

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

250 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

board may not impose an investment decision upon, or override an investment decision of, the Investment Committee;

(5) review, consider and approve policies;

(6) establish an audit committee which shall select independent outside auditors, and receive all audit reports.

Sec. 44.55.070. PRESIDENT. The president of the corporation is appointed by the policy board for a term of four years, may be reappointed, and serves at the pleasure of the policy board. The salary of the president is set at the discretion of the policy board; but may not be set below that of the highest paid member of the Investment Committee. The president shall

(1) have sole responsibility for presenting investment proposals to the Investment Committee;

(2) be responsible for the ordinary business of the corporation and the organization, appointment, dismissal, and remuneration of the officers and staff;

(3) be responsible for making investments in investment grade securities, subject to review by the Investment Committee;

(4) establish and maintain adequate and appropriate organizational, operating and financial controls.

Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established the Investment Committee, consisting of the president and four members appointed by the policy board. No member of the policy board may be a member of the committee. Members of the committee shall be persons of recognized competence and wide experience in investments, finance, and other business management-related fields. No member may be appointed to the committee who has not been a resident of the state for at least three years. A member may be reappointed and continue to serve until his successor is appointed. The president and members shall serve for

four-year terms. Terms shall be staggered. Initial terms shall be one member serving for one year, one member serving for two years, one member serving for three years, and one member and the president serving for four years.

(b) Three members of the committee constitute a quorum. Decisions of the committee shall be taken by majority vote.

(c) Members of the committee other than the president receive an annual salary in the amount set by the policy board.

Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole responsibility to approve all investment proposals regarding productive private enterprises and community development projects in the state, and review all investments in investment grade securities.

Sec. 44.55.100. BUDGET. The corporation operating budget is from the general fund and is subject to the provisions of the Executive Budget Act (AS 37.07).

Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members, committee members, and officers and staff of the corporation are in the exempt service under AS 39.25.

Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out the corporate purposes of the corporation, the policy board has power to

- (1) adopt, alter and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;

(4) borrow funds, and in that connection furnish such collateral or other security as it determines, except that corporation borrowing may not exceed its paid-in capital;

(5) guarantee obligations of another corporation or legal entity in order to facilitate their sale;

- (6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

2 (7) acquire, hold, use, lease, sell or otherwise dispose of
3 property of any kind, real, personal or mixed, or any interest in it;

4 (8) contract with state, federal and other agencies to
5 develop needed information and analyses;

6 (9) do all acts and things necessary, convenient or desirable
7 to carry out the powers granted or implied in this chapter.

8 (b) In carrying out the corporate purposes of the corporation, the
9 committee has the power to

10 (1) invest, as it considers appropriate, by purchasing the
11 capital stock of, or lending money to, projects, except that any invest-
12 ment in the capital stock of or other ownership interest in a project
13 may not exceed 25 per cent of the capital stock of, or other ownership
14 interest in, the project, and no loan or other investment in the project
15 by the corporation may exceed 90 per cent of the cost of the project
16 unless, in the judgment of the committee, additional amounts must be
17 loaned to protect the interests of the investment fund;

18 (2) deposit or invest surplus funds through the Alaska Perma-
19 nent Fund Corporation in such obligations as the committee may determine;

20 (3) buy and sell securities the corporation has issued or
21 guaranteed or in which it has invested;

22 (4) do all acts and things necessary, convenient or desirable
23 to carry out the powers granted or implied in this chapter.

24 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
25 committee and staff shall exercise the judgment and care under the
26 circumstances then prevailing which a person of ordinary prudence,
27 discretion, and intelligence exercises in the management of his own
28 affairs taking into consideration the probable income from the invest-
29 ments as well as probable safety of principal.

1 (b) The committee may invest not more than 50 per cent of the
2 resources of the corporation to provide a reasonable proportion of
3 longer-term investment capital for financing the establishment, improve-
4 ment, and expansion of financially sound small and medium scale produc-
5 tive private enterprises which will benefit Alaskans, and for which
6 sufficient capital is not available from other sources on reasonable
7 terms. These investments may take the form of equity, debt, or debt
8 guarantees.

9 (c) The committee may invest not more than 50 per cent of the
10 resources of the corporation in financing a reasonable proportion of the
11 longer-term investment capital needs for financially sound small and
12 medium scale community development projects of municipalities and public
13 corporate entities and private dwellings in the state for which suf-
14 ficient financing is not available from other sources on reasonable
15 terms. These investments may take the form of equity, debt, or debt
16 guarantees.

17 (d) The committee may not invest or guarantee obligations totaling
18 more than five per cent of the assets of the corporation or \$5,000,000,
19 whichever is less, in a single project unless the legislature has ap-
20 proved the investment by concurrent resolution.

21 (e) The committee may not undertake any financing for which, in
22 its opinion, sufficient private capital could be obtained on reasonable
23 terms.

24 (f) The committee may not assume responsibility for managing any
25 enterprise or project in which it has invested and may not exercise
26 voting rights for that purpose or for any other purpose which, in its
27 opinion, properly is within the scope of managerial control.

