

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

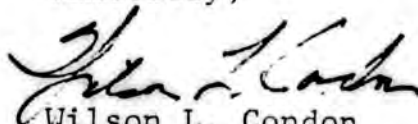
1322 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

Mr. Gerald L. Wilkerson
Honorable Carole J. Burger
J66-785-81 and J66-649-80

November 30, 1982
Page 31

We hope you find this analysis helpful in determining the nature of the problems presented by the dedicated fund prohibition and the various statutory programs which may or may not run afoul of it. We expect to be able to advise you with greater certainty on some of these questions at the conclusion of the pending litigation described above.

Sincerely,



Wilson L. Condon
Attorney General

WLC:jf

cc: Ron Lehr, Director
Division of Budget and Management

Jay Hogan, Director
Division of Legislative Finance
Legislative Affairs Agency

Alaska State Legislature

House of Representatives

Committee on Loans



POUCH V
JUNEAU, ALASKA 99811

PHONE:
(907) 465-4919
(907) 465-4920

AGENDA

TUESDAY, 2/19/85, 3:30 p.m.
Room 124 (House Judiciary)

- HB 59 "An Act making a special appropriation to the Department of Natural Resources, division of parks, for the youth hostel loan fund; and providing for an effective date."
- HB 61 "An Act relating to loans for youth hostels."
- * HB 109 "An Act relating to interest rates on and handling repayment of state loans; and providing for an effective date."

For more information, contact John Hartle
Room 411
465-4919

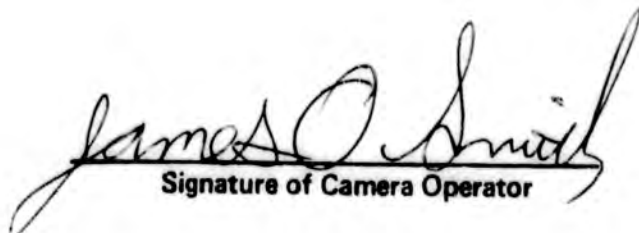
*Indicates first public hearing

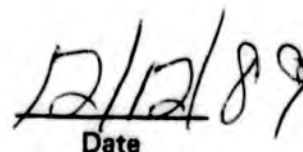


RECORDS CERTIFICATION



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Signature of Camera Operator


Date

SCOMM

#50:20

MEMORANDUM

State of Alaska

TO: Bill Sheffield
Governor

DATE: 29 March 1985

THRU: Mr. John Shively
Chief of Staff

FILE NO:

FROM: *Edward G. Pagano*
MG Edward G. Pagano
The Adjutant General
Department of Military and Veterans Affairs

TELEPHONE NO: 249-1228

SUBJECT: Veterans Small
Business Loans

Alaska veterans have expressed concern that small business loans are not available to veterans. These individuals have suggested the State of Alaska make or guarantee small business loans to qualified veterans. I am aware of proposed legislation submitted by the Department of Commerce and Economic Development that would include veterans under a linked deposit concept. I understand this bill may not be submitted by your office.

I have read HB 135 sponsored by Representatives Duncan, Sund and Herrmann and request you consider an amendment that would give veterans a preference for loans under that proposal.

It is the recommendation of the Department of Military and Veterans Affairs that veterans be specifically identified in this bill and loans through the "Small Business Development Loan" program be made available to qualified veterans at two percentage points below that rate being offered to non-veterans.

For the purpose of this bill, a veterans should be defined as follows: a person with 181 days or more active service in the Armed Forces of the United States who has been honorably discharged after having served during any period between April 6, 1917 and December 1, 1919, between September 16, 1940 and December 31, 1947 or between June 27, 1950 and October 14, 1976.

cc: Mr. Ray Gillespie
Director of Legislative Relations

Mr. Terry Elder
Deputy Commissioner

Miss Sandra Borbridge
Special Staff Assistant

Loan, special committee

HB 135

capitol room 124

3:30 PM

Introduced: 1/28/85
Referred: House Special Committee
on State Loans and Finance

NFIC

BY DUNCAN, SUND AND
HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 135

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a Small Business Development
7 Loan program; and providing for an effective date."

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

9 * Section 1. AS 45.95.020 is repealed and reenacted to read:

10 Sec. 45.95.020. SMALL BUSINESS DEVELOPMENT LOANS. (a) The
11 commissioner shall adopt regulations and policies to make small busi-
12 ness development loans or to purchase small business development loans
13 from a bank or other financial institution in the state. A small
14 business development loan made under this chapter may not exceed
15 \$100,000 and shall be for the purpose of acquiring, operating, or
16 equipping a business, other than a farming, mining, or fishing busi-
17 ness. A small business development loan shall be secured by accept-
18 able collateral and may not exceed 80 percent of the fair market value
19 of the collateral offered as security. ~~The initial rate of interest~~ *initial*
20 on a small business development loan is equal to the federal discount *Bank*
21 rate in effect on the first day of the month preceding the month of
22 closing the loan plus three percentage points. ~~The interest rate~~
23 shall be adjusted annually to be three percentage points more than the
24 federal discount rate in effect on the first day of the month preced-
25 ing the month of the anniversary date of the loan. *3 ml*

26 (b) Money loaned shall be delivered to the borrower as provided
27 by regulations adopted by the commissioner. Upon repayment of loans
28 by installments, or otherwise, in accordance with the prescribed
29 terms, or upon liquidation by foreclosure or other process, or upon

TIE TO HB 147
market rate TIE

1 receipt of interest or other revenue, the money so received shall be
2 turned over to the commissioner of revenue for deposit in the small
3 business development revolving loan fund.

4 (c) The commissioner may not disqualify an applicant for, or
5 prejudice an applicant's privilege to receive, a loan for a purpose
6 authorized under this section because the applicant has previously
7 received a loan under this chapter, but the total principal amount
8 outstanding to a borrower on loans made under this chapter may not
9 exceed \$150,000.

10 * Sec. 2. AS 45.95.050 is amended to read:

11 Sec. 45.95.050. POWER OF COMMISSIONER TO ASSIGN AND SELL MORT-
12 GAGES. The commissioner may assign and sell small business develop-
13 ment loan mortgages to the Alaska permanent fund, the Department of
14 Revenue, the Alaska Industrial Development Authority, or to a bank or
15 other private purchaser [STATE MORTGAGE ASSOCIATION] in consideration
16 of receiving [ITS] cash, bonds, debentures and notes upon conditions
17 which the commissioner [HE] considers advantageous to the state small
18 business development lending program.

19 * Sec. 3. AS 45.95.060 is amended to read:

20 Sec. 45.95.060. ESTABLISHMENT [CREATION] OF FUND. The [THERE IS
21 CREATED THE] small business development revolving loan fund is estab-
22 lished in the Department of Commerce and Economic Development to carry
23 out the purposes of this chapter. This fund may not [SHALL] be used
24 for any [NO] other purpose.

25 * Sec. 4. AS 45.95.070 is amended to read:

26 Sec. 45.95.070. ELIGIBILITY FOR LOANS. A small business [PER-
27 SON] is eligible for a loan under this chapter if

28 (1) it [HE] can establish or demonstrate [GOOD CHARACTER,]
29 capacity for financial responsibility and an [,] ability to provide

1 sufficient collateral [AND KNOWLEDGE OF ALASKA ECONOMIC CONDITIONS];
2 and

3 (2) [HE IS A RESIDENT OF THE STATE; AND

4 (3)] in the judgment of the commissioner [DEPARTMENT OF
5 COMMERCE AND ECONOMIC DEVELOPMENT]

6 (A) the business shows a definite potential for
7 growth;

8 (B) the borrower will be able to repay the loan; and

9 (C) the loan has the potential to [WILL POTENTIALLY]
10 create more jobs and provide additional services in the commu-
11 nity.

12 * Sec. 5. AS 45.95.080 is amended to read:

13 Sec. 45.95.080. DEFINITIONS. In this chapter,

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

16 (2) "small business" means a sole proprietorship, partner-
17 ship, or corporation operating only in the state that is not a subsid-
18 iary ¹ another business and that does not employ more than 10 em-
19 ployees.

20 * Sec. 6. Section 71(2), ch. 106, SLA 1980 is amended to read:

21 (2) no further loans may be made under AS 45.90.020
22 [,AS 45.95.020,] and AS 26.15.040(3).

23 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

STATE OF ALASKA THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 1, 1985

SUBJECT: Sectional analysis of HB 135
(Small Business Development Loans)

TO: Representative Jim Duncan

FROM: Keith B. Levy ^{KBL}
Legislative Counsel

You have requested a sectional analysis of HB 135. This bill reactivates and amends the Small Business Development Loan program.

Section 1 rewrites the existing procedures for small business loans. The Commissioner of Commerce and Economic Development is required to adopt regulations to make or purchase small business loans, not to exceed \$100,000, for the purpose of acquiring, operating, or equipping a business, other than a farming, mining, or fishing business. The loans must be secured by collateral and may not exceed 80 percent of the value of the collateral. The initial interest rate on the loans is equal to the federal discount rate in effect plus three percentage points and must be adjusted annually to maintain the same relationship with the federal discount rate. Money repaid on the loans is returned to the small business development revolving loan fund. A person may not be disqualified for a small business loan because the person already has one, but the total amount borrowed may not exceed \$150,000.

Section 2 amends existing law to provide that the Commissioner of Commerce and Economic Development may assign and sell small business loans to the Alaska permanent fund, the Department of Revenue, the Alaska Industrial Development Authority, or to a bank or other private purchaser.

Section 3 amends existing law to clarify that the small business development revolving loan fund is administered by the Department of Commerce and Economic Development.

Section 4 amends the eligibility requirements for small business loans to require demonstration that (1) the borrower has financial responsibility and the ability to provide sufficient collateral, (2) the business has a potential for growth, (3) the borrower will be able to repay the loan, and (4) the loan has potential to create more jobs and provide services in the community.

Section 5 defines "small business" as a "sole proprietorship, partnership, or corporation operating only in the state that is not a subsidiary of another business and that does not employ more than 10 employees."

Section 6 amends sec. 71(2), ch. 106, SLA 1980, which discontinued the existing small business loan program, to reactivate it.

Section 7 provides for an immediate effective date.

