from the revenues or *state capital* assets of the fund. Each obligation issued under
28 this section shall contain on its face a statement that the fund is not
29 obligated to pay it nor the interest on it except from the revenues or

1 assets pledged for it and that neither the faith and credit nor the
2 taxing power of the state or of a political subdivision of the state is
3 pledged to the payment of the principal of or interest on the obliga-
4 tion.

5 (c) The purpose of the investment fund is to provide an initial
6 source of capital for the permanent fund investment program established
7 by this chapter. Any income from the investment fund in excess of the
8 income necessary for debt service and any required reserves is distri-
9 buted to shareholders of the permanent fund as income from the permanen
10 fund is distributed.

11 (d) The money in the investment fund available for investment
12 shall be invested as provided for investment of permanent fund princi-
13 pal. For purposes of determining the amount available to be invested by
14 each shareholder in directed investments, the amounts available under
15 this section shall be divided by the number of shares issued added to
16 the value of each share as determined under AS 37.13.080(b).

17 (e) To the extent that money is available from permanent fund
18 principal for investments other than directed investments, the commis-
19 sioner of revenue shall transfer investments of the investment fund to
20 the principal of the permanent fund at the market value of the invest-
21 ment at the time of the transfer. Money received as a result of the
22 transfer may only be used for payment of principal of debt of the in-
23 vestment fund.

24 (f) For the purpose of securing obligations of the fund, the com-
25 mittee shall establish a special account called the debt service reserve
26 account. One-half of the income from the ^{the Alaska permanent fund} estab-
27 lished in AS 37.13.010 is allocated to the account. Money held in the
28 debt service reserve account may be used as required solely for (1) the
29 payment of the principal of obligations, (2) the purchase or redemption

1 of obligations, (3) the payment of interest on obligations, or (4) the
2 payment of any redemption premium required to be paid when those obli-
3 gations are redeemed before maturity. Any amount remaining in the debt
4 service reserve account when the obligations the account secures is
5 fully retired shall be paid to the permanent fund established in AS 37.
6 13.010. When the money in the debt service reserve account reaches an
7 amount determined by the commissioner to be adequate to secure obliga-
8 tions issued under this section the income from the Alaska permanent
9 fund allocated to the debt service reserve account shall be deposited in
10 the permanent fund.

11 Sec. 37.13.150. DEFINITIONS. For the purposes of AS 37.13.080 -
12 37.13.150,

13 (1) "commissioner" means the commissioner of revenue;

14 (2) "directed investments" means investments of permanent
15 fund principal made by the commissioner of revenue or his designee under
16 the direction of a shareholder in accordance with AS 37.13.020(a) and
17 (b);

18 (3) "general investments" means investments of permanent fund
19 principal made by the commissioner of revenue or his designee in accor-
20 dance with AS 37.13.020 but not under the direction of a shareholder in
21 accordance with AS 37.13.090;

22 (4) "net income" means total income to the Alaska permanent
23 fund reduced by costs directly related to the attainment of income;

24 (5) "resident" means an individual who maintains a permanent
25 place of abode in the state with the intention of making the state his
26 permanent place of residence and who resides in the state continuously
27 except for temporary purposes only and with the intent of returning; no
28 person may be considered to have gained a residence solely by reason of
29 his presence nor may he lose it solely by reason of his absence while in

the civil or military service of this state or of the United States or of his absence because of marriage to a person engaged in the civil or military service of this state or the United States; while a student at an institution of learning; while in an institution or asylum at public expense; while confined in public prison; while engaged in the navigation of waters of this state, of the United States, or of the high seas; or while residing upon an Indian or military reservation; a minor takes the residence of his parent or of his legal guardian; a married woman shall establish her own residence and does not presumptively take the residence of her husband;

(6) "shareholder" means a person to whom the commissioner of revenue issues a share of the Alaska permanent fund under AS 37.13.080.

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

CHAPTER 96. ALASKA LOAN PROGRAMS FUND. *H. Simon*

Sec. 45.96.010. PURPOSE. Efficient use of the capital resources of the state will be promoted by creating a single loan fund to provide a single source from which potential users can acquire a state loan and obtain information about existing federal or private loan programs which will better serve the needs of the user or which will complement a proposed state loan. A single state source of lending will provide strong assurance of repayment of its loans and thereby lower the cost of borrowing to the state. The purpose of the loan programs fund is to provide the lowest possible interest costs to Alaska borrowers consistent with sound financial practices and to make available to all sectors of the Alaska economy loans including long-term financing. A strong, single loan source, by being available to secure interest rates and terms better than those available to loan funds limited in size for a specific purpose, will make a significant contribution to lowering costs of living for Alaska residents and costs of operations in the

1 private and public sector.

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

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

15 (c) The division of Alaska loan programs shall manage the loan
16 programs fund in accordance with AS 45.96.010 - 45.96.490.

