

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1343 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86



RECORDS CERTIFICATION



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SECTIONAL ANALYSIS OF THE ALASKA STUDENT LOAN CORPORATION

*Section 1.

Sec. 14.42.100. ALASKA STUDENT LOAN CORPORATION. This paragraph creates the Alaska Student Loan Corporation. The corporation cannot be terminated while debt obligations are outstanding.

Sec. 14.42.110 PURPOSE OF CORPORATION. This paragraph establishes the purpose of the corporation to provide higher education opportunities for residents of Alaska.

Sec. 14.42.120. CORPORATION GOVERNING BODY. The Corporation shall be governed by an executive committee of five members made up from the thirteen members of the Alaska Commission on Postsecondary Education Board. The board members are made up of one member of the State Board of Education and four members are from the rest of the board excluding the two legislative members. Board members shall receive travel and per diem.

Sec. 14. 42.130. MEETING OF THE BOARD. A majority of the board constitutes a quorum for the organization. The board meetings may be conducted by electronic media. Any board meeting where bonds are authorized shall have a twenty-four hour notice.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of every meeting and shall send copies to the governor and legislative audit committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board may pass by-laws and manage the affairs of the coporation and delegate supervision of the executive director.

Sec. 14.42.160. EXECUTIVE DIRECTOR. The coporation shall employ an executive director who is the executive director of the Commission on Postsecondary Education.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The executive director may hire employees in the exempt service. The board may appoint other officers and engage professionals.

Sec. 14.41.190. EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act.

Sec. 14.41.200. EXECUTIVE POWERS. The coporation has the powers to sue and be sued, adopt an official seal, adopt bylaws, employ consultants, enter into contracts, receive and administer gifts or grants according to the terms and conditions of gift or grant, acquire an interest in real property, borrow money, pay finance charges and interest, invest money, collect from borrowers, gather information on loans, require an elegeible institution to file

reports, service student loans, obtain information about students applying for loans, make or participate in making student loans, contract for purchase of student loans for sale, sell student loans, collect and pay reasonable fees as well as charges in connection with student loans, enter into agreements on student loans concerning federal student loans, enter into contracts with lenders about contracts on student loans, enter into contracts with institutions on student loans, administer federal money, consent to the modification of terms of the student loans, procure insurance against losses, provide advisory services to borrowers, do all acts necessary to carry out the powers implied in this chapter.

Sec. 14.42.210. STUDENT LOAN FUND. Creates a student loan fund inside the corporation to make student loans and secure bond issues the proceeds of which are used to make student loans.

Sec. 14.42.220. BONDS OF THE CORPORATION. The Corporation may borrow money and issue bonds secured by the income and receipts from student loans and other assets. The bonds are issued by resolutions. Each bond issue shall have a maturity of twenty years or less and be subject to the Uniform Commercial Code. The corporation cannot issue an amount of bonds more than \$45 million a year. The corporation may enter into trust agreements to secure bond issues and create covenants as to investments, collections of loan payments, assignment of corporation interest, in terms and conditions under which additional bonds may be issued. The trustee shall be given the right to enforce these rights on behalf of the bond holders.

Sec. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. This section creates the Capital Reserve Fund. These paragraphs create what is commonly known as the moral obligation of the State to repay these bonds.

Sec. 14.42.250. VALIDITY OF PLEDGE. Bonds issued under this chapter shall be valid and binding against all parties having claim of any kind from the corporation.

Sec. 14.42.260. NONLIABILITY OF BONDS. Members of the corporation are not subject to personal liability for issuance of the bonds. The bonds issued do not constitute liability for the State but are payable solely from the income and receipts of the corporation.

Sec. 14.42.270. PLEDGE OF STATE. The State pledges not to alter or limit the rights of bond holders interest when the bonds are outstanding.

Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal property of the corporation are not subject to state or local tax.

Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. Bonds are legal investments for all fiduciaries and municipalities in the State.

Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED. The corporation may not be considered or constitute a political subdivision for the purpose of lending it's credit. The corporation is not considered a municipal corporation under Title 29. The funds and real estate of the corporation are not considered property of the State.

Sec. 14.42.320. ANNUAL AUDIT. The coporation shall have an annual audit.

*Section 2.

Scholarship loans may not be made to students who attend an institution where the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

*Section 3.

This Act has an immediate effect date.

IN THE _____

BY _____

BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to student loans; creating the Alaska Student Loan Corporation; and providing for an effective date."

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

* Section 1. AS 14.42 is amended by adding new sections to read:

ARTICLE 2. ALASKA STUDENT LOAN CORPORATION

Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION. There is created the Alaska Student Loan Corporation. The corporation is a public corporation and government instrumentality within the Department of Education but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes or other obligations outstanding. Upon termination of the corporation, its rights and property pass to the state.

Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the corporation is to improve higher educational opportunities of residents of Alaska in accordance with the provisions of this chapter.

Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corporation shall be governed by a board of directors, selected by the governor, consisting of four individuals serving on the Commission of Postsecondary Education pursuant to AS 14.42.015(a) (1) - (2), (4)-(6) and (8), and one member appointed under AS 14.42.015(a)(3). Members of the board serve without compensation but are entitled to per diem and travel expenses as may be authorized by law for boards and commissions.

Sec. 14.42.130. MEETING OF THE BOARD. (a) The board shall elect a chairman from among the membership at its annual meeting each year. A majority of the members constitute a quorum for organizing the board, conducting its business and exercising the powers of the corporation. The board shall meet at the call of its chairman and at such other times as the board may determine in accordance with its regulations.

(b) The board may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audiovisual materials are reasonably available to participants and the public.

(c) A meeting by electronic media as provided in this

section has the same legal effect as a meeting in person.

(d) For purposes of AS 14.42.100 - 14.42.310, public notice of 24 hours or more is adequate notice of a meeting of the board at which the issuance of corporation bonds is authorized.

Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep minutes of each meeting and send a certified copy to the governor and to the Legislative Budget and Audit Committee.

Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall manage the assets and business of the corporation and may prescribe, amend and repeal bylaws and regulations governing the manner in which the business of the corporation is conducted and the manner in which its powers are exercised in accordance with the administrative procedures act AS 44-160. The board shall delegate supervision of the administration of the corporation to the executive director of the corporation.

Sec. 14.42.160. EXECUTIVE DIRECTOR. The corporation shall employ an executive director, who may not be a member of the board. The executive director shall be the executive director of the Commission on Postsecondary Education appointed under AS 4:42.040a.

Sec. 14.42.170. EMPLOYMENT OF PERSONNEL. The board may appoint other officers and engage professional and technical advisors as independent contractors. The executive director may hire employees of the corporation and, subject to the approval of the board, engage professional and technical advisors under contract with the corporation. The board shall prescribe the duties and compensation of corporation personnel, including the executive director.

Sec. 14.42.190. EXECUTIVE BUDGET ACT. The operating budget of the corporation is subject to the Executive Budget Act (AS 37.07).

Sec. 14.42.200. EXECUTIVE POWERS. In addition to other powers granted in this chapter, the corporation may

- (1) sue and be sued in its own name;
- (2) adopt an official seal;
- (3) adopt bylaws for the regulation of its affairs and the conduct of its business;

- (4) employ fiscal consultants, attorneys, and such other consultants and employees as may be required in the judgment of the corporation, and fix and pay their compensation from money available to the corporation;

- (5) make and execute agreements, contracts and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;

- (6) receive, administer, and comply with the conditions and requirements respecting any appropriation or gift, grant or donation of property or money;

- (7) acquire real property, or any interest in real property, in its own name, by purchase, transfer or foreclosure, when the acquisition is necessary or appropriate to protect any loan in which the corporation has an interest; sell, transfer and convey any such property to a buyer; and, if the sale, transfer or

conveyance cannot be effected with reasonable promptness or at a reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

(8) borrow money as provided in this chapter to carry out and effectuate its corporate purposes and issue its obligations as evidence of any such borrowing;

(9) include in any borrowing the amounts necessary to pay financing charges, interest on the obligations for a period not exceeding one year after the date on which the corporation estimates funds will otherwise be available to pay the interest, consultant, advisory and legal fees and such other expenses as are necessary or incident to this borrowing;

(10) invest or reinvest, subject to its contracts with noteholders and bondholders, any money or funds held by the corporation in any obligations or other securities authorized under AS 37:10:070.