KBL:ojb
J13/047

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 135
 Title: An Act establishing Small
Business Dev. Loan Program
 Sponsor: Duncan/Sund/Herrmann
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Economic Development
 BRU, Program or Subprogram(s) Affected: _____
Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		168.1	176.5	185.3	194.6	204.3
200 TRAVEL		9.3	9.8	10.3	10.8	11.3
300 CONTRACTUAL		56.1	51.5	66.8	82.2	97.6
400 SUPPLIES		.8	.3	.3	.3	.3
500 EQUIPMENT		18.5	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		252.8	238.1	262.7	287.9	313.5

CAPITAL						
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REVENUE		4,302.0	10,704.0	17,121.0	23,550.0	30,003.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND		252.8	238.1	262.7	287.9	313.5
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attachments.

Assumes initial appropriation of \$40,000.0 and significant appropriations will be required in subsequent years to sustain loan demand. See Revenue analysis on page 4.

Prepared By: Margaret I. Hamley, Director Phone: 465-2555
 Division: Accounting & Collections Date: 3-5-85
 Approved by Commissioner: Loren H. Lounsbury Date: 3/6/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

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

7/1/84

HB 135
SMALL BUSINESS DEVELOPMENT LOAN PROGRAM

This bill establishes a new Small Business Development Loan program. The interest rate is based on the federal discount rate plus three points and also requires an annual loan anniversary interest rate adjustment. The maximum amount which can be loaned is \$100,000 and outstanding loans under this program may not exceed \$150,000. Loans may be made for the purpose of acquiring, operating and equipping a business except farming, mining or fishing. Borrowers who would like to refinance existing loans held by other financial institutions may do so.

The following information is assumed for purposes of preparation of this Fiscal Note. Loan demand is 533 loans per year, average loan size is \$75.0, average term is 10 years, and the interest rate is 11.0% (based on current federal discount rate of 8% plus three points).

During FY '84, the Division of Accounting & Collections serviced a relatively stable number of loans, approximately 8,000 total: 1,100 new loans were processed while 925 loans were paid off.

The provision in this bill which causes the biggest impact to the division is the requirement for annual anniversary adjustment of the interest rate of the loan. A tracking system, tied to the closing date of the loan and compatible with the existing subsidiary loan accounting system, must be designed and implemented to effect the timely and accurate annual interest rate adjustment. Heavy borrower contact and individual account maintenance will be required after the first 12 months of the program when, on a monthly basis, new loan payment cards would have to be generated, letters produced, and borrower's phone calls and correspondence relating to the changed payment amounts dealt with. Also, borrowers who inadvertently send the old amount when the new interest rate is implemented will cause cash processing delays and additional costs to service.

In addition to the new positions and related costs described in the attachments, the division would incur the following expenses that cannot be associated with any position. Printing of a borrower's servicing packet \$3.5; data processing supplies \$.5; data processing design, development, documentation, implementation and training \$20.0; DP chargeback - 533 loans @ 2.40/mo. \$15.4.

1631W3485c

SUMMARY OF EXPENSES

	<u>PERSONAL SERVICES</u>	<u>ASSOCIATED COSTS</u>	<u>TOTAL</u>
<u>Customer Services</u>			
Accounting Technician II	37.1	9.5	46.6
Accounting Technician I	34.0	11.3	45.3
<u>Collections</u>			
Loan Examiner III	51.7	24.5	76.2
TOTAL	122.8	45.3	168.1

1631W3185b

REVENUE ANALYSIS

Proposed Small Business Development Loan Program HB 135

	FY '86	FY '87	FY '88	FY '89	FY '90
New Loans (533/yr. at \$75.0 av.)	\$40,000.0				
New Loans (533/yr. at \$75.0 av.) for subsequent years		\$40,000.0	\$40,000.0	\$ 40,000.0	\$ 40,000.0
Remaining Balance from prior year	0	\$37,672.0	\$72,748.0	\$104,928.0	\$133,876.0
Estimated Principal Recovery	\$ 2,328.0	\$ 4,924.0	\$ 7,820.0	\$ 11,052.0	\$ 14,656.0
Estimated Interest Earned @11.0%	\$ 2,200.0	\$ 6,343.0	\$10,202.0	\$ 13,742.0	\$ 16,926.0
Subtotal	\$ 4,528.0	\$11,267.0	\$18,022.0	\$ 24,794.0	\$ 31,582.0
Less 5% Unrecoverable	<u>[\$ 226.0]</u> <u>\$ 4,302.0</u>	<u>[\$ 563.0]</u> <u>\$10,704.0</u>	<u>[\$ 901.0]</u> <u>\$17,121.0</u>	<u>[\$ 1,239.0]</u> <u>\$ 23,555.0</u>	<u>[\$ 1,579.0]</u> <u>\$ 30,003.0</u>
Appropriation required to sustain demand level	\$40,000.0	\$35,698.0	\$29,296.0	\$ 22,879.0	\$ 16,445.0

Federal discount rate as of 2/5/85 - 8%
Principal remaining balances calculated
using 11.0% Remaining Balance Tables
and estimating 10 years as average loan
term.

Division of Accounting and Collections

1. POSITION TITLE Accounting Technician II				RANGE/STEP 14A	BARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.
2. TYPE OF POSITION PFT		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.	
3. CONFIRMATION LEVEL		ADDITION	X						
4. TYPE OF EXPENDITURE				AMOUNT					
1				2		3			
PERSONAL SERVICES									
5. Salary 2,353/mo eff. 7/16/85				28.2					
6. Benefits				4.6					
7. Supplemental Benefits				1.7					
8. Fixed Benefits				2.6					
9. TOTAL PERSONAL SERVICES				01		37.1			
10. Travel				02		-0-			
11. Contractual				03		3.5			
12. Commodities				04		.1			
13. Equipment				05		5.9			
14. Other									
15. TOTAL COST						46.6			
RECEIPT CODE FUNDING SOURCE									
16.				Federal Receipts		1002			
17.				G.F. Hatch		1003			
18.				General Funds		1004		46.6	
19.				I-A Receipts		1005			
20.				Program Receipts		1028			
21.				Other					
FOR BSM USE ONLY									
KEY NUMBER									

Accounting Technician II

This position will be established in the Customer Service Section. Primary responsibility will be the litigation and repossession accounting and secondary responsibility will be backup to the Accounting Technician I for customer and loan servicing. Duties include auditing the account before it enters litigation or repossession status, maintaining a ledger card system on all litigation and repossession accounts, reviewing the invoices on all the expenses incurred, coding PBA accounts on the invoices and requesting payments of the invoices. When a loan is repossessed, this position will close the loan on the subsidiary loan and transfer it into the repossessed account. Upon sale of the repossessed property, this position prepares the AV's required to record the sale and clear the property from the State's books.

Associated costs included are space allocation, training, communications, general office supplies and furniture and equipment (open system work station, calculator, microfiche viewer, phone and cabinet).

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Economic Development
 BRU Accounting & Collections
 COMPONENT Administration

Page of
 Revised Date

FY 86

1.	POSITION TITLE Accounting Technician I				RANGE/STEP 12B	BARG UNIT GGU	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				Accounting Technician I					
	1		2		3					
	PERSONAL SERVICES									
5.	Salary	2,135/mo eff 7/1/85	25.6							
6.	Benefits		4.2							
7.	Supplemental Benefits		1.6							
8.	Fixed Benefits		2.6							
9.	TOTAL PERSONAL SERVICES		07		34.0					
10.	Travel		02		0-					
11.	Contractual		03		5.3					
12.	Commodities		04		.1					
13.	Equipment		05		5.9					
14.	Other									
15.	TOTAL COST				45.3					
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004			45.3					
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
22.		Other								
FOR B&N USE ONLY										
4A KEY NUMBER										

This position will be established in the Customer Service Section and assigned the Small Business Development Loan portfolio. Duties include responding to customer service inquiries, requests and account, problems, auditing subsidiary ledger accounts making subsequent calculations of interest, principal, late fees, refunds, loan payoffs, and unapplied funds computations, initialing necessary system documents to effect the necessary correction and monitor the action to ensure proper recording on the subsidiary system.

Due to the annual loan anniversary interest rate adjustments based on the federal discount rate, there will be heavy monitoring and maintenance to the accounts on the subsidiary loan system. A high volume of borrower contact is anticipated due to the need to notify and instruct borrowers on payment amounts and procedures due to the interest rate adjustment.

Associated costs include communications (long distance, postage, centrex) training, space allocation, general office supplies and furniture and equipment (open system work station, calculator, microfiche viewer, phone and file cabinet).

13 REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
 PROGRAM Economic Development
 BRU Accounting & Collections
 COMPONENT Administration

Page of
 Revised Date

FY

1.	POSITION TITLE Loan Examiner III				RANGE/STEP 19A	DARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12 x 2	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	ADDITION ☒									
5.	Type of Employment				Allo III					
6.	1				7 2				3	
7.	PERSONAL SERVICES									
8.	Salary	3,336/mo eff. 7/16/85	40.0							
9.	Benefits		6.6							
10.	Supplemental Benefits		2.5							
11.	Fixed Benefits		2.6							
12.	TOTAL PERSONAL SERVICES		51.7							
13.	Travel		9.3							
14.	Contractual		8.4							
15.	Commodities		.1							
16.	Equipment		6.7							
17.	Other									
18.	TOTAL COST		76.2							
19.	RECEIPT CODE				FUNDING SOURCE					
20.					Federal Receipts 1002					
21.					G.F. Hatch 1003					
22.					General Funds 1004				76.2	
23.					I-A Receipts 1005					
24.					Program Receipts 1028					
25.					Other					
FOR BSM USE ONLY										
KEY NUMBER										

Loan Examiner III

This position will be established in the Collections Section with litigation responsibilities resulting from the Small Business Development Loan program.

The primary responsibilities will be coordination of litigation with attorneys, i.e., foreclosures, bankruptcy, judgment and repossessions; attend hearings and is a witness in court cases for the attorney representing the State; travel to inspect collateral, appraise and make value determinations for determining type of litigation action, present and recommend to loan committee concerning major workout situations and disposal of repossessed property; property management of repossessed property including maintenance, repairs, insurance, etc.

Associated costs include travel for inspections and training, space allocations, communications (long distance, postage and centrex), printing of stationary, envelopes and forms, training, general office supplies and furniture and equipment (open system work station, calculator, microfiche viewer, phone, and file cabinet).

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Accounting & Collections

COMPONENT Administration

FY 86

Page of

Revised Date

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 135

Title: Small Business Development

Loan Program

Sponsor: Rep. Duncan

Requestor: _____

Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.