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

20 (b) The principal and interest on these bonds or bond anticipation
21 notes are payable from assets of the fund. Bond anticipation notes may
22 be payable from the proceeds of the sale of bonds or from the proceeds
23 of sale of other bond anticipation notes or, if bond or bond anticipa-
24 tion note proceeds are not available, the bond anticipation notes may be
25 paid from other assets of the fund. Bonds or bond anticipation notes
26 may also be secured by a pledge of a grant or contribution from the
27 federal or state government, a corporation, association, institution or
28 person, or a pledge of money, income, or revenues of the fund from any
29 source.

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

1 and interest of that issue.

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

13 Sec. 45.96.050. REMEDIES. A holder of obligations issued under
14 the provisions of this chapter or coupons attached to them if not re-
15 stricted by the resolution, either at law or in equity, may enforce all
16 rights granted under the coupons or under any other contract executed b
17 the fund under this chapter, and may enforce and compel the performance
18 of all duties required by this chapter to be performed by the fund or b
19 an officer of it.

20 Sec. 45.96.060. NEGOTIABLE INSTRUMENTS. All obligations and
21 interest coupons attached to the obligations are negotiable instruments
22 under the laws of this state, subject only to applicable registration
23 provisions.

24 Sec. 45.96.070. OBLIGATIONS ELIGIBLE FOR INVESTMENT. Obligations
25 issued under the provisions of this chapter are securities in which all
26 public officers and public bodies of the state and its political sub-
27 divisions, all insurance companies, trust companies, banking associ-
28 ations, investment companies, executors, administrators, trustees and
29 other fiduciaries may properly and legally invest funds, including

1 capital in their control or belonging to them. These obligations may
2 deposited with the state or municipal officer of an agency or political
3 subdivision of the state for any purpose for which the deposit of bonds
4 notes or obligations of the state is authorized by law.

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

16 (b) Refunding obligations may be sold or exchanged for outstanding
17 obligations issued under this chapter. If sold, the proceeds may be
18 applied, in addition to other authorized purposes, to the purchase,
19 redemption or payment of the outstanding obligations. Pending the
20 application of the proceeds of refunding obligations, with any other
21 available funds, to the payment of the principal (accrued interest and
22 any redemption premium on the obligations being refunded, and if so
23 provided or permitted in the authorization for issuance of the refunding
24 obligations, to the payment of any interest on the refunding obligations
25 and any expenses in connection with the refunding), the proceeds may be
26 invested in direct obligations of, or obligations the principal of and
27 the interest on which are unconditionally guaranteed by, the United
28 States of America which mature or which will be subject to redemption,
29 at the option of the holders of them, not later than the respective

1 dates when the proceeds, together with the interest accruing on them,
2 will be required for the purposes intended.

3 Sec. 45.96.090. CREDIT OF STATE NOT PLEDGED. Obligations issued
4 under the provisions of this chapter are not a debt, liability or obli
5 gation of the state but are payable solely from the revenues or assets
6 of th fund. Each obligation issued under this chapter shall contain
7 its face a statement that the fund is not obligated to pay it nor the
8 interest on it except from the revenues or assets pledged for it and
9 that neither the faith and credit nor the taxing power of the state or
10 of a political subdivision of the state is pledged to the payment of t
11 principal of or interest on the obligation.

12 Sec. 45.96.100. TAX EXEMPTION. All property of the fund is publ
13 property devoted to an essential public and governmental function and
14 purpose and is exempt from all taxes of the state or a political sub-
15 division of the state. All bonds issued under this chapter are issued
16 by a body corporate and public of this state and for an essential publ
17 and governmental purpose, and the bond and the interest and income on
18 and from the bonds and all income of the fund are exempt from taxation
19 except for transfer, inheritance and estate taxes.

20 Sec. 45.96.110. SALE OF BONDS. (a) The state bond committee ma
21 sell bonds at public or private sale until July 1, 1984. After July 1
22 1984, the state bond committee may sell bonds only at public sale.

23 (b) Before selling an issue or series of bonds at public sale, t
24 state bond committee shall give notice inviting sealed bids in such
25 manner as it may prescribe. If satisfactory bids are received, the
26 bonds offered for sale shall be awarded to the highest responsible
27 bidder. If the state bond committee determines that the bids received
28 are not satisfactory as to price or responsibility of the bidders, it
may reject all bids received.

Sec. 45.96.120. ALLOCATED RESERVE ACCOUNT. For the purpose of securing obligations of the fund, a special account within the general fund called the allocated reserve account is established. One-half of the income from the Alaska permanent fund established in AS 37.13.010 is allocated to the account until the state bond committee determines this allocation is no longer necessary. Other money may be appropriated to the account. The amounts necessary to fund the capital reserve account established under AS 45.96.140, the fire insurance and liability reserve account under AS 45.96.160, and the loss reserve account under AS 45.96.150 are allocated to those accounts from the allocated reserve account. All other expenditures from the allocated reserve account shall be in accordance with annual appropriations. After the allocation of the income from the permanent fund is terminated or after July 30, 1990, whichever occurs first, the one-half allocated to this account shall be paid to the general fund and be available for appropriation.