(11) collect from a borrower amounts owed with respect to a student loan the corporation has purchased or made;

(12) gather information on loans available to residents of Alaska attending or planning to attend an eligible institution and disseminate the information to reasonably assure that qualified students are aware of financial resources available to those attending or desiring to attend an eligible institution;

(13) require an eligible institution or eligible lender to file reports with the corporation as the corporation considers necessary for the effective performance of its duties and publish the information from the reports or other sources as the corporation considers necessary;

(14) service student loans held by the corporation;

(15) except as specifically prohibited by law, obtain information from a state agency or instrumentality or other source to verify information submitted by or on behalf of a student applying for or receiving assistance from the corporation;

(16) make or participate in the making of and purchase or participate in the purchase of student loans;

(17) contract in advance for the purchase or sale of student loans;

(18) sell or participate in the sale, either public or private and on terms authorized by the board, or student loans to the Student Loan Marketing Association or to other purchasers;

(19) collect and pay reasonable fees and charges in connection with the purchase, sale, and servicing of student loans;

(20) enter into agreements with the federal government (including guaranty agreements and supplemental guaranty agreements as described in the United States Higher Education Act of 1965) as necessary to provide for the receipt by the corporation of administrative allowances and other benefits available under the United States Higher Education Act of 1965;

(21) enter into contracts with lenders upon terms and conditions agreed upon between the corporation and the lenders, which terms and conditions may reflect the requirements of the United States Higher Education Act of 1965;

(22) enter into contracts with institutions upon the terms and conditions agreed upon between the corporation and the

institutions, which terms and conditions may reflect the requirements of the United States Higher Education Act of 1965;

(23) administer federal money allotted to the state with respect to insured student loans and related administrative costs and other matters;

(24) consent to the modification of the rate of interest, time of payment of an installment of principal or interest, or other terms of a student loan made or purchased by the corporation;

(25) procure insurance against any loss in connection with the operation of its programs under this chapter;

(26) provide advisory services to borrowers and other participants in the corporation's programs under this chapter;

(27) do all acts and things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in this chapter.

(28) Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund is established in the corporation. The student loan fund is a trust fund for the uses and purposes of AS 14.42.010-310. The student loan fund consists of money or assets appropriated or transferred to the corporation and other money or assets deposited in it by the corporation.

(b) Money and other assets of the student loan fund may be used to secure bonds of the corporation in the types of investments under AS 37.100.070 A or shall be used to make or purchase loans approved under AS.14.43.090-160.

Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (g) of this section, the corporation may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable, (1) exclusively from the income and receipts or other money derived from the loans financed with the proceeds of the bonds, (2) exclusively from the income and receipts or other money derived from designated loans whether or not they are financed in whole or in part with the proceeds of the bonds, or (3) from its income and receipts or other assets generally, or a designated part or parts of them.

(b) Bonds shall be authorized by resolution of the authority, and be dated and shall mature more than 20 years from the date of its issue. Bonds shall bear interest at the rate or rates, be in the denominations, be in the form, either coupon or registered, carry the registration privileges, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption which the resolution or a subsequent resolution may provide.

(c) All bonds, regardless of form or character, shall be negotiable instruments for all the purposes of the Uniform Commercial Code.

(d) All bonds may be sold at public or private sale in the manner, for the price or prices, and at the time or times which the corporation may determine.

(e) Before the issuance of any bonds, the corporation shall make provision by agreement or otherwise at least sufficient in the judgment of the corporation to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves therefor as the corporation considers necessary or

desirable and to meet all obligations in connection with the agreement and all costs necessary to service the bonds unless the agreement provides that the obligations are to be met or costs are to be paid by a party other than the corporation.

(f) The superior court shall have jurisdiction to hear and determine suits, actions or proceedings relating to the corporation, including suits, actions or proceedings brought to foreclose or otherwise enforce a mortgage or other security interest or brought by or for the benefit of a holder of its bonds or by a trustee for or other representative of the holders.

(g) The corporation may not issue bonds during any fiscal year in an amount greater than \$100,000,000 unless the legislature, by law, approves issuance of a greater amount..

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. In the discretion of the corporation, an issue of bonds may be secured by a trust indenture or trust agreement between the corporation and a corporate trustee (which may be a trust company, bank, or national banking association, with corporate trust powers, located inside or outside the state) or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee (hereinafter in this section referred to as "trust agreement") by means of which the corporation may:

(1) make and enter into any and all the covenants and agreements with the trustee or the holders of the bonds which the corporation may determine to be necessary or desirable, including, without limitation, covenants, provisions, limitations and agreements as to

(A) the application, investment, deposit, use and disposition of the proceeds of bonds of the corporation or of money or other property of the corporation or in which it has an interest;

(B) the fixing and collection of loan payments and other consideration for, and the other terms to be incorporated in, a student loan;

(C) the assignment by the corporation of its rights in a student loan or in a mortgage or other security interest created with respect to a student loan to a trustee for the benefit of bondholders;

(D) the terms and conditions upon which additional bonds of the corporation may be issued

(E) the vesting in a trustee of rights, powers, duties, funds or property in trust for the benefit of bondholders, including, without limitation, the right to enforce payment, performance and all other rights of the corporation or of the bondholders, under a student loan or a security interest created with respect to a student loan;

(2) pledge, mortgage or assign money, agreements, property, or other assets of the corporation either presently in hand or to be received in the future, or both; and

(3) provide for any other matters of like or different character which in any way affect the security or protection of the bonds.

SEC. 14.42.240. CAPITAL RESERVE FUNDS AND CAPITAL RESERVE FUND REQUIREMENTS. (a) For the purpose of securing one or more issues of its bonds, the corporation may establish one or more

special funds, called "capital reserve funds", and shall pay into those capital reserve funds the proceeds of the sale of its bonds and other moneys which may be made available to the corporation from other sources for the purposes of the capital reserve funds. A capital reserve fund may be established only if the corporation determines that the establishment of the fund would enhance the marketability of the bonds. Money in a capital reserve fund, except as provided in this section, may be used as required only for (1) the payment of the principal of, and interest on, bonds or of the sinking fund payments with respect to those bonds; (2) the purchase or redemption of the bonds, or (3) the payment of a redemption premium required to be paid when the bonds are redeemed before maturity. However, money in a capital reserve fund may not be withdrawn if the withdrawal would reduce the amount in the capital reserve fund to less than the capital reserve fund requirement, except for the purpose of making payment, when due, of principal, interest redemption premiums on the bonds, and sinking fund payments when other money of the corporation is not available for the payments. Income or interest earned by, or increment to, a capital reserve fund, from the investment of all or part of the fund, may be transferred by the corporation to other funds or accounts of the corporation if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the corporation decides to issue bonds secured by a capital reserve fund, the bonds may not be issued if the amount in the capital reserve fund is less than the capital reserve fund requirement, unless the corporation, at the time of issuance of the bonds, deposits in the capital reserve fund from the proceeds of the bonds to be issued or from other sources, an amount which, together with the amount then in the fund, is not less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested shall be valued by a reasonable method established by the corporation by resolution. Valuation shall include the amount of interest earned or accrued as of the date of valuation.

(d) The chairman of the corporation shall annually, no later than January 2, certify in writing to the governor and the legislature the amount, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate to the corporation the amount certified by the chairman of the corporation. The corporation shall deposit the amounts appropriated under this subsection during a fiscal year in the proper capital reserve fund. Nothing in this section created a debt or liability of the state.

(e) In this section, "capital reserve fund requirement" means the amount required to be on deposit in the capital reserve fund as of the date of computation as determined by resolution of the corporation.

(f) The corporation may establish reserve funds, other than capital reserve funds, to secure one or more issues of its bonds. The corporation may deposit in a reserve fund established under this subsection the proceeds of sale of its bonds and other

money which may be made available from any other source. A reserve fund established under this subsection must comply with (a) - 9c) of this section. The corporation may allow a reserve fund established under this subsection to be depleted without complying with (d) of this section.

Sec. 14.42.250. **VALIDITY OF PLEDGE.** It is the intention of the legislature that a pledge made in respect of bonds shall be valid and binding from the time the pledge is made; that the money or property so pledged and thereafter received by the corporation shall immediately be subject to the lien of the pledge without physical delivery or further act; and that the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the corporation irrespective of whether the parties have notice. Neither the resolution, trust agreement nor any other instrument by which a pledge is created need be recorded or filed under the provisions of the Uniform Commercial Code to be valid, binding or effective against the parties.

Sec. 14.42.260. **NONLIABILITY ON BONDS.** (a) Neither the members of the corporation nor a person executing the bonds are liable personally on the bonds or are subject to personnel liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the corporation do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, except the corporation, but shall be payable solely from the income and receipts or other funds or property of the corporation. The corporation may not pledge the faith or credit of the state or of a political subdivision of the state (except the corporation) to the payment of a bond and the issuance of a bond by the corporation does not directly or indirectly or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond.

Sec. 14.42.270. **PLEDGE OF STATE.** The state pledges to and agrees with holders of bonds issued under this chapter that the state will not limit or alter the rights and powers vested in the corporation by this chapter to fulfill the terms of a contract made by the corporation with the holders or in any way impair the rights and remedies of the holders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the holders, are fully met and discharged. The corporation is authorized to include this pledge and agreement of the state in a contract with the holders.