Program Category Affected: _____

Economic Development

BRU, Program or Subprogram(s) Affected: _____

Investments

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES		407.6	407.6	407.6	407.6	407.6
200 TRAVEL		24.0	24.0	24.0	24.0	24.0
300 CONTRACTUAL		34.0	29.0	29.0	29.0	29.0
400 SUPPLIES		2.7	2.7	2.7	2.7	2.7
500 EQUIPMENT		56.7				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		525.0	463.3	463.3	463.3	463.3

XXXXXXXXXX (LOAN)		40,000.0	35,698.0	29,296.0	22,879.0	16,445.0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		40,525.0	36,161.3	29,759.3	23,342.3	16,908.3
FEDERAL FUNDS						
OTHER						
TOTAL		40,525.0	36,161.3	29,759.3	23,342.3	16,908.3

POSITIONS:

FULL-TIME		9	9	9	9	9
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached pages 2 through 16.

Prepared By: Paul B. Arnoldt, DirectorDivision: InvestmentsPhone: 465-2510Date: 3/6/85Approved by Commissioner: Loren H. LounsburyAgency: Commerce and Economic DevelopmentDate: 3/15/85

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

7/1/84

HB 135
SMALL BUSINESS DEVELOPMENT LOAN PROGRAM

This bill establishes a new Small Business Development Loan program. The interest rate is based on the federal discount rate plus three points and also requires an annual loan anniversary interest rate adjustment. The maximum amount which can be loaned is \$100,000 and outstanding loans under this loan program may not exceed \$150,000.

Loans under this program would be available for virtually any business enterprise except farming, fishing and mining. Borrowers who would like to refinance existing loans held by other financial institutions may do so. Loan requests would be received for manufacturing services and distribution activities utilizing all levels of technologies and workers. This variety of proposals would require a high level of scrutiny of loan applications by loan examiners. Specialization by loan examiners would be necessary to adequately assess loan applications calling for use of advanced technologies.

The division estimates that the average loan under this program would be \$75,000. It is estimated that 533 loans will be made annually with an average term of seven years and an interest rate of 11.0% (based on current federal discount rate of 8% plus three points). In order to support this loan demand, an initial appropriation of \$40.0 million will be required. Subsequent funding requirements are detailed on the attached Revenue Analysis.

For the last several years, the division has processed approximately 100 loans for each of its ten loan examiners. In addition, three loan closers and one document processor support the ten loan examiners. Based upon these statistics, the division will need 6 additional loan examiners and 3 additional loan closers as a result of HB 135. The division's support staff (director, regional loan managers, and clerks) will be required to absorb the additional support work load. Two loan examiners and one loan closer will be located in Juneau, Anchorage, and Fairbanks.

Loan applications would be monitored on a daily basis. Efforts to inform the public regarding the program will be carried out by the division. It is expected that these outreach efforts will generate some additional interest in other loan programs administered by the division.

Under the contractual line item, \$7.0 is included for the design and printing of the small business loan application and loan closing forms. \$2.0 is included in subsequent years for additional printing. This funding is specific to the program and was not detailed under the Request For New Positions.

1668W3585c

HB 135
SMALL BUSINESS DEVELOPMENT LOAN PROGRAM
SUMMARY OF EXPENSES

	<u>Personal Services</u>	<u>Associated Costs</u>	<u>Total</u>
Juneau Regional Office			
Loan Examiner III	\$51.7	\$12.0	\$63.7
Loan Examiner II	45.2	12.0	57.2
Loan Closer II	33.1	12.8	45.9
Subtotal	\$130.0	\$36.0	\$166.8
Anchorage Regional Office			
Loan Examiner III	\$51.7	\$12.0	\$63.7
Loan Examiner II	45.2	12.0	57.2
Loan Closer II	33.1	12.8	45.9
Subtotal	\$130.0	\$36.0	\$166.8
Fairbanks Regional Office			
Loan Examiner III	\$58.6	\$12.0	\$70.6
Loan Examiner II	51.7	12.0	63.7
Loan Closer II	37.3	12.8	50.1
Subtotal	\$147.6	\$36.8	\$184.4
Subtotals	\$407.6	\$108.8	\$518.0
Design/printing application		\$7.0	7.0*
Total	\$407.6	\$115.8	\$525.0

*\$2.0 included in subsequent years for additional printing of loan application pamphlet.

1668W3585c

REVENUE ANALYSIS

Proposed Small Business Development Loan Program
HB 135

	FY '86	FY '87	FY '88	FY '89	FY '90
New Loans (533/yr. at \$75.0 av.)	\$40,000.0				
New Loans (533/yr. at \$75.0 av.) for subsequent years		\$40,000.0	\$40,000.0	\$ 40,000.0	\$ 40,000.0
Remaining Balance from prior year	0	\$37,672.0	\$72,748.0	\$104,928.0	\$133,876.0
Estimated Principal Recovery	\$ 2,328.0	\$ 4,924.0	\$ 7,820.0	\$ 11,052.0	\$ 14,656.0
Estimated Interest Earned @11.0%	\$ 2,200.0	\$ 6,343.0	\$10,202.0	\$ 13,742.0	\$ 16,926.0
Subtotal	\$ 4,528.0	\$11,267.0	\$18,022.0	\$ 24,794.0	\$ 31,582.0
Less 5% Unrecoverable	[\$ 226.0]	[\$ 563.0]	[\$ 901.0]	[\$ 1,239.0]	[\$ 1,579.0]
Cash Flow from Program	<u>\$ 4,302.0</u>	<u>\$10,704.0</u>	<u>\$17,121.0</u>	<u>\$ 23,555.0</u>	<u>\$ 30,003.0</u>
Appropriation required to sustain demand level	\$40,000.0	\$35,698.0	\$29,292.0	\$ 22,879.0	\$ 16,445.0

Federal discount rate as of 2/5/85 - 8%
Principal remaining balances calculated
using 11.0% Remaining Balance Tables
and estimating 10 years as average loan
term.

Division of Accounting and Collections

1668W3585c

1.	POSITION TITLE LOAN EXAMINER III				RANGE/STEP 19A	ORG. UNIT GGU	PAGE/LINE	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.	
3.	CONTINUATION LEVEL				JUSTIFICATION				
4.	TYPE OF EXPERIENCE								
5.	PERSONAL SERVICES								
6.	Salary	40.0							
7.	Benefits	6.5							
8.	Supplemental Benefits	2.5							
9.	Fixed Benefits	2.7							
10.	TOTAL PERSONAL SERVICES	51.7							
11.	Travel	4.0							
12.	Contractual	3.0							
13.	Commodities	0.3							
14.	Equipment	4.7							
15.	Other								
16.	TOTAL COST	63.7							
17.	RECEIPT CODE	FUNDING SOURCE							
18.		Federal Receipts 1002							
19.		G.F. Match 1003							
20.		General Funds 1004							
21.		I-A Receipts 1005							
22.		Program Receipts 1028							
23.		Other							
24.									
25.									
26.									
27.									
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97.									
98.									
99.									
100.									

The division estimates that 533 loans will be made annually under this loan program. Based upon actual workload performance of the division, a loan examiner can process approximately 100 loans in a year and maintain a 32 day turnaround from the day the application is received to the day the application is either approved or disapproved by a loan committee.

Small business loan requests will be received from a broad spectrum of the economy and will require the division to respond accordingly. This requirement for specialized expertise will be met by staffing each of the division's three regional offices (Juneau, Anchorage and Fairbanks) with one senior loan examiner, III and one junior loan examiner II as well as one senior loan closer II.

The Loan Examiner III will act as lead examiner for the small business program within each regional office. Specialization by the Loan Examiner III will be necessary to adequately assess loan applications calling for advanced technologies.

FOR BSA USE ONLY

KEY NUMBER

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

COMPONENT Administration

REQUEST FOR
NEW POSITION

FY 86

Page 5 of 16

Revised Date

Estimates for the 200-500 line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950).

Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000).

Commodities: General office supplies (\$300).

<u>Equipment:</u>	Calculator	\$ 365
	Microfiche Reader	\$ 300
	Workstation	\$4,085
	Total	\$4,750

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

COMPONENT Administration

☐ ADDITIONAL
EXPLANATION
FORM

FY 86

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REVISED DATE

1. POSITION TITLE LOAN EXAMINER III				RANGE/STEP 19A	BARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.
2. TYPE OF POSITION PET		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.	
3. CONTINUATION LEVEL				4. JUSTIFICATION					
5. TYPE OF EXPENDITURE									
6. AMOUNT									
7. PERSONAL SERVICES									
8. Salary				40.0					
9. Benefits				6.5					
10. Supplemental Benefits				2.5					
11. Fixed Benefits				2.7					
12. TOTAL PERSONAL SERVICES				51.7					
13. Travel				4.0					
14. Contractual				3.0					
15. Commodities				0.3					
16. Equipment				4.7					
17. Other									
18. TOTAL COST				63.7					
19. RECEIPT CODE				FUNDING SOURCE					
20. Federal Receipts				1002					
21. C.F. Hatch				1003					
22. General Funds				1004					
23. I-A Receipts				1005					
24. Program Receipts				1028					
25. Other									
26. TOTAL				63.7					
FOR BSA USE ONLY									
KEY NUMBER									

The division estimates that 533 loans will be made annually under this loan program. Based upon actual workload performance of the division; a loan examiner can process approximately 100 loans in a year and maintain a 32 day turnaround from the day the application is received to the day the application is either approved or disapproved by a loan committee.

Small business loan requests will be received from a broad spectrum of the economy and will require the division to respond accordingly. This requirement for specialized expertise will be met by staffing each of the division's three regional offices (Juneau, Anchorage and Fairbanks) with one senior loan examiner III and one junior loan examiner II as well as one senior loan closer II.

The Loan Examiner III will act as lead examiner for the small business program within each regional office. Specialization by the Loan Examiner III will be necessary to adequately assess loan applications calling for advanced technologies.

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development
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 Revised Date _____

FY 86

Estimates for the 200-500 line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950).

Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000).

Commodities: General office supplies (\$300).