Sec. 45.96.125. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose of securing obligations of the fund, a special account within the general fund called the unallocated reserve account is established. The unallocated reserve account consists of any amounts in excess of \$125,000,000 remaining in the general fund at the end of a fiscal year commencing after June 30, 1979 which have not been obligated.

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

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

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

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

1 interest on obligations or (4) the payment of any redemption premium
2 required to be paid when those obligations are redeemed before maturity.
3 Income or interest earned by a capital reserve account shall be paid to
4 the allocated reserve account established by AS 45.96.120. Any amount
5 remaining in a capital reserve account when the issue the account se-
6 cures is fully retired shall be paid to the allocated reserve account.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 Sec. 45.96.200. ACCOUNTING AND REPORTS. Accounting for the fund
17 shall be provided by the Department of Administration. Reports shall be
18 made by that department to the Department of Revenue, the Department of
19 Commerce and Economic Development, and the Legislative Budget and Audit
20 Committee at least once a month. These reports shall include an itemi-
21 zation of each loan which has been in default for a period in excess of
22 30 days and the measures taken for each to insure compliance with terms
23 and conditions of the loan. The Legislative Budget and Audit Committee
24 shall provide quarterly reports to the legislature summarizing the
25 information it receives under this section and under AS 45.96.180(b) and
26 45.96.240(b) and including comments and suggestions the committee deter-
27 mines to be of interest to the legislature relating to the administra-
28 tion of the loan program. Other reports shall be made as prescribed by
29 the Department of Commerce and Economic Development.

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

8 (b) Each district loan office shall include a veterans' loans
9 section. The veterans' loans section shall process loan applications
10 from applicants who meet the eligibility requirement of AS 45.96.440.
11 The veterans' loan section shall also provide information and assistan
12 to veterans relating to loan applications under this chapter, other
13 state loan programs or state grant programs, federal loan or grant
14 programs, and to the extent feasible, private loans.

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

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

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

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

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

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

25 (b) If a borrower who has received notification of delinquency in
26 accordance with AS 45.96.220 does not request reevaluation, or if the
27 evaluation committee determines that renegotiation of the existing term
28 and conditions is not feasible or justified, and the loan is not brought
29 current within 30 days after the notification of delinquency is sent,

1 the loan shall be transferred to the loss reserve account and trans-
2 mitted for collection to the division of collections. A monthly report
3 of the status of the collection effort shall be made to the Legislative
4 Budget and Audit Committee. The total principal and interest due shall
5 be transferred from the loss reserve account to the fund upon assignmen
6 of each loan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 Sec. 45.96.295. LOANS MADE TO COMMERCIAL FISHERMEN. A loan under
23 AS 45.96.270(2) shall be secured by a first lien and appropriate
24 security agreements, except that a lien in favor of the state is not
25 required for loans guaranteed fully by the federal government under the
26 Federal Ship Financing Act of 1972 (46 U.S.C. secs. 1271 - 1279b; 86
27 Stat. 909), as amended. In the case of a security agreement given to
28 secure a loan made under AS 45.96.270(2) and covering a vessel docu-
29 mented under the laws of the United States and so long as the Ship

1 Mortgage Act of 1920 (46 U.S.C. secs. 911 - 964; 41 Stat. 1000), as
2 amended, and the Shipping Act of 1916 (46 U.S.C. secs. 801 - 842; 39
3 Stat. 728), as amended, remain ambiguous with respect to whether or no
4 a state or state agency qualifies as a citizen of the United States for
5 purposes of those Acts, the first lien requirement of this section may
6 be satisfied by the recordation and endorsement of a first preferred
7 ship mortgage under the Ship Mortgage Act of 1920, and by perfection of
8 a security interest under the Uniform Commercial Code - Secured Trans-
9 actions (AS 45.05.690 - 45.05.794), if the approval of the Secretary of
10 Commerce is obtained under 46 U.S.C. sec. 839 for the transfer to the
11 department of the interest in a vessel documented under the laws of the
12 United States. In the case of a security agreement given to secure a
13 loan made under AS 45.96.270(2) and covering a vessel documented under
14 the laws of the United States, the first lien requirement of this sec-
15 tion may also be satisfied by use of a trust deed and bond issue under
16 it, if the trustee is a citizen of the United States and obtains a first
17 preferred ship mortgage on the vessel under the Ship Mortgage Act of
18 1920, and the approval of the Secretary of Commerce is obtained under
19 U.S.C. secs. 839 and 961 for the transfer of the bond or bonds to the
20 department if the trustee is not a trustee approved by the Secretary of
21 Commerce under 46 U.S.C. secs. 808, 835 and 961.