Sec. 14.42.280. **EXEMPTION FROM TAXATION.** The real and personal property of this corporation and its assets, income and receipts are declared to be the property of a political subdivision of the state and devoted to an essential public and governmental function and purpose, and the property, assets income, receipts, and other interests of the corporation shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts and other

taxing units. All bonds of the corporation are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality, and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income and receipts pledged to pay or secure the payment of the bonds, or interest on them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income or any other taxes provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the corporation, in any property, assets, income, receipts, or other interests.

SEC. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES.

The bonds of the corporation are securities in which all public officers and bodies of the state and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loans associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the state, may properly and legally invest funds including any other provisions of law, the bonds of the corporation are also securities which may be deposited with and may be received by all public officers and bodies of this state and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the state is now or may hereafter be authorized.

Sec. 14.42.310. OPERATION OF CERTAIN STATUTES EXCEPTED.

(a) The corporation shall not be considered or constitute (1) a political subdivision of the state as the term is used in AS 37.10.085, (2) a municipal corporation or political subdivision of the state as the terms are used in AS 29, or (3) except as provided in AS 14.42.330, a state agency as the term is used in AS 37, but for all other purposes the corporation constitutes a political subdivision and an instrumentality of the state as provided in this chapter.

(b) The funds, income or receipts of the corporation shall not be considered or constitute money of the state, nor shall real property in which the corporation has an interest be considered land owned in fee by the state or to which the state may become entitled or in any way lands belonging to the state, or state lands referred to in Art. VIII of the Alaska Constitution.

Sec. 14.42.320. ANNUAL AUDIT. The corporation shall have its financial records audited annually by the legislative auditor or by a certified public accountant approved by the legislative auditor. The legislative auditor may prescribe the form and content of the financial records of the corporation and shall have access to

these records at any time.

Sec. 14.42.330. OPERATING BUDGET. The operating budget of the corporation is subject to the Executive Budget Act (AS 37.07).

Sec. 2. 14.43.120(d) is amended to read:

- (d) scholarship loans may not be made to a student
 - (1)for more than five years of undergraduate study;
 - (2)for more than five years of graduate study;
 - (3)for more than a total of eight years of undergraduate and graduate study;
 - (4)to attend an institution for which the default rate on loans made to students to attend the institution exceeds the program default rate by more than 150%.

Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

April 24, 1986

Senator Frank Ferguson
State of Alaska
P.O. Box V
Juneau, Alaska 99811

Dear Senator Ferguson:

We have run several different scenarios as to the level of bonds that can be financed on a sustained basis versus the terms on the loans and have found the following results:

Leaving the Student Loan Program exactly like it is with a 5% interest rate and forgiveness clause allows us to sell \$40 million worth of bonds per year on a sustained basis assuming there are \$80 million in loans to be funded each year.

If the interest rate is raised from 5% to 8%, \$45 million of bonds can be sold with a \$35 million equity contribution to the general fund.

If the state abolishes forgiveness on the student loans, the ratio is \$48 million of bonds and \$32 million of appropriation.

If the state abolishes both the forgiveness clause and charge 8%, \$55 million in bonds could be financed with a \$25 million general fund contribution.

Yours Truly,

JOHN NUVEEN & CO. INCORPORATED

Sterling Gallagher
Vice President

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
ANALYSIS OF LOAN REPAYMENT

YEAR ENDING 6/30	VOLUME OF STUDENT LOANS MADE	LOANS BEGINNING REPAYMENT	CUMULATIVE LOANS IN REPAYMENT	UNADJUSTED REPAYMENT CASH FLOW	REPAYMENT ADJUSTED FOR DEFAULTS	LESS: LOANS FORGIVEN	NET LOAN COLLECTIONS
1972	1,603,158	0	0	0	0	0	0
1973	2,870,384	0	0	0	0	0	0
1974	2,986,176	240,474	240,474	31,142	26,471	4,632	21,839
1975	2,659,807	783,252	1,023,726	132,577	112,691	19,721	92,970
1976	3,382,997	1,640,516	2,664,242	345,032	293,277	51,323	241,953
1977	3,850,507	2,397,227	5,061,470	655,483	557,161	97,503	459,658
1978	4,604,167	2,820,707	7,882,177	1,020,778	867,661	151,841	715,821
1979	6,416,402	3,055,447	10,937,624	1,416,472	1,204,001	210,700	993,301
1980	9,373,949	3,487,061	14,424,685	1,868,063	1,587,853	277,874	1,309,979
1981	15,957,717	4,226,198	18,650,883	2,415,375	2,053,068	359,287	1,693,782
1982	40,559,499	5,460,112	24,110,995	3,122,484	2,654,112	464,470	2,189,642
1983	55,007,395	7,928,727	32,039,722	4,149,291	3,526,897	617,207	2,909,690
1984	62,912,316	14,530,168	46,329,416	5,999,871	5,099,891	892,481	4,207,410
1985	75,075,883	25,140,833	70,686,997	9,154,289	7,781,146	1,361,701	6,419,445
1986	80,675,498	39,682,445	108,728,925	14,080,893	11,968,759	2,094,533	9,874,226
1987	0	53,857,540	160,189,238	20,745,239	17,633,453	3,085,854	14,547,599
1988	0	64,536,012	221,904,542	28,737,653	24,427,005	4,274,726	20,152,279
1989	0	60,798,315	279,647,410	36,215,619	30,783,276	5,387,073	25,396,203
1990	0	48,248,123	324,408,472	42,012,381	35,710,524	6,249,342	29,461,182
1991	0	21,953,895	342,136,169	44,308,199	37,661,969	6,590,845	31,071,125
1992	0	5,535,293	342,211,350	44,317,935	37,670,245	6,592,293	31,077,952
1993	0	1,613,510	335,896,133	43,500,086	36,975,073	6,470,638	30,504,435
1994	0	0	321,365,965	41,618,363	35,375,608	6,190,731	29,184,877
1995	0	0	296,225,132	38,362,510	32,608,133	5,706,423	26,901,710
1996	0	0	256,542,687	33,223,452	28,239,934	4,941,988	23,297,945
1997	0	0	202,685,148	26,248,654	22,311,356	3,904,487	18,406,869
1998	0	0	138,149,136	17,890,945	15,207,303	2,661,278	12,546,025
1999	0	0	77,350,821	10,017,285	8,514,692	1,490,071	7,024,621
2000	0	0	29,102,698	3,768,932	3,203,593	560,629	2,642,964
2001	0	0	7,148,803	925,803	786,932	137,713	649,219
2002	0	0	1,613,510	208,957	177,613	31,082	146,531
2003	0	0	0	0	0	0	0
	367,935,855	367,935,855	3,679,358,550	476,493,765	405,019,700	70,878,448	334,141,253

TIMING OF FIRST LOAN REPAYMENT:

1 YEAR AFTER LOAN IS MADE	0 %
2 YEARS AFTER LOAN IS MADE	15 %
3 YEARS AFTER LOAN IS MADE	22 %
4 YEARS AFTER LOAN IS MADE	35 %
5 YEARS AFTER LOAN IS MADE	21 %
6 YEARS AFTER LOAN IS MADE	5 %
7 YEARS AFTER LOAN IS MADE	2 %

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SERIES 1986 VARIABLE RATE DEMAND BONDS
ANALYSIS OF AMORTIZATION (FUTURE LOANS AT 0%)