<u>Equipment:</u>	Calculator	\$ 365
	Microfiche Reader	\$ 300
	Workstation	\$4,085
	Total	\$4,750

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

COMPONENT Administration



ADDITIONAL
EXPLANATION
FORM

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REVISED DATE			

1.	POSITION TITLE LOAN EXAMINER III				RANGE/STEP 19A	DEPT. UNIT GGU	PAGE/LINE	COY.	APPROV.	DISAPP.				
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT	LEG.						
3.	CONTINUATION LEVEL				JUSTIFICATION									
4.	LIFE OF EMPLOYMENT				The division estimates that 533 loans will be made initially under this loan program. Based upon actual workload performance of the division; a loan examiner can process approximately 100 loans in a year and maintain a 32 day turnaround from the day the application is received to the day the application is either approved or disapproved by a loan committee. Small business loan requests will be received from a broad spectrum of the economy and will require the division to respond accordingly. This requirement for specialized expertise will be met by staffing each of the division's three regional offices (Juneau, Anchorage and Fairbanks) with one senior loan examiner III and one junior loan examiner II as well as one senior loan closer II. The Loan Examiner III will act as lead examiner for the small business program within each regional office. Specialization by the Loan Examiner III will be necessary to adequately assess loan applications calling for advanced technologies. (Continued)									
5.	PERSONAL SERVICES		1								2		3	
6.	Salary		45.8											
7.	Benefits		7.4											
8.	Supplemental Benefits		2.7											
9.	Fixed Benefits		2.7											
10.	TOTAL PERSONAL SERVICES		01								58.6			
11.	Travel		02								4.0			
12.	Contractual		03								3.0			
13.	Commodities		04								0.3			
14.	Equipment		05								4.7			
15.	Other													
16.	TOTAL COST										70.6			
17.	RECEIPT CODE		FUNDING SOURCE											
18.			Federal Receipts 1002											
19.			G.F. Hatch 1003											
20.			General Funds 1004		70.6									
21.			I-A Receipts 1005											
22.			Program Receipts 1028											
23.			Other											
FOR BSM USE ONLY KEY NUMBER _____														

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

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FY 86

Estimates for the 200-500 line items assume that the new employees required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950).

Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000).

Commodities: General office supplies (\$300).

<u>Equipment:</u>	Calculator	\$ 365
	Microfiche Reader	\$ 300
	Workstation	\$4,085
	Total	\$4,750

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

COMPONENT Administration

☐ ADDITIONAL
EXPLANATION
FORM

FY 86

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REVISED DATE

1. POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	DARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.
2. TYPE OF POSITION PFT		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.	
3. CONTINUATION LEVEL				4. JUSTIFICATION					
5. TYPE OF EXPENDITURE				6. AMOUNT					
7. 1				8. 2					
9. PERSONAL SERVICES				10. 3					
11. Salary				12. 34.7					
13. Benefits				14. 5.6					
15. Supplemental Benefits				16. 2.1					
17. Fixed Benefits				18. 2.8					
19. TOTAL PERSONAL SERVICES				20. 45.2					
21. Travel				22. 4.0					
23. Contractual				24. 3.0					
25. Commodities				26. 0.3					
27. Equipment				28. 4.7					
29. Other				30. 1					
31. TOTAL COST				32. 57.2					
33. RECEIPT CODE				34. FUNDING SOURCE					
35. 16				36. Federal Receipts 1002					
37. 17				38. C.F. Hatch 1003					
39. 18				40. General Funds 1004					
41. 19				42. I-A Receipts 1005					
43. 20				44. Program Receipts 1028					
45. 21				46. Other					
47. 57.2				48. 57.2					
49. FOR BSA USE ONLY									
50. KEY NUMBER									

The Loan Examiner II will function as a generalist in the processing of loan applications under the new small business program. The examiner will be responsible for those requests that do not involve advanced technologies or extreme complexities. The Loan Examiner II will take his/her lead from the Loan Examiner III and will be under the direct supervision of the Regional Loan Manager. One Loan Examiner II will be located in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks).

Estimates for the 200-500 line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs.

Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950).
Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000).
Commodities: General office supplies (\$300).
Equipment: Calculator \$ 365
Microfiche Reader \$ 300
Workstation \$4,085
Total \$4,750

**REQUEST FOR
NEW POSITION**

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PROGRAM Economic Development

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1. POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	BARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.	
2. TYPE OF POSITION PFT		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3. CONTINUATION LEVEL		ADDITION		JUSTIFICATION						
4. TYPE OF EXPENDITURE				The Loan Examiner II will function as a generalist in the processing of loan applications under the new small business program. The examiner will be responsible for those requests that do not involve advanced technologies or extreme complexities. The Loan Examiner II will take his/her lead from the Loan Examiner III and will be under the direct supervision of the Regional Loan Manager. One Loan Examiner II will be located in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks). Estimates for the 200-500 line items assume that the new employee required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs. Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950). Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000). Commodities: General office supplies (\$300). Equipment: Calculator \$ 365 Microfiche Reader \$ 300 Workstation \$4,085 Total \$4,750						
1		2								3
PERSONAL SERVICES										
5.	Salary	34.7								
6.	Benefits	5.6								
7.	Supplemental Benefits	2.1								
8.	Fixed Benefits	2.8								
9.	TOTAL PERSONAL SERVICES	01	45.2							
10.	Travel	02	4.0							
11.	Contractual	03	3.0							
12.	Commodities	04	0.3							
13.	Equipment	05	4.7							
14.	Other									
15.	TOTAL COST		57.2							
16. RECEIPT CODE		FUNDING SOURCE								57.2
17.		Federal Receipts 1002								
18.		C.F. Hatch 1003								
19.		General Funds 1004								
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
22.		Other								
FOR BSM USE ONLY										
KEY NUMBER										

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

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1. POSITION TITLE LOAN EXAMINER II				GRADE/STEP 17A	DEPT. UNIT GGU	PAGE/LINE	COY.	APPROV.	DISAP.
2. TYPE OF POSITION PFT		STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT	LEG.	
3. CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4. TYPE OF EMPLOYMENT		1 2		The Loan Examiner II will function as a generalist in the processing of loan applications under the new small business program. The examiner will be responsible for those requests that do not involve advanced technologies or extreme complexities. The Loan Examiner II will take his/her lead from the Loan Examiner III and will be under the direct supervision of the Regional Loan Manager. One Loan Examiner II will be located in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks). Estimates for the 200-500 line items assume that the new employees required for this new loan program will require support at levels similar to that actually being incurred by the division on other loan programs. Travel: To inspect collateral, interview applicants, and inform the public on the loan program (\$3,950). Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000). Commodities: General office supplies (\$300). Equipment: Calculator \$ 365 Microfiche Reader \$ 300 Workstation \$4,085 Total \$4,750					
5. PERSONAL SERVICES		1							
6. Salary		40.7							
7. Benefits		6.5							
8. Supplemental Benefits		2.5							
9. Fixed Benefits		2.7							
10. TOTAL PERSONAL SERVICES		01	51.7						
11. Travel		02	4.0						
12. Contractual		03	3.0						
13. Commodities		04	0.3						
14. Equipment		05	4.7						
15. Other									
16. TOTAL COST			63.7						
17. RECEIPT CODE		FUNDING SOURCE							
18. Federal Receipts		1002							
19. C.F. Hatch		1003							
20. General Funds		1004							
21. I-A Receipts		1005							
22. Program Receipts		1028							
23. Other									
24. TOTAL		63.7							
FOR BSM USE ONLY									
KEY NUMBER									

REQUEST FOR NEW POSITION	AGENCY	Commerce & Economic Development
	PROGRAM	Economic Development
	BRU	Investment
	COMPONENT	Administration

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1.	POSITION TITLE LOAN CLOSER II	RANGE/STEP 12A	BARG. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRD PRIORITY	LOCATION Juneau	ELECTION DISTRICT
3.	CONTINGUATION LEVEL				ADDITION		
4.	TYPE OF EXPENDITURE				AMOUNT		
	1				2		
	PERSONAL SERVICES						
5.	Salary		24.9				
6.	Benefits		4.0				
7.	Supplemental Benefits		1.5				
8.	Fixed Benefits		2.7				
9.	TOTAL PERSONAL SERVICES	01		33.1			
10.	Travel	02		-0-			
11.	Contractual	03		3.0			
12.	Commodities	04		0.3			
13.	Equipment	05		9.5			
14.	Other						
15.	TOTAL COST			45.9			
16.	RECEIPT CODE	FUNDING SOURCE					
17.		Federal Receipts 1002					
18.		C.F. Hatch 1003					
19.		General Funds 1004		45.9			
20.		I-A Receipts 1005					
21.		Program Receipts 1028					
		Other					
FOR BSM USE ONLY							
KEY NUMBER _____							

JUSTIFICATION

The Loan Closer II will be responsible for preparing and executing all documents necessary for closing loans under the new Small Business Development Loan program. In view of the large number of loans that are expected under this new program, one Loan Closer II will be required in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks).

Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000).
 Commodities: General office supplies (\$300).
 Equipment: Calculator \$ 365
 Word processing terminal \$5,000
 Workstation \$4,085
 Total \$9,450

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

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Revised Date _____

1.	POSITION TITLE LOAN CLOSER II				RANGE/STEP V2A	ORG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAP.	
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.			
3.	COMBINATION LEVEL				JUSTIFICATION						
4.	TYPE OF EXPENDITURE				The Loan Closer II will be responsible for preparing and executing all documents necessary for closing loans under the new Small Business Development Loan program. In view of the large number of loans that are expected under this new program, one Loan Closer II will be required in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks). Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000). Commodities: General office supplies (\$300). Equipment: Calculator \$ 365 Word processing terminal \$5,000 Workstation \$4,085 Total \$9,450						
5.	PERSONAL SERVICES		1	2							3
6.	Salary		24.9								
7.	Benefits		4.0								
8.	Supplemental Benefits		1.5								
9.	Fixed Benefits		2.7								
10.	TOTAL PERSONAL SERVICES	01		33.1							
11.	Travel	02		-0-							
12.	Contractual	03		3.0							
13.	Commodities	04		0.3							
14.	Equipment	05		9.5							
15.	Other										
16.	TOTAL COST			45.9							
17.	RECEIPT CODE		FUNDING SOURCE								
18.			Federal Receipts	1002							
19.			C.F. Hatch	1003							
20.			General Funds	1004	45.9						
21.			I-A Receipts	1005							
22.			Program Receipts	1028							
23.			Other								
FOR BSM USE ONLY											
KEY NUMBER											

REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

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1.	POSITION TITLE LOAN CLOSER II	12A	RANGE/STEP GGU	BARG. UNIT	PAGE/LINE	COY.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT	LEG.
3.	CONTINUATION LEVEL			JUSTIFICATION				
4.	TIME OF EXPENDITURE			The Loan Closer II will be responsible for preparing and executing all documents necessary for closing loans under the new Small Business Development Loan program. In view of the large number of loans that are expected under this new program, one Loan Closer II will be required in each of the division's three regional offices (Juneau, Anchorage, and Fairbanks). Contractual: Space rental will be RSA'd to the Department of Administration (\$3,000). Commodities: General office supplies (\$300). Equipment: Calculator \$ 365 Word processing terminal \$5,000 Workstation \$4,085 Total \$9,450				
5.	PERSONAL SERVICES		AMOUNT					
6.	Salary	28.2						
7.	Benefits	4.6						
8.	Supplemental Benefits	1.8						
9.	Fixed Benefits	2.7						
10.	TOTAL PERSONAL SERVICES	01	37.3					
11.	Travel	02	-0-					
12.	Contractual	03	3.0					
13.	Commodities	04	0.3					
14.	Equipment	05	9.5					
15.	Other							
16.	TOTAL COST		50.1					
17.	RECEIPT CODE		FUNDING SOURCE					
18.			Federal Receipts 1002					
19.			G.F. Hatch 1003					
20.			General Funds 1004					
21.			I-A Receipts 1005					
22.			Program Receipts 1028					
23.			Other					
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REQUEST FOR
NEW POSITION

AGENCY Commerce & Economic Development

PROGRAM Economic Development

BRU Investment

COMPONENT Administration

FY 86

Page 16 of 16

Revised Date

SMALL BUSINESS DEVELOPMENT LOAN PROGRAM

Sources of Funding:

A. Inactive Loan Programs

Under this alternative, the portfolios of inactive loan programs would be transferred to the Small Business Development Loan Fund.