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

28 (b) Upon approval by the director of the division of Alaska loan
29 programs, the permit to be purchased may be pledged as security for a

1 loan under (a) of this section, if

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

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

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

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

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

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

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

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

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

1 nonprofit corporations shall be made through purchase by the fund of
2 revenue bonds issued on behalf of the corporation by the municipality
3 which the project to be financed by the loan is constructed. If the
4 loan to a nonprofit corporation is for construction outside a munici-
5 pality, the revenue bonds to be purchased by the fund shall be issued
6 the state bond committee on behalf of the nonprofit corporation. The
7 cost of a loan made under this subsection shall be the same as the cos
8 of borrowing to the fund. Loans made under this subsection may not
9 exceed \$5,000,000 and are subject to the following conditions:

10 (1) The borough or city attorney shall certify that all leg
11 requirements relating to required bond elections, if necessary, and to
12 bond issuance have been met, or if the bonds are issued outside a muni
13 cipality, certification shall be made by the Department of Law.

14 (2) The bonds shall be prepared by the municipality's attor
15 ney, approved by the attorney general and need not be in definitive
16 form.

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

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

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

1 (A) 100 points under the average for the first five
2 years maturity;

3 (B) 75 Points under the average for the next five year
4 maturity;

5 (C) 50 points under the average for the next five year
6 maturity;

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

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

11 (F) 25 points above the average for the next five years
12 maturity.

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

15 (A) 50 points under the average for the first five year
16 maturity;

17 (B) 25 points under the average for the next five years
18 maturity;

19 (C) 0 points under the average for the next five years
20 maturity;

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

23 (E) 50 points above the average for the next five years
24 maturity;

25 (F) 75 points above the average for the next five years
26 maturity.

27 (c) The director of the division of Alaska loan programs shall
28 submit a bid for all revenue bonds offered on a competitive basis by a
29 home rule borough or city or general law borough or city of any class or

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

10 (1) 50 points under the average for the first five years
11 maturity;

12 (2) 25 points under the average for the next five years
13 maturity;

14 (3) 0 points under the average for the next five years
15 maturity;

16 (4) 25 points above the average for the next five years
17 maturity;

18 (5) 50 points above the average for the next five years
19 maturity;

20 (6) 75 points above the average for the next five years
21 maturity;

22 (d) A nonprofit corporation is eligible for a loan under this
23 section if

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

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

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

29 (e) The major part of the proceeds of any bond issue purchased by

1 the fund under this section shall be used for purposes which are tax
2 exempt under federal law and regulation in effect at the time the bonds
3 are issued.

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

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

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

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

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

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

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

28 (1) the municipality in which the activity is conducted,
29 unless the municipality has provided otherwise by a resolution adopted

1 before approval of the loan; or

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

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

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

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

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

22 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
23 to costs directly related to a project, the sum total of all costs of
24 financing and carrying out a project are eligible for bonding under AS
25 45.96.300 - 45.96.330. These include, but are not limited to, the costs
26 of all necessary studies, surveys, plans and specifications, architec-
27 tural, engineering or other special services, acquisition of real pro-
28 perty, site preparation and development, purchase, construction,
29 reconstruction and improvement of real property and the acquisition of

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

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

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

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

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

28 (e) The repayment period for student loans is 10 years. Unless
29 deferment of payments has been granted under (g) of this section, re-

1 payment shall commence when the student terminates his studies. In cas
2 of hardship, the Alaska Loan Programs Evaluation Committee may extend
3 repayment of a loan for an additional period of up to five years.

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

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

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

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

14 (3) performance by the student of military or required alter
15 native service; or

16 (4) 50 per cent or greater disability of the student, as
17 certified by competent medical authority.

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

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

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

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

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

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

10 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan
11 under this chapter, other than a loan made under AS 45.96.350, a person
12 must have been a resident of the state for at least five years on the
13 date of application for the loan and must be 18 years of age or older.
14 Except for loans made under AS 45.96.330, a corporation is eligible for
15 a loan if more than 60 per cent of its shareholders have been residents
16 of the state for at least five years on the date of the application for
17 the loan, the chief executive officer and all members of the governing
18 board of the corporation have been residents of the state for at least
19 five years on the date of application for the loan, and the chief execu-
20 tive officer and members of the governing board assume full individual
21 liability for repayment of the loan. A loan to a corporation is immedi-
22 ately due and payable if it ceases to meet these eligibility require-
23 ments. An individual is ineligible for a loan under this chapter if an
24 earlier loan to the individual from the state or an agency of the state
25 has been discharged in bankruptcy unless the defaulted loan has been
26 repaid in full and 10 years have elapsed from the date of repayment.

27 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the
28 authority of AS 45.96.260 for the purchase or construction of residen-
29 tial housing may not exceed: (1) \$90,000 for a single family dwelling;

1 (2) \$130,000 for a duplex; (3) \$170,000 for a triplex; (4) \$210,000 for
2 a fourplex. A loan made for the purchase or construction of residential
3 facilities in excess of four units shall be treated as a commercial
4 building loan subject to the limitations placed on such loans in (b)(1)
5 of this section.