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS *	COLLECTIONS ON NEW BOND LOANS **	COLLECTIONS ON EQUITY LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	45,000,000	37,912,599	14,547,599	0	0	45,000,000	4,500,000	7,135,000	37,865,000
1988	45,000,000	39,030,779	20,152,279	0	0	82,065,000	8,286,500	7,835,000	75,030,000
1989	45,000,000	40,342,944	25,396,203	705,422	594,319	120,030,000	12,003,000	9,350,000	110,680,000
1990	45,000,000	41,801,480	29,461,182	2,445,462	2,077,836	155,680,000	15,568,000	11,615,000	144,065,000
1991	45,000,000	43,380,487	31,071,125	5,831,487	4,994,376	189,065,000	18,906,500	14,610,000	174,455,000
1992	45,000,000	45,024,450	31,077,952	10,205,102	8,836,896	219,455,000	21,945,500	18,150,000	201,305,000
1993	45,000,000	46,646,137	30,504,435	14,813,857	13,008,345	246,305,000	24,630,500	22,030,000	224,275,000
1994	45,000,000	48,223,146	29,184,877	19,516,669	17,409,100	269,275,000	26,927,500	25,960,000	243,315,000
1995	45,000,000	49,622,038	26,901,710	24,219,481	21,972,348	288,315,000	28,831,500	29,640,000	258,675,000
1996	45,000,000	50,785,635	23,297,945	28,922,293	26,702,897	303,675,000	30,367,500	32,770,000	270,905,000
1997	45,000,000	51,790,074	18,406,069	33,625,104	31,598,601	315,905,000	31,590,500	35,310,000	280,595,000
1998	45,000,000	52,509,021	12,546,025	38,327,916	36,649,579	325,595,000	32,559,500	37,455,000	288,140,000
1999	45,000,000	53,121,077	7,024,621	42,325,306	41,245,149	333,140,000	33,314,000	39,160,000	293,980,000
2000	45,000,000	53,603,318	2,642,964	45,288,078	45,070,276	338,980,000	33,898,000	40,500,000	298,480,000
2001	45,000,000	53,966,614	449,219	46,604,865	47,560,530	343,480,000	34,348,000	41,500,000	301,980,000
2002	45,000,000	54,257,251	146,531	46,934,062	49,204,658	346,980,000	34,698,000	42,330,000	304,650,000
2003	45,000,000	54,526,608	0	47,028,118	50,583,490	349,650,000	34,965,000	43,120,000	306,530,000
2004	45,000,000	54,763,157	0	47,028,118	51,783,039	351,530,000	35,153,000	43,895,000	307,635,000
2005	45,000,000	54,979,318	0	47,028,118	52,859,700	352,635,000	35,263,500	44,645,000	307,990,000
2006	45,000,000	55,170,480	0	47,028,118	53,801,362	352,990,000	35,299,000	45,360,000	307,630,000
2007	45,000,000	55,330,953	0	47,028,118	54,605,835	352,630,000	35,263,000	46,040,000	306,590,000
2008	45,000,000	55,463,959	0	47,028,118	55,279,841	351,590,000	35,159,000	46,685,000	304,905,000
2009	45,000,000	55,574,578	0	47,028,118	55,836,940	349,905,000	34,990,500	47,300,000	302,605,000
2010	45,000,000	55,667,252	0	47,028,118	56,294,634	347,605,000	34,760,500	47,895,000	299,710,000

CASH FLOW COVERAGE FACTOR:

1.25

VARIABLE RATE DEMAND BOND INTEREST RATE:

10.00%

DEFAULT RATE ON NEW LOANS:

15.00%

* Collections on Prior Loans are based on 4/17/86 projections.

** Collections on New Loans reflects Forgiveness on 15% of expected repayments.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION
ALASKA STUDENT LOAN PROGRAM
SERIES 1986 VARIABLE RATE DEMAND BONDS
ANALYSIS OF AMORTIZATION

YEAR ENDING 6/30	NEW BOND LOANS MADE	EQUITY & RECYCLED LOANS MADE	COLLECTIONS ON PRIOR LOANS *	COLLECTIONS ON NEW BOND LOANS **	COLLECTIONS ON EQUITY LOANS **	OUTSTANDING PRINCIPAL	INTEREST	PRINCIPAL RETIREMENT	ENDING PRINCIPAL BALANCE
1987	40,000,000	42,912,599	14,547,599	0	0	40,000,000	4,000,000	7,635,000	32,365,000
1988	40,000,000	44,030,779	20,152,279	0	0	72,365,000	7,236,500	8,885,000	63,480,000
1989	40,000,000	45,307,660	25,396,203	544,890	584,567	103,480,000	10,348,000	10,870,000	92,610,000
1990	40,000,000	46,680,866	29,461,182	1,888,954	2,041,730	132,610,000	13,261,000	13,450,000	119,160,000
1991	40,000,000	48,097,170	31,071,125	4,504,428	4,902,617	159,160,000	15,916,000	16,465,000	142,695,000
1992	40,000,000	49,527,857	31,077,952	7,882,749	8,661,656	182,695,000	18,269,500	19,825,000	162,870,000
1993	40,000,000	50,934,326	30,504,435	11,442,700	12,724,191	202,870,000	20,287,000	23,450,000	179,420,000
1994	40,000,000	52,253,711	29,184,877	15,075,304	16,985,530	219,420,000	21,942,000	27,050,000	192,370,000
1995	40,000,000	53,401,266	26,901,710	18,707,907	21,373,648	232,370,000	23,237,000	30,345,000	202,025,000
1996	40,000,000	54,309,836	23,297,945	22,340,510	25,888,880	242,025,000	24,202,500	33,015,000	209,010,000
1997	40,000,000	54,986,002	18,406,869	25,973,114	30,527,019	249,010,000	24,901,000	35,020,000	213,990,000
1998	40,000,000	55,486,034	12,546,025	29,605,717	35,278,292	253,990,000	25,399,000	36,545,000	217,445,000
1999	40,000,000	55,856,535	7,024,621	32,693,430	39,542,984	257,445,000	25,744,500	37,660,000	219,785,000
2000	40,000,000	56,131,143	2,642,964	34,981,970	43,014,710	259,785,000	25,978,500	38,530,000	221,255,000
2001	40,000,000	56,361,994	649,219	35,999,099	45,144,176	261,255,000	26,125,500	39,305,000	221,950,000
2002	40,000,000	56,566,545	146,531	36,253,381	46,421,632	261,950,000	26,195,000	40,060,000	221,890,000
2003	40,000,000	56,752,291	0	36,326,033	47,430,258	261,890,000	26,189,000	40,815,000	221,075,000
2004	40,000,000	56,920,303	0	36,326,033	48,266,769	261,075,000	26,107,500	41,565,000	219,510,000
2005	40,000,000	57,048,318	0	36,326,033	48,998,285	259,510,000	25,951,000	42,305,000	217,205,000
2006	40,000,000	57,192,045	0	36,326,033	49,821,511	257,205,000	25,720,500	43,035,000	214,170,000
2007	40,000,000	57,297,588	0	36,326,033	50,138,555	254,170,000	25,417,000	43,750,000	210,420,000
2008	40,000,000	57,381,372	0	36,326,033	50,557,339	250,420,000	25,042,000	44,460,000	205,960,000
2009	40,000,000	57,446,204	0	36,326,033	50,891,171	245,960,000	24,596,000	45,175,000	200,785,000
2010	40,000,000	57,499,011	0	36,326,033	51,156,477	240,785,000	24,078,500	45,905,000	194,880,000

CASH FLOW COVERAGE FACTOR:

VARIABLE RATE DEMAND BOND INTEREST RATE:

DEFAULT RATE ON NEW LOANS:

1.25

10.00%

15.00%

* Collections on Prior Loans are based on 4/17/86 projections.

** Collections on New Loans reflects Forgiveness on 15% of expected repayments.



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.


Signature of Camera Operator


Date

SCOMM

#50:37

EFFECTS OF CSSB 65
ON RURAL/URBAN
DESIGNATIONS

The following lists communities affected by CSSB 65. This list assumes that the Department considers rural those communities with only parttime road maintenance.

Communities currently URBAN which will be RURAL under CSSB 65:

Alexander	Eyak	Skwentna
Beluga	Halibut Cove	Sunset
Chelatna Lodge	Kustatan	Susitna
China Poot Bay	Ladd	Tabona
Cordova	McDougall	Tatitlek
Ellamar	Port Crawford	Tyonek

Communities currently RURAL which will be URBAN under CSSB 65:

Anderson	Dempsey	Mentasta
Big Delta	Dot Lake	Nabesna
Black Rapids	Ferry	Nenana
Border City	Gakona	North Nenana
Broad Pass	Gardner Creek Camp	Northway Junction
Browne	George Lake Lodge	Paxson
Cantwell	Gulkana	Rex
Cathedral Rapids	Healy	Slana
Chena Hot Springs	Hufmans	Sourdough
Chitina	Julius	Sportsman Lodge
Christochina	Kenny Lake	Suslota
Clear	Lignite	Tetlin Junction
Colorago	Lower Tonzina	Tok
Delta Junction	McKinley Park	Usibelli

These changes take effect immediately upon enactment of CSSB 65.

SECTIONAL ANALYSIS CS SB 65(FIN)

SECTION ²~~1~~. TRANSFERS THE URBAN NONCONFORMING HOUSING LOAN PROGRAM FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS TO THE ALASKA HOUSING FINANCE CORPORATION AND GIVES THE CORPORATION THE AUTHORITY TO DEVELOP REGULATIONS TO IMPLEMENT THE PROGRAM.

SECTION ¹~~2~~. CLEAN UP LANGUAGE TO CHANGE THE NAME OF THE NORTHWEST INUPIAT HOUSING AUTHORITY BACK TO ORIGINAL NAME OF "NORTHWEST ALASKA NATIVE ASSOCIATION."

SECTION 3. PROVIDES FOR THE DEPOSIT OF INTEREST PAYMENTS BACK INTO THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS HOUSING ASSISTANCE LOAN FUND.

SECTION 4. CHANGES THE DEFINITION OF THE WORD "RURAL" BACK TO THE 1982 DEFINITION THEREBY ALLOWING THE NEW NONCONFORMING HOUSING LOAN PROGRAM UNDER AHFC TO SERVE ALL OTHER AREAS OF THE STATE.