These inactive loan programs will have a cash flow in FY86 and FY87 of approximately \$13.8 million. However, interest payments to the Small Business and Tourism Loan Programs have already been included in the Department of Revenue and OMB cash flow estimates. Therefore, of the \$13.8 million, about \$8.8 million is unallocated in the FY87 budget.

	7/1/86					
Program	FY86 P	FY86 I	Balance	FY87 P	FY87 I	Total
Small Business Dev. Loan Fund	3,153.9	2,345.2	5,267.0	3,300.0	2,207.2	10,774.2
Tourism Loan Program	289.6	297.8	547.3	318.6	245.5	1,111.4
Veterans Loan Program	551.9	1,059.5	337.0	590.5	1,012.0	1,939.5
SUBTOTAL:	3,995.4	3,702.5	6,151.3	4,209.1	3,464.7	13,825.1

Note: For the FY86 cash flow to be applicable, the bill must have an immediate effective date.

B. Active Loan Programs

The Governor's FY87 loans budget already reappropriates \$19.2 million in loan fund surpluses to fund existing, active loan programs. Additional cash may be available through the elimination or scaling back of active loan programs or by merging active programs into the Small Business Loan Program.

	7/1/86			
Program	Balance	FY87 P	FY87 I	Total
Child Care Facility Loan Fund	435.4	111.3	60.0	606.7
Alternative Energy Loan Fund	897.4	1,744.2	722.6	3,364.2
Residential Energy Loan Fund	304.8	1,207.2	275.9	1,787.9
Historical District Loan Fund	125.8	6.4	27.4	159.6
SUBTOTAL:	1,763.4	3,069.1	1,085.9	5,918.4

Loans for Child Care Facilities would be absorbed within a Small Business Loan Program; however, acceptance of this option would take the State completely out of the lending business for alternative energy system development, residential energy conservation, and historical building acquisition and renovation. One alternative proposed by DCED would scale back the Alternative Energy Loan Program by eliminating passive energy systems, which comprise approximately 80% of the program's activity.

C. Summary

As much as \$19.7 million may be available for a Small Business Development Loan Program in FY87. Of this amount, approximately \$5 million has been included in the FY86/FY87 revenue estimates, leaving an "unallocated" balance of \$14.7 million.

MEMORANDUM

State of Alaska

TO: Jim Ayers, Director
Legislative Affairs
Office of the Governor

DATE: January 29, 1986

RECEIVED
JAN 30 1986

FILE NO.:

THRU:

TELEPHONE NO.: 465-2510

SUBJECT: Small Business Development
Loan Program

FROM: 
Paul B. Arnoldt, Director
Division of Investments
Department of Commerce and
Economic Development

Terry Elder, Joan Brown, Maggie Hamley and I met with Guy Bell on January 22, 1986, to discuss the proposed small business program contained in HB 135, to recommend amendments to the bill, to discuss fiscal impacts, and to identify potential funding sources. We used Guy's memorandum to you dated January 21, 1986 as a basis for our discussion.

AMENDMENTS TO THE BILL

(1) Refinancing: Under HB 135, borrowers who would like to refinance existing loans held by other financial institutions may do so. This is a very costly provision and would add substantially to the number of loans that would qualify under the proposed small business program. Since these borrowers already have financing through the private sector, and since there is limited State funding for this proposed program, we recommend that refinancing be excluded under the bill.

(2) Interest rates: Under HB 135, the interest rate is based on the federal discount rate plus three points and also requires an annual loan anniversary interest rate adjustment. The federal discount rate is a short-term rate established by the Federal Reserve Board. Since differing discount rates are issued out of New York, San Francisco, etc., the bill would have to be clarified in this respect. The federal discount rate is not a market interest rate; typically, the federal discount rate lags the market. HB 109, introduced by the Governor, provides an excellent formula for calculating a market-tied interest rate. Another alternative, already used under the Bulk Fuel and the Residential Energy Conservation Loan Programs, is to charge interest at a rate equal to the percentage of the average weekly yield of municipal bonds for the 12 months preceding the date of the loan as determined from municipal bond yield rates reported in the 30-year revenue index of the Weekly Bond Buyer. We would recommend that an index other than the federal discount rate be used that both parallels the market and corresponds to various loan terms.

We also recommend that the annual adjustment in the interest rate over the life of the loan be eliminated. Making an annual adjustment in order to track rising and falling interest rates may only be an exercise in futility since in the long-run these increases and decreases will average out. There will be confusion among borrowers as their payments vary from year to year, and there will be considerable administrative and data processing costs incurred in implementing this provision.

Finally, since one of the proposals for partially funding the proposed small business loan program is to use surplus funds from the Veterans Loan Program, consideration should be given to granting a 1% veterans preference in the interest rate that is being charged.

(3) Terms: HB 135 does not establish a statutory maximum loan term. Since there will be innumerable small business loan requests, maybe the bill sponsor intended this provision to be addressed by the department under regulation. While this can be done, I only mention this in case there was a drafting oversight.

(4) Effective date: HB 135 would take effect immediately in accordance with AS 01.10.070(c). Clearly staffing, developing application packets, promulgating regulations, modifying data processing and accounting programs will take time. If an additional qualifier, such as, "no loan applications will be accepted until September 1, 1986" was added to the effective date clause, then the infrastructure could be in place and the public will not be disenfranchised by delays in implementing the program.

FISCAL IMPACTS

Updated fiscal notes for HB 135 for the Division of Investments and the Division of Accounting and Collections are included for your reference. These fiscal notes were adjusted to reflect today's personal service costs and current interest rates. We recognize that funding HB 135 at \$40.0 million is very unlikely. Once some agreed upon funding level is established, we are prepared to revise these fiscal notes. We anticipate this new funding level will be substantially less than the \$40.0 million loan demand that is anticipated under HB 135; therefore, the revised fiscal notes will be lower.

One of the proposed sources of funds contained in Guy's memorandum is to use surplus funds from the Small Business, Tourism and Veterans Loan Programs. Since these programs are inactive, that is no new loans are being made, there will be no change in the administrative costs necessary to support these programs as a result of using them as a funding source.

However, eliminating the Alternative Energy, Residential Energy Conservation, Child Care Facility, and Historical District Loan Programs to create a source of funds for the proposed small business program will reduce the administrative costs associated with these programs. Obviously, the cost of making and servicing new loans will be eliminated; however, the cost of servicing existing loans will continue. We recommend that consideration be given to eliminating specific categories of loans under the Alternative Energy Loan Program rather than eliminating the program altogether. In the past we have called attention to the problems of passive energy systems such as solar heating units and solar sunspaces. These types of loans account for approximately 80% of the Alternative Energy Loan Program. The remaining 20% represent loans for alternative energy sources utilizing wind, water and renewable fuels which satisfy the needs of many rural Alaskans and appear to be justified.

The following represents the first year savings that would be achieved if some or all of the mentioned loan programs were eliminated. These savings would serve as an offset against the fiscal notes for HB 135:

	<u>Division of Investments</u>	<u>Division of Accounting & Collections</u>	<u>Total</u>
(1) Alternative Energy:			
(a) 100% eliminated	\$206.4	\$13.4	\$219.8
(b) 80% eliminated	\$165.1	\$10.7	\$175.8
✓(2) Residential Energy	\$135.4	\$10.0	\$145.4
(3) Child Care Facility	\$ 19.6	\$ 2.0	\$ 21.6
(4) Historical District	\$ 2.7	\$ 0.4	\$ 3.1

POTENTIAL FUNDING SOURCES

The Division of Accounting and Collections estimates the following cash will be available for reappropriation beginning FY 1987:

GROSS
Receipts

(1) Alternative Energy:	
(a) 100% Eliminated	\$1,904.2
(b) 80% Eliminated	\$1,523.4

January 29, 1986

(2) Residential Energy	\$1,151.9
(3) Child Care Facility	\$ 130.6
(4) Historical District	\$ 26.1
(5) Small Business	\$4,580.8
(6) Tourism	\$ 489.3
(7) Veterans	\$1,342.3

Obviously, reappropriating funds under the active loan programs (Alternative Energy, Residential Energy, Child Care Facility and Historical District) will have the effect of eliminating these loan programs; however, applications for child care facility loans and for some historical district loans will probably qualify under HB 135.

Bob Heath, Executive Director for the Alaska Power Authority, has advised us that no excess cash will be available for reappropriation from the Power Development Revolving Loan Fund beginning FY 1987.

PBA/me0597C

012986A

Attachments

cc: Guy Bell
Joan Brown
Terry Elder
Maggie Hamley
Bob Heath

MEMORANDUM

State of Alaska

TO: Paul B. Arnoldt, Director
Division of Investments
Department of Commerce & Economic
Development

DATE: January 31, 1986

FILE NO.:

TELEPHONE NO.: 465-2555

THRU: Margaret I. Hamley, Director
Division of Accounting & Collections

SUBJECT: Small Business Development Loan Program

FROM: Debbie Guillaume
Administrative Assistant III
Division of Accounting & Collections

RECEIVED
JAN 30 1986

Page 3, under "Potential Funding Sources," of your memo of January 29, 1986 addressed to Jim Ayers, contained information which I provided. The amounts in your memo were estimated total cash receipts for FY 86 and not net cash available for reappropriation beginning FY 87. Taking into consideration the Governor's budget request (HB 500, as introduced January 17, 1986), the estimated cash available on July 1, 1986 is as follows:

Alternative Energy	\$677.6
Residential Energy	159.4
Child Care Facility	413.8
Historical District	122.7
Small Business	5,267.0*
Tourism	547.3*
Veterans	337.0
	<u>\$7,524.8</u>

*Assumes repeal of Sections 3 and 4, Ch. 156, SLA 1984 which would allow cash balance to remain in the loan fund. (Current statute transfers 6/30 cash balance to General Fund each year.)