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

8 (1) \$500,000 per individual for business activities; farm
9 development; agricultural irrigation systems; purchase, construction,
10 renovation, or repair of commercial buildings; fish manufacturing and
11 processing; fishing vessels and gear; logging operations and equipment;
12 timber manufacturing and processing; nonrenewable resource extraction;
13 or any other activity not otherwise specifically provided for in this
14 section;

15 (2) \$350,000 per individual for farm chattel other than for
16 irrigation systems.

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

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

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

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

28 (1) \$4,000 per individual per year for undergraduate studies;

29 (2) \$8,000 per individual per year for graduate studies;

1 (3) \$4,000 per individual per year for vocational studies;

2 (4) \$4,000 per individual per year for work studies.

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

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

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

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

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

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

21 (f) The maximum loan amounts established in (a) - (d) of this
22 section shall increase in proportion to increases in the consumer price
23 index for Anchorage. The consumer price index for Anchorage for July 1,
24 1979 shall be the basis for determining annual percentage increases in
25 the maximum loan amounts.

26 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan
27 amounts established in AS 45.96.380(a) and (b) shall be increased by the
28 area cost differential (ACD) determined by the formula $ACD = LCC/BCC \times$
29 $LCOL/BCOL$ where

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

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

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

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

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

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

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

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

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

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

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

29 Sec. 45.96.410. VALUE LIMITATION. The provisions of AS 45.96.-

380 - 45.96.400 notwithstanding, no loan made under this chapter, unless it is a loan made under the provisions of AS 45.96.330, may exceed

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

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

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

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

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

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

(3) seven years on a loan secured by tangible personal property.

Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest charged to borrowers under this chapter shall be the amount determined by the commissioner of revenue to be sufficient to cover anticipated cost of money to the fund and, for borrowers other than municipalities, one per cent over the anticipated cost for the loss reserve account plus the amount required for any necessary insurance, but the rate of interest charged may be lower if necessary to prevent bonds issued under this Act from being arbitrage bonds under the provisions of and regulations under section 103(c) of the Internal Revenue Code of 1954, as amended. The determination of the anticipated cost by the commissioner is conclusive. Rates of interest less than that, except as provided in

1 (b) of this section, may be charged if the renewable resource develop-
2 ment fund or another state fund agrees to pay the difference between
3 cost and the interest rate to be charged or if appropriation for the
4 purpose of paying the difference has been made.

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

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

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

28 (1) a person who served in the armed forces of the United
29 States for 90 days or more, or whose service was for less than 90 days

1 because of injury or disability incurred in the line of duty, between
2 April 6, 1917 and November 11, 1918, and beginning September 16, 1940 to
3 six months after termination of hostilities involving United States
4 forces in Indo-China, or in a combat zone during any period of armed
5 conflict, who was separated from the armed forces with a discharge other
6 than dishonorable, and

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

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

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

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

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

25 (C) he died before the official date of the termination
26 of that war; and

27 (D) his discharge was not dishonorable;

28 (3) a person who has served in the Alaska Army National
29 Guard, the Alaska Air National Guard, or the Alaska Naval Militia for

1 not less than six years and who has not received a discharge other than
2 honorable.

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

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

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

19 (3) service in the armed forces of the United States for
20 90 days or more, or service for a lesser period because of injury or
21 disability incurred in line of duty, between June 25, 1950, and
22 January 31, 1955, or service in the armed forces of the United States
23 for 90 days or more or service for a lesser period because of injury or
24 disability incurred in line of duty, between August 4, 1964, and July 1,
25 1977.

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

29 Sec. 45.96.450. EMPLOYMENT PRACTICES. (a) In the performance of

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

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

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

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

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

25 Sec. 45.96.470. BANK PARTICIPATION. (a) Loans made under the
26 authority of this chapter may be made in participation with financial
27 institutions. The participating financial institution may act as agent
28 for the division of Alaska loan programs in the initial processing of
29 applications for loans. Fees for such services shall be mutually agreed

1 upon.

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

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

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

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

18 (1) may participate in the implementation stages of that
19 project; or

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

22 (b) A list of all persons performing preliminary services for a
23 loan applicant shall be furnished to the division of Alaska loan pro-
24 grams as part of the loan application, and a list of all persons with
25 whom the borrower has contractual relations in respect to the project
26 after the application for loan shall be submitted to the division at
27 intervals set by the division of Alaska loan programs.

28 Sec. 45.96.490. DEFINITIONS. For purposes of this chapter, "the
29 fund" and "the loan programs fund" mean the Alaska loans program fund

1 created in AS 45.96.020.

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

3 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
4 administer the loan fund.