SECTION 5. REPEALS AS 44.47.385 THAT PROVIDES FOR 20% ALLOCATION OF THE CURRENT HOUSING LOAN PROGRAM IN DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS TO URBAN AREAS OF THE STATE. THIS IS REPEALED IN LIEU OF THE NEW PROGRAM BEING CREATED UNDER AHFC.

REPEALS AS 44.47.460(D) THAT PROVIDES FOR THE DEPARTMENT TO ENTER INTO AGREEMENTS TO PAY FINANCIAL INSTITUTIONS HIGHER THAN A ONE PERCENT LOAN SERVICE AND ORIGINATION FEES IN RURAL COMMUNITIES.

SECTION 6. PROVIDES FOR AN IMMEDIATE EFFECTIVE DATE.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

☐ POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

☐ 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

May 6, 1985

POSITION PAPER

RE: CSSB 65 (Finance)

SPONSORS: Senator Kerttula

The Department strongly supports the Committee Substitute for Senate Bill 65 (Finance), an Act relating to housing loan programs. The following provides a section-by-section analysis to substantiate our support.

Section 1

Section 1 brings the State statute back into accordance with the Federal government's formal recognition of Regional Native Housing Authorities for the purposes of funding. A 1984 amendment to AS 18.55.996, which was effective July 1, 1984, substituted "Inupiat Housing Authority" for "Alaska Native Association." During implementation of this amendment, the housing authority found that the federal agency, Housing and Urban Development (HUD), would not recognize the new name, as they had formally recognized NANA as the Regional Native Housing Authority. This provision in CSSB 65 (Finance) returns AS 18.55.996 to its form prior to 1984, and again allows conformity to the Federal regulations.

Section 2

Section 2 enables the transfer of the urban Nonconforming Housing Loan Program from the Housing Assistance Division of the Department of Community and Regional Affairs to the Alaska Housing Finance Corporation. Through the transfer, this provision would bring all urban housing loan programs under the jurisdiction and administration of the AHFC. The Department considers this consolidation of programs important for more efficient administration of housing loan programs, for both the Department and the AHFC.

Section 3

Section 3 anticipates declining State revenues by including interest in the calculation for repayment on loans. We believe this provision will reduce the need for large general fund appropriations to the Housing Assistance Loan Fund in the future.

Section 4

Section 4 repeals the existing definitions for the purposes of rural housing loans, bringing the definitions back to their original form as enacted by the legislature in 1982. This section bases the criteria for "rural" on population figures and on inaccessibility by road or rail to Anchorage or Fairbanks. This definition does not differentiate between incorporated or unincorporated communities. It would also enable "suburbs" of non-rural communities to be included in the program, if there are population figures for the "suburb" alone, ie., Saxman, outside of Ketchikan, has a separate population of 343 people. Further, under Section 4, the term "community" could include as many people as 4,500 and as few as one. In this instance, isolated rural homes would be able to participate in the rural housing loan program.

Section 5

This section repeals AS 44.47.385 and AS 44.47.460(d). With the transfer of the nonconforming program to the AHFC, there is no longer a need for the regional allocations provided by AS 44.47.385 for the nonconforming program.

Under AS 44.47.460(d), the Housing Assistance Division of the Department of Community and Regional Affairs is obligated to pay a portion of the higher service fees for loans made for nonconforming housing. To date, the Division has never allowed homes to have the higher service fees, simply because money was never appropriated to HAD to supplement the fees. The Division has negotiated agreements with seller/servicers that provide for 1/2 percent service fees versus the AHFC 3/8 percent service fees.



Jeff Smith
Acting Commissioner

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 65 (Fin)
Title: An Act relating to rural housing loans
Sponsor: Kerttula
Requestor: Senate C&RA Devries
Date of Request: 2/7/85

FISCAL DETAIL

Agency Affected: Dept. CRA
Program Category Affected: Division of Housing Assistance
BRU, Program or Subprogram(s) Affected: Housing Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Clark D. Boston
Division: Housing Assistance

Phone: 561-0900
Date: 2/11/85

Approved by Commissioner: Emil Notti
Agency: Community & Regional Affairs

Date: 2/12/85

Distribution (by Agency preparing fiscal note):

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

12/1/83

COMMITTEE REPORT
HOUSE

5/10

(5)
~~(7)~~

FURTHER:

FINANCE

5/4/85

Date: _____

The Committee on HOUSE SPECIAL COMMITTEE
ON STATE LOANS has had CSSB 65(Fin)

"An Act relating to housing programs; and providing for an effective date."

under consideration and recommends:

- ☐ do pass ☐ do not pass
- ☐ do pass with attached amendments(s)
- ☒ replace with CS for HCS 100 (S 22-5 12 2005) ☒ same title
☐ new title
- and recommends do pass
- ☒ AND attaches a "Letter of Intent" ☐ New Fiscal Note
☐ reports it back without recommendation ☐ Zero Fiscal Note Attached
- ☐ referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]
[Signature]
[Signature]

[Signature]
CHAIRMAN

LETTER OF INTENT

HOUSE SPECIAL COMMITTEE ON STATE LOANS

HCS CS SB 65 (Loans)

It is the intent of the Legislature that the Department of Community and Regional Affairs, Housing Assistance Division, and the Alaska Housing Finance Corporation work together to provide housing loans under the Nonconforming Housing program. It is further the intent of the Legislature that the agencies work together to make a recommendation for the second session of the Fourteenth Legislature, concerning which communities in the state should be classified as "rural" and served by DC&RA and which communities should be classified as "urban" and served by AHFC. In making this recommendation, the agencies shall consider the programmatic effects of such classifications as well as the practical problems of access to urban banks. In defining "rural" for the purposes of this legislation, it is not the intent of the legislature to make this specific definition apply to or set a precedent for other programs.



Rep. John Sund, Chairman
House Special Committee on State Loans

Offered: 4/12/85
Referred: Rules

Original sponsor: Kerttula

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 65 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to housing programs; and providing
7 for an effective date."

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

9 * Section 1. AS 18.55.996(a) is amended to read:

10 (a) The following associations are given the authority specified
11 in (b) of this section:

12 (1) Arctic Slope Native Association (Barrow and Point Hope)

13 (2) Bering Straits Association (Seward Peninsula,
14 Unalakleet, St. Lawrence Island)

15 (3) Northwest Alaska Native Association [INUPIAT HOUSING
16 AUTHORITY] (Kotzebue)

17 (4) Association of Village Council Presidents (southwest
18 coast of Alaska including all villages in the Bethel area and all
19 villages on the Lower Yukon River and Lower Kuskokwim River)

20 (5) Tanana Chiefs Conference (Koyukuk, the middle and upper
21 Yukon River villages and the upper Kuskokwim and Tanana River vil-
22 lages)

23 (6) Cook Inlet Tribal Council (Kenai, Tyonek, Eklutna and
24 Seldovia)

25 (7) Bristol Bay Native Association (Dillingham, Upper
26 Alaska Peninsula)

27 (8) Aleut League (Aleutian Islands, Pribilof Islands and
28 that part of the Alaska Peninsula which is in the Aleut League)

29 (9) North Pacific Rim Native Corp. (Cordova, Tatitlek, Port
S

COMMITTEE COPY

1 Graham, English Bay, Valdez, Seward, Eyak and Chenega)

2 (10) Tlingit-Haida Central Council or Alaska Native Brother-
3 hood (Southeastern Alaska including Metlakatla)

4 (11) Kodiak Area Native Association (all villages on and
5 around Kodiak Island)

6 (12) Copper River Native Association (Copper Center,
7 Glennallen, Chitina and Mentasta)

8 (13) Alaska Federation of Natives, Inc.

9 (14) Sitka Community Association (Baranof and Japonski
10 Island).

11 * Sec. 2. AS 18.56 is amended by adding a new section to read:

12 Sec. 18.56.106. NONCONFORMING HOUSING LOAN PROGRAM. (a) There
13 is established in the corporation the nonconforming housing loan
14 program to assist persons to purchase housing that does not conform to
15 minimum building standards under any state or federal program that
16 provides for housing purchases.

17 (b) The corporation shall adopt regulations under this section
18 that establish conditions and terms for nonconforming housing loans
19 including terms and conditions relating to owner and nonowner occu-
20 pancy, the number of loans that may be made to a single borrower, and
21 borrower eligibility requirements.

22 * Sec. 3. AS 44.47.380 is amended to read:

23 Sec. 44.47.380. HOUSING ASSISTANCE LOAN FUND. There is created
24 in the department, as a revolving loan fund, the housing assistance
25 loan fund consisting of money appropriated to it by the legislature
26 and repayments of principal and interest on loans made or purchased
27 from the assets of the fund. The director shall administer the hous-
28 ing assistance loan fund in accordance with AS 44.47.360 - 44.47.560
29 and shall use the money in the housing assistance loan fund to
30

originate, purchase, or participate in the purchase, or

(1) nonconforming and rural housing mortgage loans;

(2) loans made for building materials for nonconforming and rural housing;

(3) loans made for renovations or improvements to nonconforming and rural housing;

(4) loans made for the construction of owner-occupied nonconforming and rural housing other than loans to builders or contractors or loans that compensate an owner for the owner's labor or services in constructing the owner's own housing.