All of the active loan programs listed above are dependent on these funds for meeting FY 87 loan demand. Reappropriating these funds to a new loan program without merging the active loan programs into the new one will cause the shut down of these programs on July 1, 1986.

If all, or a portion of all of the active loan funds are eliminated and the administrative cost savings are taken into consideration, the July 1, 1986 cash available would be:

Program Eliminated:	Estimated 7-1-86 Cash Available	Admin. Cost Savings	Adjusted 7-1-86 Cash Available
Alternative Energy			
(1) 100% Eliminated	\$677.6	\$219.8	\$897.4
(2) 80% Eliminated	677.6	175.8	853.4
Residential Energy	159.4	145.4	304.8
Child Care Facility	413.8	21.6	435.4
Historical District	122.7	3.1	125.8

Paul B. Arnoldt

-2-

January 31, 1986

I apologize for the misunderstanding. This information should clarify the cash available issue. Please contact me if you have any questions.

DG/lt4670t
013086b

cc: Jim Ayers, Director, Legislative Affairs, Office of the Governor
✓ Guy Bell, Budget Analyst, OMB
Joan Brown, Director, Division of Admin. Svcs., DCED
Terry Elder, Deputy Commissioner, DCED
Bob Heath, Director, APA



THE AMERICAN LEGION

DEPARTMENT OF ALASKA
235 EAST 8th AVENUE
ANCHORAGE, ALASKA 99501
(907) 276-8211

E.P. "Shorty" OLIVER
Department Commander
9414 Long Run Dr., Juneau, AK 99803

ROBERT G. BLAIR
National Executive Committeeman
Box 2337, Kodiak, AK 99615

JOSEPH T. CRAIG
Alternate NEC
2323 First Ave.
Ketchikan, AK 99901

FLOYD R. JOHNSON
Department Adjutant/Service Officer
235 East 8th Avenue, Anchorage, AK 99501

April 9, 1985

Representative Jim Duncan
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Subject: House Bill 135

Dear Representative Duncan:

Alaska veterans are concerned that small business loans are not available to veterans. Our veterans have suggested the State of Alaska make or guarantee small business loans to qualified veterans.

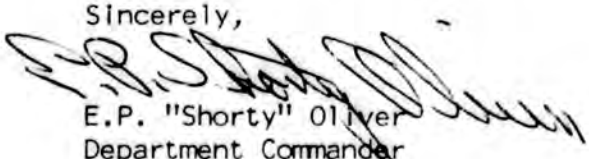
It is requested you consider an amendment to House Bill 135 that would give veterans a preference for loans under that bill.

The American Legion, Department of Alaska recommends that veterans be specifically identified in this bill and loans through the "Small Business Development Loan" program be made available to qualified veterans at two percentage points below that rate being offered non-veterans.

There are approximately 66,000 veterans living in the State of Alaska and this requested amendment would help many of our veterans obtain small business loans.

Any consideration you make for the veterans is appreciated.

Sincerely,


E.P. "Shorty" Oliver
Department Commander

EO/spp

cc: Representative Hermann
Representative Sund

ALASKA
STATE LEGISLATURE
MEMORANDUM

February 8, 1985

TO: Representative Sund, Chairman
House Special Committee on Loans

FROM: Representative Jim Duncan

RE: HB 135

HB 135 concerning Small Business Development Loans has been referred to your committee.

I urge you to schedule it for a hearing as soon as possible. With the cuts in the federal small business loans, the proposed state loan program may be the only financing available to Alaskan businesses.

(c) After a default by a borrower, the maximum liability of the fund for a loan guarantee under this chapter is equal to the amount then in default multiplied by a percentage equal to the guaranteed percentage of the loan. Payments received toward satisfaction of a default shall be allocated between the lender and the fund according to the guaranteed percentage of the loan until the principal balance has been repaid. (§ 1 ch 83 SLA 1984)

Sec. 45.94.060. Definitions. In this chapter

- (1) "commissioner" means the commissioner of revenue;
 - (2) "department" means the Department of Revenue;
 - (3) "forest products business" means a sole proprietorship, partnership, corporation or other business organization formed for the purpose of harvesting or processing timber or other forest resources;
 - (4) "fund" means the forest products business loan guarantee fund.
- (§ 1 ch 83 SLA 1984)

Chapter 95. Small Business Loans.

Section

20. Small business loans

Sec. 45.95.010. Powers and duties of Department of Commerce and Economic Development in general.

NOTES TO DECISIONS

Cited in State v. First Nat'l Bank, Sup. Ct. Op. No. 2370 (File No. 5371), 629 P.2d 78 (1981).

Sec. 45.95.020. Small business loans. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire, finance or refinance or equip businesses, including farming, mining and fishing, not exceeding \$500,000. The loans shall be secured by acceptable collateral and may not exceed 75 percent of the appraised value of the collateral offered as security. The rate of interest may not exceed nine and one-half percent a year on the unpaid balance. For the purposes of this subsection business equipment includes, but is not limited to, farming equipment and fire protection systems approved under AS 18.70.081.

(b) *[Repealed, § 14 ch 122 SLA 1980.]*

(c) *[Repealed, § 108 ch 59 SLA 1982.]*

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the small business revolving loan fund. Each voucher shall be approved by the commis-

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TRADE AND COMMERCE

§ 45.98.040

sioner or any bonded deputy authorized to act as a certifying officer. Upon repayment of loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business revolving loan fund.

(e) The commissioner may not disqualify an applicant for, or prejudice an applicant's privilege to receive, a loan to purchase and install a fire protection system solely because of a loan already made to the applicant under this chapter. (§ 8 ch 109 SLA 1971; am § 1 ch 103 SLA 1974; am § 110 ch 218 SLA 1976; am § 6 ch 139 SLA 1977; am § 25 ch 72 SLA 1979; am §§ 6, 7 ch 45 SLA 1980; am § 14 ch 122 SLA 1980; am § 108 ch 59 SLA 1982)

Effect of amendments. — The 1982 amendment repealed subsection (c) concerning a limitation on the authorization of loans.

Sec. 45.95.060. Creation of fund.

Cross references. — For annual appropriation of cash balance attributable to loans owned by the fund, see § 4, ch. 156, SLA 1984 in the Temporary and Special Acts.

Chapter 98. Historical District Revolving Loan Fund.

Section

40. Limitations on loans

Sec. 45.98.020. Historical district loans.

Opinions of attorney general. — The zoning power vested in the Department of Natural Resources under this section is broad enough to encompass the creation of historical districts as a control over land use, but the exercise of that authority does

not make the property eligible for historic preservation loans under AS 45.98, which is aimed solely at historic districts established by municipalities January 3, 1980, Op. Att'y Gen.

Sec. 45.98.040. Limitations on loans. Loans made under this chapter are subject to the following limitations:

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

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

(3) the loans shall be secured by acceptable collateral and may not exceed 85 per cent of the appraised value of the collateral offered as security;

Effect of amendments. — The 1979 amendment in subsection (b), substituted "commissioner of commerce and economic development" for "commissioner of commerce" and "Department of Commerce and Economic Development" for "Department of Commerce" in the first sentence and "may purchase" for "shall purchase" in the second sentence.

The 1980 amendment repealed

subsection (b), which read: "The commissioner of commerce and economic development may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce and Economic Development as security for loans made under this chapter. The Department of Revenue may purchase the mortgages and notes offered."

Chapter 95. Small Business Loans.

Section

10. Powers and duties of Department of Commerce and Economic Development in general
20. Small business loans
30. Sale or transfer of preferred commercial paper
40. Sale or transfer of mortgages and notes

Section

50. Power of commissioner to assign and sell mortgages
60. Creation of fund
70. Eligibility for loans
80. Definitions

Sec. 45.95.010. Powers and duties of Department of Commerce and Economic Development in general. (a) The Department of Commerce and Economic Development shall formulate general policies and adopt regulations.

(b) The department may hold hearings and subpoena witnesses and documents, and administer oaths in connection with hearings.

(c) The department shall

(1) cooperate with the state and its political subdivisions and agencies;

(2) adopt regulations necessary for the conduct of its business and for carrying out the provisions of this chapter, and make necessary regulations to maintain such standards;

(3) require bonds and undertakings from persons employed by it as shall in its judgment be necessary, and pay the premiums on them;

(4) establish such regional and local offices and such advisory groups as may be necessary or considered expedient to carry out or assist in carrying out its duties and authority. (§ 8 ch 109 SLA 1971; am § 109 ch 218 SLA 1976)

Effect of amendment. — The 1976 amendment substituted "Department of Commerce and Economic Development" for "Department of Commerce" in subsection (a).

Sec. 45.95.020. Small business loans. (a) The commissioner shall, under regulations and policies adopted by him, make small business loans to acquire, finance or refinance or equip businesses, including farming, mining and fishing, not exceeding \$500,000. The loans shall be secured by acceptable collateral and may not exceed 75 percent of

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the appraised value of the collateral offered as security. The rate of interest may not exceed nine and one-half percent a year on the unpaid balance. For the purposes of this subsection business equipment includes a but is not limited to, farming equipment and fire protection systems approved under AS 18.70.081.

(b) Repealed by § 14 ch 122 SLA 1980.

(c) No loans authorized by this section may be made unless the commissioner is satisfied that no money is available to the applicant from private lending institutions on a guaranteed basis as set out in (b) of this section.

(d) Money loaned shall be delivered to the borrower in the form of a warrant drawn on the treasury, vouchered in the manner prescribed for state disbursing officers, and charged against the small business revolving loan fund. Each voucher shall be approved by the commissioner or any bonded deputy authorized to act as a certifying officer. Upon repayment of loans by installments, or otherwise, in accordance with the prescribed terms, or upon liquidation by foreclosure or other process, or upon receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business revolving loan fund.

(e) The commissioner may not disqualify an applicant for, or prejudice an applicant's privilege to receive, a loan to purchase and install a fire protection system solely because of a loan already made to the applicant under this chapter. (§ 8 ch 109 SLA 1971; am § 1 ch 103 SLA 1974; am § 110 ch 218 SLA 1976; am § 6 ch 139 SLA 1977; am § 25 ch 72 SLA 1979; am §§ 6, 7 ch 45 SLA 1980; am § 14 ch 122 SLA 1980)

Effect of amendments. — The 1976 amendment deleted "of commerce" following "commissioner" in the first sentence of subsection (a), in the first and third sentences of former subsection (b), in subsection (c), and in the second sentence of subsection (d).