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

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

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

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

19 * Sec. 10. AS 18.100.050 is amended to read:

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

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

26 (a) There is created within the Department of Community and Re-
27 gional Affairs a senior citizens housing development fund. Subject to
28 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-
29 partment shall make grants [OR LOANS] to municipalities or to corpora-

1 tions designated as tax exempt under sec. 501(c)(3) and (4) of the
2 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER AS 18.100.050]
3 for the purpose of developing senior citizen housing: [A GRANT FROM THE
4 PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

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

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

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

13 (39) AS 29.58.290 (industrial development bonds)

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

15 Sec. 29.58.290. INDUSTRIAL DEVELOPMENT BONDS. No municipality,
16 home rule or otherwise, may issue a revenue bond which is an industrial
17 development bond under the provisions of the Internal Revenue Code of
18 1954 (26 U.S.C. 103).

19 * Sec. 15. AS 37.10.050 is amended to read:

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

27 (b) Money collected for the state shall be deposited by the col-
28 lector in the nearest bank to the account of the division of treasury
29 [DEPARTMENT OF REVENUE] when the division of treasury [DEPARTMENT OF

tions designated as tax exempt under sec. 501(c)(3) and (4) of the Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER AS 18.100.050] for the purpose of developing senior citizen housing. [A GRANT FROM THE PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

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

(b) Money collected for the state shall be deposited by the collector in the nearest bank to the account of the division of treasury [DEPARTMENT OF REVENUE] when the division of treasury [DEPARTMENT OF

1 REVENUE] directs this to be done.

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

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

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

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

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

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

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

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

27 (6) other securities, including corporate securities;

28 (7) Federal Housing Administration mortgages;

29 (8) Federal Veterans Administration mortgages;

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

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

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

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

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

12 (14) repurchase agreements, reverse repurchase agreements, or
13 any trading practice or instrumentalities that may evolve investment
14 management.

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

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

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

27 (g) The director of the division of treasury [COMMISSIONER OF
28 REVENUE, WITH THE CONSENT OF THE COMMITTEE,] may enter into contracts
29 for services providing investment advice, custody of securities, and

1 execution of transactions, in or out of Alaska.

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

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

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

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

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

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

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

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

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

28 (a) In addition to uses of fund money authorized in sec. 10 of
29 this chapter, money of the fund shall be utilized to make grants to

1 municipalities, of up to one-half the nonfederal share of costs of pro-
2 jects described in AS 41.22.010 which are initiated by a municipality [,
3 AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES TO MAKE OPTION
4 PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION OF WHICH
5 FEDERAL FUNDS ARE ANTICIPATED].

6 * Sec. 24. AS 41.35.180(5) is repealed and re-enacted to read:

7 (5) consult with local historical district commissions re-
8 garding the establishment of historical districts under AS 29.48.108 -
9 29.48.110 and recommend, if appropriate, the formulation of additional
10 criteria for the designation of historical districts under AS 29.48.-
11 110(b).

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

3 (13) provide accounting services for the permanent fund (AS
4 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-
5 sources development fund (AS 37.11), and all other state funds;

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

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

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

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

18 (1) be graduated from an accredited college with major course
19 work in business administration, accounting, finance, banking,

1 economics, or another closely related field;

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

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

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

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

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

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

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

27 * Sec. 30. The following laws are repealed: AS 03.10.010; 03.10.020(1),
28 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;
29 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; AS 18.100.030(1) and (4).

1 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060, 26.15.
2 110 - 26.15.160; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.33.-
3 020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.260; AS 44.59.140-
4 (7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS 44.60.010,
5 44.60.130(7) - (13), 44.60.160 - 44.60.260, 44.60.310 - 44.60.320; AS 44.61.-
6 010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c), 45.86.050 -
7 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4), 45.90.030;
8 AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040, 45.98.060.

9 * Sec. 31. AS 37.10.065, 37.10.075(b) - (d), 37.10.079; and AS 44.25.-
10 020(2) are repealed.

11 * Sec. 32. Sections 1 - 6, 13 - 22, 25 - 29, and 31 of this Act take
12 effect June 30, 1979. The unobligated general fund surplus as of June 30,
13 1979 in excess of \$125,000,000 shall lapse into a special account in the
14 general fund. Money in the special account may be used only from June 30,
15 1979 to December 31, 1979 for purchase of evidences of indebtedness acquired
16 or to be acquired before December 31, 1979 from state loan programs which
17 were in existence on January 1, 1979. Before January 31, 1980 the governor
18 shall certify to the legislature the balance remaining in the special account
19 and that balance may be appropriated to the principal of the permanent fund
20 established by AS 37.13.010.

21 * Sec. 33. Sections 7 - 12, 23, 24 and 30 of this Act take effect June
22 30, 1980.