* Sec. 4. AS 44.47.560 is repealed and reenacted to read:

Sec. 44.47.560. DEFINITIONS. In AS 44.47.360 - 44.47.560,

(1) "director" means the director of the division of housing assistance;

(2) "division" means the division of housing assistance;

(3) "housing" means owner-occupied, single-family housing and owner-occupied duplexes;

(4) "nonconforming housing" means housing that does not conform to minimum building standards under any state or federal program that provides loans for housing purchases;

(5) "rural" means

(A) a community in the second, third, or fourth judicial district of the state with a population of 4,500 or less that is not connected by road or rail to Anchorage or Fairbanks;
or

(B) a community in the first judicial district of the state with a population of 4,500 or less;

(6) "rural housing" means housing whether or not it is nonconforming housing that is located in a rural area of the state.

1 * Sec. 5. AS 44.47.385 and 44.47.460(d) are repealed.

2 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).
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Official Business

Alaska State Legislature

Senate

May 3, 1985

Pouch V
State Capitol
Juneau, Alaska 99811

SENATE

LETTER OF INTENT

ON

CS FOR SENATE BILL NO. 65(Fin)

IT IS THE INTENT OF THE LEGISLATURE THAT WHEN THE URBAN NON-CONFORMING LOAN PROGRAM IS TRANSFERRED FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS TO THE ALASKA HOUSING FINANCE CORPORATION THAT THE ALASKA HOUSING FINANCE CORPORATION ADOPT EMERGENCY REGULATIONS TO INCORPORATE THOSE DCRA LOAN CONDITIONS IN FORCE FOR RURAL PROGRAMS.

LOAN APPLICATION WHICH WERE IN PROGRESS PRIOR TO THE 4:30 P.M., JANUARY 22, 1985, DEADLINE ARE TO BE CONSIDERED UNDER THE SAME CRITERIA IN EFFECT BEFORE THAT DATE.

ADOPTED BY THE SENATE, MAY 3, 1985.



RECORDS CERTIFICATION



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Section 1. It amends AS 45.94.020 to restate the purpose of the loan guarantee program as described above. The amendment drops out the provisions in the existing law dealing with the purchase of stock which were designed to deal specifically with the KPC situation.

AS 45.94.030 and .040 are left unchanged by the bill. Section .030 outlines the powers and duties of the department and the commissioner. Section .040 states income from investment of the fund is to go to the general fund.

Section 2. This section amends AS 45.94.050(a) to include the requirement in paragraph (2) of subsection (a) that the loan be commercially reasonable. It also requires that a controlling interest in the business be held by Alaska residents. The Commissioner of Revenue is given discretion to waive this requirement. Section 2 also requires that the business maintain its offices and operating facilities exclusively in the state unless engages in the export of forest products in which case offices and facilities overseas would be permitted. It also requires that a majority of employees of the business be residents of the state. The section further requires that the business be organized for profit. A subsection (5) is added requiring that the loan further the maintaining or increasing of production and employment in the forest products business in the state. A new subsection (6) requires that the portion of the loan not guaranteed by the state be held by a financial institution which meets the approval of the Commissioner.

Section 3. AS 45.94.050(b) is amended by this section to increase the guarantee from 50% to 80% but to limit that guarantee to \$6 million per borrower. The current law sets a \$30 million limit. As with the existing statute, the Department of Revenue would not be permitted to guarantee the payment of annual interest on the guaranteed portion of the loan. This conforms with other loan programs in the state.

Section 4. This section amends AS 45.94.050 by adding a new subsection (a) to require the charging of a user fee by the Department of Revenue not to exceed 1/4 of 1% for loans guaranteed under this chapter.

Section 5. Section 5 makes a small change in AS 45.94-.060 which is the definitions section. The change is to add to the definition of forest products business that it be organized under the laws of the state.

Section 6. This section provides for an effective date immediately in accordance with AS 01.10.070(c). This is the standard effective date provision.

TESTIMONY OF JAMES F. CLARK
ON THE FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM
SET FORTH IN THE HOUSE SPECIAL LOANS COMMITTEE WORK DRAFT
OF THE HOUSE CS FOR SENATE BILL NO. 78

My name is Jim Clark. I represent the Alaska Loggers Association (ALA), which very strongly supports Sections 30-34 of the House Special Loans Committee Work Draft of the House CS for Senate Bill No. 78 (hereinafter "the proposed legislation"). The ALA is made up of loggers, mill owners and their suppliers throughout Alaska and has more than 100 members.

It should be emphasized that the guarantee program proposed by the legislation does not constitute a call on new funds. It would continue to segregate funds in the rainy day account which had been segregated by the Legislature last year for the Forest Products Business Loan Guarantee Program. That program was enacted to provide employees of the Ketchikan Pulp Corporation a loan guarantee fund as part of a proposed employee stock-ownership plan (ESOP) to purchase the Ketchikan Pulp Company. Those funds will lapse on June 30, 1985 if the employees do not exercise their option to purchase the mill. The employees decided months ago not to purchase the mill, and thus this fund has not been, and will not be, utilized.

Last year's loan program was the first ever proposed for the forest industry. While other industries have received financial assistance, there has been no State program for the timber industry. In summary on this point, the proposed

legislation does not create a new fund. It uses the existing fund to make a loan guarantee program available to all firms within the industry.

Please understand that this is not a low interest loan program or subsidy program. Under the proposed legislation, the Department of Revenue would guarantee loans made by the banking community to Alaska owned forest products business for up to 80% of a given loan, and not more than \$6 million per borrower. There would be a 1% user fee for the loan guarantee to compensate the State for taking the risk. The loan must be fully collateralized and must be commercially reasonable. The 20% for which the banks will be liable will provide a strong incentive on each bank's part to make certain that those loans which are guaranteed are good loans.

The 50% guarantee of the existing legislation has been increased to 80%. In the ESOP situation, the concept was that the employees were to purchase the mill from Louisiana Pacific Corporation. Louisiana Pacific Corporation had no guarantee prior to the legislation and thus was happy with any guarantee. Banks, on the other hand, require a guarantee in the range described in the proposed legislation before they are interested in making the loan. The 80% figure has been discussed with Alaska banks and Administration officials who agree that it is reasonable for the purposes intended here. Please also note that the Small Business Administration (SBA) loan guarantee program

provides for a 90% guarantee and the Alaska Industrial Development Authority (AIDA) program provides for an 80% guarantee.

In the event of a default, as under the existing law, payments received to satisfy the debt are allocated between the lender and the guarantee fund according to the guaranteed percentage of the loan. The lender does not get a first position.

The question arises why, if these loans are good loans to begin with, is a State loan guarantee program necessary? The short answer is that we are trying to improve the quality and diversity of our products to penetrate the Alaska markets and expand our export markets. In most cases, the sawmills we are trying to help do this are constrained by State budgetary constraints in putting up long term timber sales and the limited line of credit of Alaska banks. The loggers we are trying to help are faced with large up front expenditures as a result of the failure of the Federal government to build roads and State and Federal bonding policies.

There are two main groups that will benefit from this bill: (1) sawmills, and (2) loggers. It is our objective to penetrate the existing State forest products market of 110 million board feet per year (which is primarily located along the railbelt area) and to enhance our products for export. We want to create a more diverse product line, which has better quality

control. To do these things, existing sawmills need to make major capital expenditures in planers, kiln driers and creosote or pressure plants in order to produce the full array of products used in the Alaska market and needed to enhance our products for export. We have never been able to take advantage of the preference for State timber products set forth in AS 36.15.010 and 36.15.020 because our products are rough cut, not moisture stabilized and often not precision cut. By purchasing planers and kilns to reduce the moisture of the wood, Alaska sawmill owners could produce timber products which would qualify for use in State contracts and State financed projects as well as private construction in Alaska. In addition, if our sawmills are able to install creosote or pressure plants, we would be able to supply the State railroad tie and the piling market. The Timber Task Force estimates that all of the above will increase our share of this market from its 5-10% to 60%.

It is difficult to obtain commercial funds for such loans at the present time. In Southcentral, Kodiak and the Interior, most mills are having difficulty obtaining a long term wood supply. Thus, the mills are unable to assure a bank that they have sufficient timber committed to their mill for the period over which the loan is made. In large part this is because the Department of Natural Resources does not have the funds available to lay out a long term plan of intermediate term timber sales to local mills. This does not mean that the mills

have been unable to obtain the wood on a year by year basis. Rather, the problem is that the mills are unable to show a banker a long term supply of wood. Without this guarantee, the bankers are reluctant to make loans. We are trying to resolve this problem by substituting the guarantee of a long term supply with the proposed State loan guarantee.