The 1977 amendment substituted "\$300,000" for "\$100,000" at the end of the first sentence of subsection (a).

The 1979 amendment, in subsection (a), substituted "\$500,000" for "\$300,000" at the end of the first sentence and "nine and one-half per cent" for "eight per cent" in the third sentence.

The first 1980 amendment added fire protection systems approved under AS 18.70.081 to subsection (a) of AS 45.95.020 to insure that such systems were eligible for loans under AS 45.95. As enacted, that amendment inserted "fire protection systems approved under AS 18.70.081" preceding "mining and fishing" in the first

sentence of subsection (a). The section has been rearranged by the revisor of statutes pursuant to AS 01.05.031 in the interest of clarity.

The second 1980 amendment repealed subsection (b), which read: "The commissioner may enter into agreements with private banks, other lending institutions and individuals for the purpose of guaranteeing loans made to qualified applicants. The guarantees may not exceed 90 per cent of the amount loaned and the loans shall be secured in the same manner provided for direct loans under this section. A loan made under this subsection and guaranteed by the commissioner and the state shall bear an interest rate not exceeding eight per cent a year on the unpaid balance."

Editor's note. — Section 1, ch. 139, SLA 1977, provides: "INTENT It is the intent of the legislature to foster an awareness of the need to preserve our

historic past; to protect those visible aspects of our invaluable heritage so that present and future generations may continue to be enriched by the originality and strength of Alaska's architectural and cultural beginnings."

Section 71, ch. 106, SLA 1980 provides

that after July 1, 1981, "no further loans may be made under AS 45.90.020, AS 45.95.020, and AS 26.15.040(3)."

Subsection (b), referred to in subsection (c), was repealed by the second 1980 amendment.

Sec. 45.95.030. Sale or transfer of preferred commercial paper. The commissioner may negotiate with and transfer or sell to and repurchase from the Department of Revenue, its preferred commercial paper, not to exceed \$1,000,000 for cash, which cash shall be used only for the purposes of making loans to persons eligible under this chapter. Money loaned under this section is subject to interest at the rate of two and one-half per cent a year until all principal and interest are fully paid. (§ 8 ch 109 SLA 1971; am § 111 ch 218 SLA 1976)

Effect of amendment. — The 1976 amendment deleted "of commerce" following "commissioner" in the first sentence.

Sec. 45.95.040. Sale or transfer of mortgages and notes. (a) The commissioner may sell or transfer at par value or at a premium or discount to any bank or other private purchaser for cash or other consideration the mortgages and notes held by the Department of Commerce and Economic Development as security for loans made under this chapter.

(b) The commissioner may sell or transfer at par value to the Department of Revenue the mortgages and notes held by the Department of Commerce and Economic Development as security for loans made under this chapter. The Department of Revenue may purchase the mortgages and notes offered. (§ 8 ch 109 SLA 1971; am § 112 ch 218 SLA 1976; am § 26 ch 72 SLA 1979)

Effect of amendments. — The 1976 amendment deleted "of commerce" following "commissioner" near the beginning of subsection (a) and near the beginning of the first sentence of subsection (b), and substituted "Department of Commerce and Economic Development" for "Department of Commerce" near the end of subsection (a) and in the first and second sentences of subsection (b).

The 1979 amendment in the second sentence of subsection (b), substituted "may purchase the mortgages" for "shall purchase all of these mortgages" and deleted "allowing the Department of Commerce and Economic Development a one-half of one per cent service fee" from the end.

Sec. 45.95.050. Power of commissioner to assign and sell mortgages. The commissioner may assign and sell small business loan mortgages to the Alaska State Mortgage Association in consideration of receiving its cash, bonds, debentures and notes upon conditions which he considers advantageous to the state small business lending program. (§ 8 ch 109 SLA 1971; am § 113 ch 218 SLA 1976)

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Effect of amendment. — The 1976 following "commissioner" near the amendment deleted "of commerce" beginning of the section.

Sec. 45.95.060. Creation of fund. There is created the small business revolving loan fund to carry out the purposes of this chapter. This fund shall be used for no other purpose. (§ 8 ch 109 SLA 1971)

Sec. 45.95.070. Eligibility for loans. A person is eligible for a loan under this chapter if

(1) he can establish or demonstrate good character, capacity for financial responsibility, ability to provide sufficient collateral and knowledge of Alaska economic conditions;

(2) he is a resident of the state; and

(3) in the judgment of the Department of Commerce and Economic Development

(A) the business shows a definite potential for growth;

(B) the borrower will be able to repay the loan; and

(C) the loan will potentially create more jobs and provide additional services in the community. (§ 8 ch 109 SLA 1971; am § 1 ch 17 SLA 1974; am § 114 ch 218 SLA 1976)

Effect of amendment. — The 1976 for "Department of Commerce" in the amendment substituted "Department of Commerce and Economic Development" introductory language of paragraph (3).

Sec. 45.95.080. Definitions. In this chapter, "commissioner" means the commissioner of commerce and economic development. (§ 115 ch 218 SLA 1976)

Chapter 98. Historical District Revolving Loan Fund.

Section

- 10. Creation of historical district revolving loan fund
- 20. Historical district loans
- 30. Powers and duties of the department
- 40. Limitations on loans

Section

- 50. Sale or transfer of mortgages and notes
- 60. Penalty provision
- 70. Short title

Cross references. — As to the creation of historical district commissions, see AS 29.48.108. As to the establishment of historical districts, see AS 29.48.110. As to the duty of the Historic Sites Advisory Committee with regard to historical district loans, see AS 41.35.180 (5).

Editor's note. — Section 1, ch. 139, SLA 1977, provides: "INTENT. It is the

intent of the legislature to foster an awareness of the need to preserve our historic past; to protect those visible aspects of our invaluable heritage so that present and future generations may continue to be enriched by the originality and strength of Alaska's architectural and cultural beginnings."

Introduced: 1/23/85
Referred: House Special Committee
on State Loans and Finance

IN THE HOUSE

BY DUNCAN, SUND AND
HERRMANN BY DUNCAN

HOUSE BILL NO. 135

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing a Small Business Development
Loan program; and providing for an effective date."

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

* Section 1. AS 45.95.020 is repealed and reenacted to read:

Sec. 45.95.020. SMALL BUSINESS DEVELOPMENT LOANS. (a) The
commissioner shall adopt regulations and policies to make small busi-
ness development loans or to purchase small business development loans
from a bank or other financial institution in the state. A small
business development loan made under this chapter may not exceed
\$100,000 and shall be for the purpose of acquiring, operating, or
equipping a business, other than a farming, mining, or fishing busi-
ness. A small business development loan shall be secured by accept-
able collateral and may not exceed 80 percent of the fair market value
of the collateral offered as security. The initial rate of interest
on a small business development loan is equal to the federal discount
rate in effect on the first day of the month preceding the month of
closing the loan plus three percentage points. The interest rate
shall be adjusted annually to be three percentage points more than the
federal discount rate in effect on the first day of the month preced-
ing the month of the anniversary date of the loan.

(b) Money loaned shall be delivered to the borrower as provided
by regulations adopted by the commissioner. Upon repayment of loans
by installments, or otherwise, in accordance with the prescribed
terms, or upon liquidation by foreclosure or other process, or upon

receipt of interest or other revenue, the money so received shall be turned over to the commissioner of revenue for deposit in the small business development revolving loan fund.

(c) The commissioner may not disqualify an applicant for, or prejudice an applicant's privilege to receive, a loan for a purpose authorized under this section because the applicant has previously received a loan under this chapter, but the total principal amount outstanding to a borrower on loans made under this chapter may not exceed \$150,000.

* Sec. 2. AS 45.95.050 is amended to read:

Sec. 45.95.050. POWER OF COMMISSIONER TO ASSIGN AND SELL MORTGAGES. The commissioner may assign and sell small business development loan mortgages to the Alaska permanent fund, the Department of Revenue, the Alaska Industrial Development Authority, or to a bank or other private purchaser [STATE MORTGAGE ASSOCIATION] in consideration of receiving [ITS] cash, bonds, debentures and notes upon conditions which the commissioner [HE] considers advantageous to the state small business development lending program.

* Sec. 3. AS 45.95.060 is amended to read:

Sec. 45.95.060. ESTABLISHMENT [CREATION] OF FUND. The [THERE IS CREATED THE] small business development revolving loan fund is established in the Department of Commerce and Economic Development to carry out the purposes of this chapter. This fund may not [SHALL] be used for any [NO] other purpose.

* Sec. 4. AS 45.95.070 is amended to read:

Sec. 45.95.070. ELIGIBILITY FOR LOANS. A small business [PERSON] is eligible for a loan under this chapter if

(1) it [HE] can establish or demonstrate [GOOD CHARACTER,] capacity for financial responsibility and an [,] ability to provide

1 sufficient collateral [AND KNOWLEDGE OF ALASKA ECONOMIC CONDITIONS];
2 and

3 (2) [HE IS A RESIDENT OF THE STATE; AND

4 (3)] in the judgment of the commissioner [DEPARTMENT OF
5 COMMERCE AND ECONOMIC DEVELOPMENT]

6 (A) the business shows a definite potential for
7 growth;

8 (B) the borrower will be able to repay the loan; and

9 (C) the loan has the potential to [WILL POTENTIALLY]
10 create more jobs and provide additional services in the commu-
11 nity.

12 * Sec. 5. AS 45.95.080 is amended to read:

13 Sec. 45.95.080. DEFINITIONS. In this chapter,

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

16 (2) "small business" means a sole proprietorship, partner-
17 ship, or corporation operating only in the state that is not a subsid-
18 iary of another business and that does not employ more than 10 em-
19 ployees.

20 * Sec. 6. Section 71(2), ch. 106, SLA 1980 is amended to read:

21 (2) no further loans may be made under AS 45.90.020
22 [,AS 45.95.020,] and AS 26.15.040(3).