23 * Sec. 34. In sec. 5 of this Act, the enactment of AS 37.13.100(d) and
24 (e) has the effect of imposing a jurisdictional limitation on the operation
25 of Appellate Rule 45, Alaska Rules of Court Procedure, in that an appeal
26 under the rule (having to do with appeals from administrative decisions to
27 the superior court) must be brought from the decisions of the commissioner of
28 revenue as to eligibility within 30 days or the court will have no jurisdic-
29 tion to hear it. This is an exercise of the legislature's authority over the

1 jurisdiction of the courts, but because it also effects an implied, narrow
 2 amendment to Appellate Rule 45 by imposing this jurisdictional time limit
 3 instead of the procedural time limit of the same duration which will continue
 4 to apply to other appeals, this section has also been included.

To: Rep. Hugh Malone

From: Nancy Lord, aide to the House Permanent Fund Committee

Date: Feb. 4, 1980

Re: Senator Hohman's d-2/PF survey

At your request, I have singled out those questions from the d-2/Permanent Fund survey which I consider to be most interesting. Copies of the sheets are attached as well as an editorial from the Anchorage Daily News. Press attention has largely been given to the d-2 aspects rather than to the questions dealing specifically with the state's economic development.

The survey sampled 555 people across the state, in rough proportion to population distribution. Surveys were conducted by phone in urban areas and by personal interview in rural areas.

Q13 asks how the state could alleviate d-2 problems. 283 people thought the state could help. The two top choices were use/distribution of state land (19%) and lobbying (12%). Only 3% mentioned economic help, including appropriation, and 1% mentioned changing the tax structure.

Q29 asks whether the state should use the capital and operating budgets and the Permanent Fund "to invest in projects to offset the negative effects of d-2 restrictions," or just some of the funds. 83% said "use only some" compared to 11% for "use all."

Q30-32 asks respondents to rate three means of "helping Alaskans cope with negative effects of d-2 land restrictions." Of the three choices, the respondents chose "reducing interest rates" first, followed by reducing income taxes and making direct payments to residents.

Q33 asks whether the state has moved fast enough to counter the high interest rate situation. 64% said no, compared to 22% who said yes.

Q34 asks whether "you or others in household now have or now need"" "a small business loan, a mortgage, or similar type loan." 10% now have and 27% now need. In "rural west and north", 33% now have and 7% now need, in marked contrast to the other areas of the state.

Q35 asks for what purpose people currently have loans, and Q36 asks for what purpose people need loans. Most respondents identified some type of home loan as what they needed. No data exists for the rural respondents.

Q37 asks whether the state should "use all its financial tools and powers to reduce the loan interest rate." 85% said the state should.

Q38 asks, of the 85% who agreed with Q37, what the interest rate should be brought down to. From choices ranging from 12% to "lower than 5%", 26% chose 10%, followed by 22% for 9%.

Q44 asks whether the executive and legislative bodies have done as much as they should to reduce interest rates, 67% said no, and 18% yes.

Q45 asks whether you are "in favor of doing whatever is necessary with the Permanent Fund or state budget" to alleviate the effects of d-2. 63% said yes, and 24% no.

These are the most interesting questions related to economic development. Given that the questions are broadly drawn, involve aspects of state financing with which most state residents are not conversant, and were directed to a relatively small sample of Alaskans, the survey results have little real value, other than indicating a concern about the general state of the economy. Pollster Mike Rowan is currently preparing three separate reports drawn from the survey results-- one for the legislature, one for Congress, and one for the public.

REPEALERS -- SB 1 (1980)

The following existing loan funds, authorities, and development corporations are effectively repealed by the current version of SB 1.

- 03.10 Agricultural Revolving Loan Fund
- 16.10 Commercial Fishing Revolving Loan Fund
- 16.10 Fisheries Enhancement Revolving Loan Fund
- 18.26 Alaska Medical Facility Authority
- 18.56 Alaska Housing Finance Corporation
- 18.100 Housing Development Revolving Loan Fund (allows grants only)
- 18.100 Senior Citizens Housing Development Fund (allows grants only)
- 26.15 Veterans Revolving Loan Fund
- 41.22 Outdoor Recreational, Open Space, and Historical Properties Development Fund
- 41.30 Area Redevelopment Revolving Loan Fund
- 44.33 Child Care Facility Revolving Loan Fund
- 44.33 Residential Care Facility Revolving Loan Fund
- 44.55 Alaska Gas Pipeline Financing Authority
- 44.56 Alaska Power Authority
- 44.58 Alaska Municipal Bond Bank Authority
- 44.59 Alaska State Development Corporation
- 44.60 Alaska Small Business Development Corporation
- 44.61 Alaska Industrial Development Corporation
- 45.86 Water Resources Revolving Loan Fund
- 45.88 Alternative Technology and Power Resources Revolving Loan Fund
- 45.90 Tourism Revolving Loan Fund
- 45.95 Small Business Revolving Loan Fund
- 45.98 Historical District Revolving Loan Fund

Existing funds and corporations which are not repealed by SB 1 are:

- 14.40 Scholarship Revolving Loan Fund (apparently an oversight)
- 14.40 Memorial Scholarship Revolving Loan Fund (apparent oversight)
- 44.47 Temperate Social Activities Revolving Loan Fund
- 44.56 Power Project Revolving Fund (an oversight?)
- 44.19 Disaster Relief Fund
- 37.11 Alaska Economic Disaster Impact Fund
- 37.12 Alaska Renewable Resources Corporation
- 44.54 Commercial Fishing and Agriculture Bank

- | | | |
|---|---|---|
| <ul style="list-style-type: none">1) Obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;2) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;3) certificates of deposits issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation and secured as to the payment of principal and interest in accordance with Alaska law; bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska Law;~~4) notes issued by Farmer's Home Administration~~5) corporate investment-grade securities; corporate obligations of prime or equivalent quality, as rated by a nationally recognized rating organization; other securities, including corporate securities;6) banker's acceptance drawn on and accepted by United States banks which have a combined capital surplus aggregating at least \$100,000,000;7) repurchase agreements, the securities underlying the agreements being any of the items in (1) - (5) of this subsection;8) deposits of federally insured savings | <ul style="list-style-type: none">1) Obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;2) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;3) certificates of deposit issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation and which are secured as to the payment of principal and interest in accordance with Alaska law and for which a generally recognized secondary market exists;4)5) short-term corporate promissory notes of the highest rating assigned by a nationally recognized rating service; corporate debt securities which are rated AA or better by a nationally recognized rating service;6) bankers' acceptance drawn on and accepted by United States banks each of which have a combined capital and surplus aggregating at least \$200,000,0007) repurchase agreements, the securities underlying the agreements being any of the items in (1) - (5) of this subsection; | <ul style="list-style-type: none">1) Obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;2) Obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;3) bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska law;4)5) corporate obligations rated "A" or better by a nationally recognized rating service or of equivalent quality;6) bankers acceptances drawn on and accepted by banks with a combined capital and surplus aggregating at least \$200,000,000. |
|---|---|---|

37.10.065

SB 161

SB 1

8) and loan association's deposits exclusive of federal, state, and municipal deposits;	8)	8)
9) fixed-term certificates of debentures of federally insured credit unions not to exceed 10 per cent of each credit union's shares.	9)	9)
10) ~~Federal Veterans Administration mortgages;~~	10) the portion of first lien real estate mortgages guaranteed by the Federal Veterans Administration;	10) Federal Veterans Administration mortgages;
	11) the guaranteed portion of Federal Small Business Administration Loans;	11)
	12) the portions of business and industrial loans made under the Rural Development Act of 1972 which are guaranteed by the Farmer's Home Administration;	12)
	13) all guaranteed portion of Farmer's Home Administration loans.	13) notes issued by the Farmers Home Administration;
		14) Federal Housing Administration mortgages;
		15) conventional residential mortgages if the offering financial institution retains at least 25 percent of the mortgage;
		16) other secured loans, if the offering financial institution retains at least 33 1/3 percent of the mortgage;

#18127

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Notes
Rowan's narrative
Does Congress have the authority?
Should this be before the legislature?
Should this be before the legislature?
any position by Regs?
★

Anchorage Daily News

Winner, 1976 Pulitzer Prize Gold Medal for Public Service

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Executive Editor



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Latest d-2 poll says very little

Ask Alaskans what good will come of "the d-2 land restrictions" and most of them will tell you "None." So what?

The question is so general and so pejoratively worded that little of value is likely to come from any of the answers. Yet the Alaska Legislature spent \$34,000 on the poll by Michael Rowan and then listened to the pollster describe the results in terms that can only undermine efforts to reach a reasonable land legislation compromise in Washington. The whole effort seems pointless and ill-advised to us.

Without specifying which of numerous d-2 settlements is at issue, the poll can't provide reliable results. Are we asking about the Udall bill, the Senate Energy Committee compromise, or the Antiquities Act? The differences are real and the potential impacts radically different. No such distinction, however, is made in the Rowan poll.

It may be convincingly argued that few citizens understand the specific differences between the d-2 proposals, but that hardly justifies the overly broad phrasing of the questions. If most people don't understand enough to judge between versions of the land settlement, why go through the motions of an expensive poll to reach a predictable, uninformed response?

It also seems unfair to us for the pollsters to have asked about "d-2 restrictions." One man's restriction may be another's careful protection. Whatever the definition, the use of that term seems designed to provoke negative feelings.

Under a contract with Sen. George Hohman, D-Bethel, the Rowan poll is to be compiled into a narrative report and presented to the Congress. It seems clear to us that its broad-brush approach is unlikely to prove convincing to that audience. About the only effect we're willing to predict is that it will add to the confusion already far too thick over this issue. It could also have the effect — although we hope not — of further undermining the delicate process of compromise that remains Alaska's best hope for a livable legislative resolution of the federal land battle.