Mr. Chairman, these mill owners have been long term providers of jobs in Alaska. They are good businesses with a good commercial record. The loans will be repaid. It is our estimate that none of them will default.

The loggers will also benefit from this program. Bonds are required of them by State and Federal timber sale contracts. The bonds must cover the timber to be logged, and the roads to be built. These bonds are very expensive and difficult to obtain. A loan guarantee program would supply the funds necessary to obtain the bonds.

Road building requires a large up-front capital investment upon which there will be no return for at least one to two years following the construction of the road. The loan guarantee program would provide loggers the ability to secure loans to purchase timber sale contracts requiring road building. Many of the existing mills in Southcentral, Kodiak and the Interior would be able to purchase larger timber sales.

The "cost of road building" problem is particularly acute in Southeast Alaska where the Forest Service has made

available in 1984 only 56% of the preroad money promised by the Government under the Alaska Natural Interest Lands Conservation Act (ANILCA). Attached to this testimony is a letter that the Congressional Delegation has recently sent to the Forest Service on this subject which documents this point. If the ANILCA funds for preroad were available, this loan guarantee program would not be so badly needed for the timber sale contracts in Southeast which require road building.

In addition, those who log on the National Forests in Alaska are unable to take advantage of a privilege enjoyed by loggers in every other state. That is the opportunity to have a timber sale purchaser elect to have the Forest Service build roads. (See Section 14(i) of the National Forest Management Act.) There is a proviso in Section 14(i) which excludes Alaskans from participating in this program. While the Timber Task Force has asked the assistance of the Governor and the Congressional delegation to get this changed, it has not been changed yet, and will take some time. Thus, the loan guarantee program proposed here would be of great assistance during the interim during which we are attempting to increase ANILCA funding and get the 14(i) proviso changed.

In conclusion Mr. Chairman, what the proposed legislation would provide is the means by which existing funds earmarked for the Ketchikan ESOP program would be used by the entire industry with special emphasis on upgrading and diversifying the

products produced by Alaska sawmills, so that Alaska timber could be used in the Alaska market and provide Alaskan jobs, and to assist loggers throughout the State.

We would certainly appreciate your support for the proposed legislation.

Levy
5/2/85

Original sponsor: Rules/Governor

1
2 IN THE SENATE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

3 HOUSE CS FOR CS FOR SENATE BILL NO. 78 (Loans)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act making miscellaneous amendments to state loan
8 programs; and providing for an effective date."

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

10 * Section 1. AS 16.10.370(a) is amended to read:

11 (a) The department may

12 (1) make loans to

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

21 (B) an individual for the repair, restoration, or up-
22 grading of existing vessels and gear, for the purchase of entry
23 permits and gear, and for the construction and purchase of ves-
24 sels, if the individual [AN INDIVIDUAL WHO] has been a state
25 resident for a continuous period of two years immediately pre-
26 ceding the date of application for a loan under AS 16.10.300 -
27 16.10.370, and either [WHO]

28 (i) because of lack of training or lack of em-
29 ployment opportunities in the area of residence does not
have occupational opportunities available other than

1 commercial fishing; or

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

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

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

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

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

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

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

16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

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

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed \$200 for prequalification.

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

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

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

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

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

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

(1) may not exceed a term of 15 years, except for extensions under AS 16.10.310(a)(4);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 AND

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

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

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

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

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

1 the regulations adopted by the commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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2 * Sec. 18. AS 41.35.180 is amended to read:

3 Sec. 41.35.180. DUTIES OF COMMITTEE. The committee shall

4 (1) develop criteria for the evaluation of state monuments
5 and historic sites and all real and personal property which may be
6 considered to be of historic, prehistoric or archeological signifi-
7 cance as would justify their acquisition and ownership by the state;

8 (2) cooperate with the department in formulating and admin-
9 istering a statewide historic sites survey under 16 U.S.C. 470-470n
10 (P.L. 89-665, National Historic Preservation Act of 1966);

11 (3) review those surveys and historic preservation plans
12 that may be required, and approve properties for nomination to the
13 National Register as provided for in 16 U.S.C. 470-470n (P.L. 89-665,
14 National Historic Preservation Act of 1966);

15 (4) provide necessary assistance to the governor and the
16 legislature for achieving balanced and coordinated state policies and
17 programs for the preservation of the state's historic, prehistoric and
18 archeological resources;

19 (5) consult with local historical district commissions
20 regarding the establishment of historical districts under AS 29.48.108
21 and 29.48.110 and the approval of project alterations under AS 45.98.-
22 040; recommend, if appropriate, the formulation of additional criteria
23 for the designation of historical districts under AS 29.48.110(b);
24 approve plans for and evaluate the suitability of specific structures
25 for purposes of loan eligibility and continuance under the historical
26 property [DISTRICT] revolving loan fund (AS 45.98); and consult with
27 the Department of Commerce and Economic Development relative to the
28 adoption of regulations for historical property [DISTRICT] loans under
29 AS 45.98.

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

1
2 Sec. 44.33.242. SPECIAL ACCOUNT ESTABLISHED. (a) There is
3 established as a special account within the child care facility re-
4 volving loan fund the foreclosure expense account. This account is
5 established as a reserve from fund equity.

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

11 * Sec. 20. AS 44.33 is amended by adding a new section to read:

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

18 * Sec. 21. AS 44.81.210(a) is amended by adding a new paragraph to
19 read:

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

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

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

(b) The commissioner of commerce and economic development may

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expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under this chapter or to defray expenses incurred during foreclosure proceedings after a default by an obligor.

* Sec. 23. AS 45.87 is amended by adding new sections to read:

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

Sec. 45.87.060. REGULATIONS. The department shall adopt regulations to implement this chapter.

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

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

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

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

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

tion of payments over a period of years.

* Sec. 26. AS 45.89 is amended by adding a new section to read:

Sec. 45.89.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is established as a special account within the residential energy conservation fund the foreclosure expense account. This account is established as a reserve from fund equity.

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

* Sec. 27. AS 45.89 is amended by adding new sections to read:

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

Sec. 45.89.070. REGULATIONS. The department shall adopt regulations to implement this chapter.

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

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

(b) The commissioner of commerce and economic development may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under AS 45.90.020 or to defray expenses incurred during fore-

1 closure proceedings after a default by an obligor.

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

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

9 * Sec. 30. AS 45.94.020 is amended to read:

10 Sec. 45.94.020. FOREST PRODUCTS BUSINESS LOAN GUARANTEE PROGRAM.
11 The department may use money in the fund to guarantee a loan to a
12 forest products business for the purpose of financing the purchase of
13 equipment and facilities that will increase employment in a forest
14 products business [35 PERCENT OR MORE OF THE STOCK OR ASSETS OF A
15 FOREST PRODUCTS BUSINESS BY, ON BEHALF OF, OR FOR THE BENEFIT OF THE
16 EMPLOYEES OF THAT BUSINESS], as provided in AS 45.94.050.

17 * Sec. 31. AS 45.94.050(a) is amended to read:

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

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

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

24 (3) the loan is originated with and serviced by a state or
25 federally chartered financial institution; [AND]

26 (4) the loan is made to a [THE EMPLOYEES OF THE] forest
27 products business and

28 (A) a majority interest of the business is held by
29

Alaska residents;

1
2 (B) the business maintains offices and operating
3 facilities exclusively in the state unless the business is en-
4 gaged in the export of forest products;

5 (C) a majority of the employees of the business are
6 residents of the state; and

7 (D) the business is organized for profit;

8 (5) the loan will increase or maintain production and
9 employment in the forest products business; and

10 (6) the portion of the loan not guaranteed by the state is
11 held by the originating financial institution or another financial
12 institution approved by the commissioner [, TO AN EMPLOYEE STOCK
13 OWNERSHIP TRUST, OR TO ONE OR MORE CORPORATIONS OR OTHER BUSINESS
14 ASSOCIATIONS OR ENTITIES IN WHICH THE CONTROLLING INTEREST IS HELD BY
15 STATE RESIDENTS WHO ARE EMPLOYEES OF THE FOREST PRODUCTS BUSINESS].

16 * Sec. 32. AS 45.94.050(b) is amended to read:

17 (b) The department may provide a guarantee from the fund for up
18 to 80 [50] percent of a loan, but may not guarantee [LESS THAN
19 \$5,000,000 OR] more than \$6,000,000 [\$30,000,000] per borrower. The
20 department may not guarantee the payment of annual interest on the
21 guaranteed portion of a loan.

22 * Sec. 33. AS 45.94.050 is amended by adding a new subsection to read:

23 (d) The department shall charge a user fee not to exceed one
24 percent for a loan guarantee under this chapter.