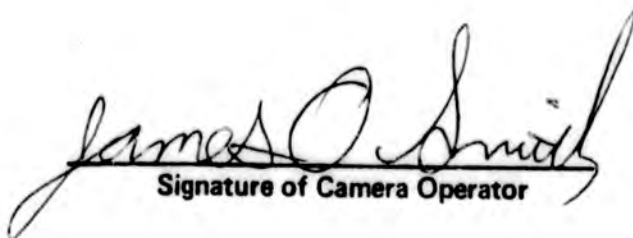
23 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


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Date

SCOMM

#50:21

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: HB 146
Title: An Act relating to housing
loans for the permanently disabled
Sponsor: Furnace, Collins
Requestor: Spec. Comm. on Loans
Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
Program Category Affected: Economic Development
BRU, Program of Subprogram(s) Affected: Alaska Housing Finance Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Millions of Dollars)

GENERAL FUND	-	-	11.0	11.7	12.4	13.1
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	12.2	-	-	-	-
TOTAL	-	12.2	11.0	11.7	12.4	13.1

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Mark K. Cameron
Division: Alaska Housing Finance Corporation

Phone: 276-5599

Date: 3/8/85

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 3/11/85

Distribution (by Agency preparing fiscal note):

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

Analysis:

HB 146 would establish within AHFC a loan program for the severely and permanently disabled. The key to the program is a lower mortgage rate (6%). The lower interest rate will assist in qualifying those individuals who would not be afforded the opportunity of home ownership based upon current AHFC rates. Since this program will increase the number of residents who would qualify for AHFC loans, it is program expansive. The demand for this program is not expected to be offset by a reduction in any other AHFC program.

As drafted, a significant portion of the loans purchased would be nonconforming in that they would not be eligible for pledge to bonds issued by the Corporation. Accordingly, they would have to be funded out of pocket without the benefit of leveraging. As detailed below, the incremental cost of the program would be \$12.2 million for FY 86. Were the bill amended to require a minimum 5% down payment on each loan, they would be eligible for pledge to bonds and the FY 86 cost would be reduced to approximately \$4.5 million.

The purpose of the bill is to make financing available to those with special housing needs. It would be available to not only the severely disabled but also their parents and guardians if they are living with the individual. To prevent those who have already managed to obtain home ownership from selling their current home and buying another with a 6% loan, a prior homeownership rule could be imposed that would limit the program to those individuals who have not had an ownership interest in their primary residence during the 3 year period preceding their application. This additional requirement is estimated to reduce the program cost to \$3.4 million for FY 86.

The program is not expected to increase operating expenses above those reflected in the Corporation's proposed FY 86 operating budget.

Summary of Assumptions

FY 86 applications for disabled	105
FY 86 applications for parents and guardians	149
Total loans	<u>254</u>

Direct funded loans [254 x 25% x \$140,000]	\$ 8,960,000
Subsidized leveraged loans [190 x \$115,000 x 14.7%*]	<u>3,211,950</u>
	<u>\$12,171,950</u>

* Analysis of subsidy percentage:

50% Tax-Exempt First Time Homebuyer Program at 14% subsidy	= 7.0%
30% Tax-Exempt Veterans Mortgage Program at 11% subsidy	= 3.3%
20% Taxable Program at 22% subsidy	= 4.4%
	<u>14.7%</u>

Subsequent fiscal year activity:

- The analysis assumes program implementation in July 1986.
- A 10% decrease is estimated in FY 87 followed by 5% increases each year in FY 88 through FY 90.
- Effects of changing program mix in subsequent years when tax-exempt financing may not be available to AHFC are not included.

1 by the disability under which the borrower became eligible for the
2 loan.

3 (e) For an individual or a parent or guardian of the individual
4 to be eligible for a loan under this section, the individual must

5 (1) provide a written statement from a physician stating
6 that the nature of the individual's disability is permanent;

7 (2) establish that the individual has a specialized housing
8 need; and

9 (3) establish that the individual is severely disabled,
10 through

11 (A) a statement from the federal Veterans Administra-
12 tion indicating that the individual is at least 70 percent dis-
13 abled;

14 (B) proof of eligibility as a blind or disabled person
15 under the federal supplemental security income program (42 U.S.C.
16 1381 - 1385) or the federal disability insurance benefits program
17 (42 U.S.C. 423);

18 (C) a statement of ^{severe disability} eligibility from the Board of
19 Vocational Rehabilitation (AS 23.15.010); or

20 (D) a statement of disability from the division of
21 public health, family health section.

Introduced: 1/30/85
Referred: House Special Committee
on State Loans, Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY FURNACE AND COLLINS

2

HOUSE BILL NO. 146

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to housing loans for the permanently
disabled."

7

8

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

9

* Section 1. AS 18.56 is amended by adding a new section to read:

10

Sec. 18.56.102. LOANS FOR THE PERMANENTLY DISABLED. (a) The

11

corporation shall establish a residential housing loan program for the

12

permanently disabled under the special mortgage loan purchase program

13

(AS 18.56.098). A loan may be made under this section to an indi-

14

vidual who is eligible under (e) of this section, or to a parent or

15

guardian of the individual if the parent or guardian is living with

16

the individual.

17

(b) A loan made under this section shall be at a fixed annual

18

interest rate of six percent. The loan amount may not exceed the

19

maximum loan amount for a single family residence under the special

20

mortgage loan purchase program, and the appraised value of the resi-

21

dence may not exceed the loan amount by more than 25 percent. The

22

corporation may not require a borrower to make a down payment toward

23

purchase of a residence under this section.

24

(c) The value of the equity in a residence purchased with a loan

25

under this section may not be used to deny the borrower state benefits

26

to which the borrower may be otherwise entitled.

27

(d) The corporation may require a borrower under this section to

28

prove present and future financial ability to repay the loan. How-

29

ever, a loan may not be denied solely because of circumstances caused

Introduced: 2/15/85
Referred: House Special Committee on
State Loans, Health, Education &
Social Services and Finance

Funding Information
General Fund \$2,000,000
Other Funds - 0 -
\$2,000,000

BY FURNACE, MARTIN AND
COLLINS

1 IN THE HOUSE

2 HOUSE BILL NO. 204

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 housing finance revolving loan fund for housing loans
8 for the permanently disabled; and providing for an
9 effective date."

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

11 * Section 1. The sum of \$2,000,000 is appropriated from the general
12 fund to the Alaska housing finance revolving loan fund (AS 18.56.082) for
13 housing loans for the permanently disabled.

14 * Sec. 2. The appropriation made by this Act is for capitalization of a
15 loan fund and does not lapse in accordance with AS 37.25.010.

16 * Sec. 3. This Act takes effect on the effective date of an Act estab-
17 lishing a residential housing loan program for the permanently disabled.

Testifying on HB 146:

Deborah Keller (needs to testify before 4:30)

Rep. Furnace

Steve Russell

Bob Franken

Denna Cline

} By teleconference from AHFC

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

Run 411
POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

March 7, 1985

SUBJECT: Sectional analysis of HB 146
(housing loans for permanently disabled)

TO: Representative Walt Furnace

FROM: Keith B. Levy *KBL*
Legislative Counsel

You have requested a sectional analysis of HB 146, relating to housing loans for the permanently disabled.

This bill adds a new section to the Alaska Housing Finance Corporation provisions (AS 18.56.102) to require AHFC to set up a residential housing loan purchase program for the permanently disabled under the existing special mortgage loan purchase program. These loans must be at a fixed annual interest of six percent. The loan amount may not exceed the maximum single family loan amount under the existing special mortgage loan program (currently \$178,650) and the appraised value of the residence may not exceed the loan amount by more than 25 percent. AHFC may not require a down payment for the loans.

The bill also provides that the value of the equity in a home purchased with one of these loans may not be used to deny the borrower other state benefits to which the borrower may otherwise be entitled. Although AHFC may require the borrower to prove financial ability to repay the loan, it may not deny a loan solely because of circumstances caused by the disability under which the borrower became eligible for the loan.

The loans may be made to an individual or the parent or guardian living with the individual if the individual meets certain criteria. The person must prove that he or she is severely disabled, that the disability is permanent, and that the person has a specialized housing need. The disability may be established through any of the following:

Representative Walt Furnace
March 7, 1985
Page 2

a statement from the Veterans Administration indicating a minimum of 70 percent disability, proof of eligibility as a blind or disabled person under the federal SSI program or the disability insurance benefits program, a statement of eligibility from the state Board of Vocational Rehabilitation, or a statement of disability from the division of public health, family health section.

KBL:ojb
J12/067

Analysis:

HB 146 would establish within AHFC a loan program for the severely and permanently disabled. The key to the program is a lower mortgage rate (6%). The lower interest rate will assist in qualifying those individuals who would not be afforded the opportunity of home ownership based upon current AHFC rates. Since this program will increase the number of residents who would qualify for AHFC loans, it is program expansive. The demand for this program is not expected to be offset by a reduction in any other AHFC program.

As drafted, a significant portion of the loans purchased would be nonconforming in that they would not be eligible for pledge to bonds issued by the Corporation. Accordingly, they would have to be funded out of pocket without the benefit of leveraging. As detailed below, the incremental cost of the program would be \$12.2 million for FY 86. Were the bill amended to require a minimum 3% down payment on each loan, they would be eligible for pledge to bonds and the FY 86 cost would be reduced to approximately \$4.5 million.

The purpose of the bill is to make financing available to those with special housing needs. It would be available to not only the severely disabled but also their parents and guardians if they are living with the individual. To prevent those who have already managed to obtain home ownership from selling their current home and buying another with a 6% loan, a prior homeownership rule could be imposed that would limit the program to those individuals who have not had an ownership interest in their primary residence during the 3 year period preceding their application. This additional requirement is estimated to reduce the program cost to \$3.4 million for FY 86.

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41

*
* DELIVER TO: JPOM *
*
*
* ORIGINAL *
* SENT: 03/21/85 TIME: 11:34 *
* FROM: LIDA *
* SUBJECT: POM *
* PRINT DATE: 03/21/85 TIME: 11:34 *
*

TO: ALL REPRESENTATIVES

FROM: LUCINDA LAIRD
SVC COORDINATOR, ALASKA CHAPTER
MULTIPLE SCLEROSIS SOCIETY
933 E 12TH #1
ANCHORAGE, AK. 99501
PHONE 279-0809 HM 279-3752 WK

RE: HB 146-HOME LOANS FOR PERMANENTLY DISABLED

THIS LEGISLATION WILL EFFECTIVELY USE A COMPARATIVELY SMALL
AMOUNT OF MONEY TO MEET THE OVERWHELMING NEED FOR ACCESSIBLE
HOUSING IN ALASKA. THIS APPROACH WILL ALLOW THE FREE ENTERPRISE
SYSTEM TO MEET THE NEEDS OF THE SPECIAL POPULATION, STIMULATING
ECONOMIC GROWTH FOR THE ENTIRE STATE.