25 * Sec. 34. AS 45.94.060 is amended to read:

26 Sec. 45.94.060. DEFINITIONS. In this chapter

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

28 (2) "department" means the Department of Revenue;

29 (3) "forest products business" means a sole proprietorship,
partnership, corporation or other business organization formed under

1
2 the laws of the state for the purpose of harvesting or processing
3 timber or other forest resources;

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

6 * Sec. 35. AS 45.95 is amended by adding a new section to read:

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

13 * Sec. 36. AS 45.95 is amended by adding a new section to read:

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

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

23 * Sec. 37. AS 45.98.010 is amended to read:

24 Sec. 45.98.010. CREATION OF HISTORICAL PROPERTY [DISTRICT]
25 REVOLVING LOAN FUND. There is created in the Department of Commerce
26 and Economic Development a historical property [DISTRICT] revolving
27 loan fund.

28 * Sec. 38. AS 45.98 is amended by adding a new section to read:

29 Sec. 45.98.015. SPECIAL ACCOUNT ESTABLISHED. (a) There is
established as a special account within the historical property re-

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

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

9 * Sec. 39. AS 45.98.020 is amended to read:

10 Sec. 45.98.020. HISTORICAL PROPERTY [DISTRICT] LOANS. Upon
11 endorsement and plan approval by a local historical landmark or dis-
12 trict commission established under AS 29.48.108 and the recommendation
13 of a majority of the members of the Historic Sites Advisory Committee,
14 the Department of Commerce and Economic Development may make loans to
15 a person, firm, business or municipality subject to applicable laws
16 for the restoration, improvement, rehabilitation, or maintenance of ⁽¹⁾ an
17 historic [A] structure, building, site, or object that [WHICH] is
18 ~~that~~ within the boundaries of a historical district estab-
19 lished under AS 29.48.110;

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

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

27 * Sec. 40. AS 45.98.020 is amended by adding a new subsection to read:

28 (b) The department may make a loan under this section for a
29 project that is not within the boundaries of a historical district
with the approval of a majority of the members of the Historic Sites

1
2 Advisory Commission.

3 * Sec. 41. AS 45.98.040 is amended to read:

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

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

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

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

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

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

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

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

29 Sec. 45.98.055. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR

FORECLOSURE. The Department of Commerce and Economic Development

1 shall dispose of property acquired through default or foreclosure of a
2 loan made under this chapter. Disposal shall be made in a manner that
3 serves the best interests of the state, and may include the amortiza-
4 tion of payments over a period of years.
5

6 * Sec. 43. AS 45.98.070 is amended to read:

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

9 * Sec. 44. AS 16.10.310(b), 16.10.320(f), and 16.10.333(f) are re-
10 pealed.

11 * Sec. 45. This Act takes effect July 1, 1985.
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STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSB 78(Fin)
Title: Miscellaneous amendments
to state loan programs
Sponsor: Rules/Governor
Requestor: _____
Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Economic Dev
Program Category Affected: _____
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		156.7	156.7	156.7	156.7	156.7
200 TRAVEL		7.9	7.9	7.9	7.9	7.9
300 CONTRACTUAL		14.0	12.0	12.0	12.0	12.0
400 SUPPLIES		1.2	1.2	1.2	1.2	1.2
500 EQUIPMENT		18.0	-	-	-	-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		197.8	177.8	177.8	177.8	177.8

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		197.8	177.8	177.8	177.8	177.8
TOTAL						

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

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

Distribution (by Agency preparing fiscal note):

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

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

7/1/84

SS#33

INVESTMENTS

FISCAL NOTE ANALYSIS

Personal Services:

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

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

PERSONNEL COSTS

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

Salary	\$34,740	
Benefits	\$10,486	
TOTAL Personal Services		\$45,226
Travel		\$ 3,950
Contractual		\$ 3,000
Commodities		\$ 300
Equipment		\$ 4,750
Total per employee		\$57,226
Subtotal for two Loan Examiners II		\$114,452

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

Salary	\$24,864	
Benefits	\$ 8,281	
TOTAL Personal Services		\$33,145
Travel		\$ -0-
Contractual		\$ 3,000
Commodities		\$ 300
Equipment		\$ 4,250
Total per employee		\$40,695
Subtotal for two Loan Closers II		\$ 81,390

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

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

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

Commodities: General supplies.

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

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

TOTAL FY '86 PERSONNEL AND ASSOCIATED COSTS

\$197,842

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1.	POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	DEPT. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EMPLOYMENT				Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.					
	PERSONAL SERVICES									
5.	Salary		34,740							
6.	Benefits		5,624							
7.	Supplemental Benefits		2,130							
8.	Fixed Benefits		2,732							
9.	TOTAL PERSONAL SERVICES			45,226						
10.	Travel			3,950						
11.	Contractual			3,000						
12.	Commodities			300						
13.	Equipment			4,750						
14.	Other									
15.	TOTAL COST			57,226						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		C.F. Hatch 1003								
19.		General Funds 1004		57,226						
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other								
FOR BSM USE ONLY										
KEY NUMBER										

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

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

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.

Commodities: General supplies.

Equipment: Calculator \$ 365
Microfiche Reader \$ 300
Workstation \$4,085
\$4,750

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1.	POSITION TITLE LOAN EXAMINER II				RANGE/STEP 17A	BARG. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.					
	1		2		3					
	PERSONAL SERVICES									
5.	Salary		34,740							
6.	Benefits		5,624							
7.	Supplemental Benefits		2,130							
8.	Fixed Benefits		2,732							
9.	TOTAL PERSONAL SERVICES		01		45,226					
10.	Travel		02		3,950					
11.	Contractual		03		3,000					
12.	Commodities		04		300					
13.	Equipment		05		4,750					
14.	Other									
15.	TOTAL COST				57,226					
	RECEIPT CODE				FUNDING SOURCE					
16.					Federal Receipts 1002					
17.					C.F. Hatch 1003					
18.					General Funds 1004				57,226	
19.					I-A Receipts 1005					
20.					Program Receipts 1028					
21.					Other					
FOR BSM USE ONLY										
KEY NUMBER										

JUSTIFICATION

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

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

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

Travel: To inspect collateral, interview applicants, and inform public on program.

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.

Commodities: General supplies.

Equipment: Calculator \$ 365

Microfiche Reader \$ 300

Workstation \$4,085

\$4,750

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

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

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1.	POSITION TITLE LOAN CLOSER II				RANGE/STEP 12A	DARG. UNIT GGU	PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION					
4.	TYPE OF EXPENDITURE				Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. On time expenses would be incurred for equipment.					
	1	2			3					
	PERSONAL SERVICES									
5.	Salary	24,864								
6.	Benefits	4,025								
7.	Supplemental Benefits	1,524								
8.	Fixed Benefits	2,732								
9.	TOTAL PERSONAL SERVICES	01			33,145					
10.	Travel	02			-0-					
11.	Contractual	03			3,000					
12.	Commodities	04			300					
13.	Equipment	05			4,250					
14.	Other									
15.	TOTAL COST				40,695					
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Hatch 1003								
19.		General Funds 1004		40,695						
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
22.		Other								
FOR BSM USE ONLY										
KEY NUMBER										

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

Contractual: Space Rental: \$3,000
\$2.50 sq./ft. x 100 sq./ft. x 12 months RSA to Department of Administration.

Commodities: General supplies.

Equipment: Calculator \$ 365
Typewriter \$1,369
Workstation \$2,515
\$4,250

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Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

SENATE Letter of Intent

CSSB 78 (L&C)

It is the intent of the Legislature that when implementing the Commercial Fishing Loan Act, the Department of Commerce and Economic Development shall:

- (1) utilize maximum flexibility in dealing with loan assumption requests with the understanding that the credit worthiness of the applicant shall be of paramount importance in the decision-making process.
- (2) relinquish the original borrower's obligation under the loan agreement whenever the applicant for the assumption has demonstrated credit worthiness to the satisfaction of the Department.
- (3) allow individuals to pre-qualify for a loan. This pre-qualification status would apply only to loans authorized for the purchase of limited entry permits.

Adopted by the Senate April 29, 1985.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

CAPITAL						
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REVENUE		178.0	271.0	364.0	457.0	550.0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		10.8	10.8	10.8	10.8	10.8
TOTAL		10.8	10.8	10.8	10.8	10.8

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

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

Distribution (by Agency preparing fiscal note):

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

ACCOUNTING & COLLECTIONS

7/1/84

TECHNICAL AMENDMENTS TO DCED LOAN PROGRAMS: FISCAL NOTE

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

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

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

REVENUE ANALYSIS

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

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

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 22, 1985

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

Dear Senator Bennett:

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

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

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

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

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

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

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

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

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

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

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

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

the bill.

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

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

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Sheffield", written in a cursive style.

Bill Sheffield
Governor