28 (g) The committee shall only undertake its financing on terms and
29 conditions which it considers appropriate, taking into account the terms

1 and conditions normally obtained by private investors for similar fi-
2 nancing, the requirements of the enterprise or project, the risks being
3 undertaken by the corporation, and the participation of other investors
4 unless the legislature has appropriated funds for subsidizing invest-
5 ments which in the opinion of the corporation are of such high priority
6 that special terms and conditions are appropriate.

7 (h) The committee may seek to revolve the corporation's money by
8 selling its investments to other investors whenever it can appropriately
9 do so on satisfactory terms.

10 (i) The committee shall seek to maintain a reasonable diversi-
11 fication in its investments.

12 (j) The committee shall only consider investment proposals after
13 the applicant for an investment has submitted a detailed proposal to the
14 committee's staff and the staff has prepared a written report recommend-
15 ing the investment after a study of its merits.

16 (k) The committee shall analyze the economic and other effects of
17 an investment decision, including the effects on employment, income
18 distribution, environment, health, social and other factors. The com-
19 mittee shall be sensitive to the views of affected local communities.

20 (l) The committee may guarantee qualifying loans made by financial
21 intermediaries in order to facilitate investment by the intermediaries
22 in specific enterprises or projects.

23 (m) The committee shall provide for operational and performance
24 evaluations (post-audits) of its investments and investment programs and
25 report the results to the policy board.

26 (n) Nothing in this section prevents the committee, in the event
27 of actual or threatened default on any of its investments, actual or
28 threatened insolvency of the enterprise in which the investment has been
29 made, or other situations which, in the opinion of the committee,

1 threaten to jeopardize the investment, from taking such action and
2 exercising such rights as it may consider necessary for the protection
3 of its interests.

4 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
5 financing operations, the policy board shall render a detailed report to
6 the legislature which shall

7 (1) define the sectors which need financing for expansion of
8 existing projects or the development of new projects;

9 (2) define the size and nature of projects which are feasible
10 for corporation financing;

11 (3) determine specific projects which are feasible for corpo-
12 ration and private financing;

13 (4) determine the availability of private investment capital
14 for the projects it determines are feasible;

15 (5) forecast the capital requirements of the corporation for
16 the first three years of its operations.

17 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
18 publish an annual report in easily understandable language to the gover-
19 nor, legislature and the public. Each report shall include financial
20 statements audited by independent outside auditors, a statement of the
21 amount of money received by the corporation from each source during the
22 period covered, a statement of corporation investments, a description of
23 corporation investment activity during the period covered by the report,
24 an analysis of economic and other effects of investment decisions in-
25 cluding, but not limited to, the effects on employment, income distri-
26 bution, environment, health, social and other factors, and any other
27 information the policy board believes would be of interest to the gover-
28 nor, the legislature and the public. The corporation may also publish
29 such other reports as it considers desirable to carry out its purpose.

1 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
2 board and the committee are subject to the provisions of AS 39.50.

3 (b) Members of the policy board and the committee shall disclose
4 their financial interest in an investment proposal and disqualify them-
5 selves from voting on any investment proposal in which they have a
6 financial interest.

7 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy
8 board and the committee and officers and staff of the corporation may
9 not engage in partisan political activities. The resources of the
10 corporation may not be used to finance any partisan political activi-
11 ties.

12 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
13 possession of the corporation is a public record, except that infor-
14 mation which discloses the particulars of the business or affairs of a
15 private enterprise or investor is confidential and is not a public
16 record. Confidential information may be disclosed only for the purposes
17 of an official law enforcement investigation or when its production is
18 required in a court proceeding. These restrictions do not prohibit the
19 publication of statistics presented in a manner that prevents the iden-
20 tification of particular reports, items, persons, or enterprises.

21 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
22 taxes and assessments in the state. All security instruments issued by
23 the corporation, their transfer, and their income are exempt from all
24 taxes and assessments in the state.

25 Sec. 44.55.200. DEFINITIONS. In this chapter

26 (1) "board" or "policy board" means the Alaska Enterprise In-
27 vestment Corporation Policy Board established by sec. 20 of this chap-
28 ter;

29 (2) "business enterprise" means a private corporation, firm,

1 partnership or sole proprietorship;

2 (3) "committee" means the Investment Committee established by
3 sec. 60 of this chapter;

4 (4) "corporation" means the Alaska Enterprise Investment
5 Corporation.

6 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

7 (21) members of the policy board and Investment Committee, and
8 the president, officers, and staff of the Alaska Enterprise Investment
9 Corporation;

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

12 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

13 (NN) Alaska Enterprise Investment Corporation Policy
14 Board and Investment Committee;

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

16 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
17 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
18 tion established by this Act after request for transfer is made by the cor-
19 poration board of trustees.

20 (b) The Alaska Enterprise Investment Corporation may not expend funds
21 for any purpose other than normal operating expenses of the corporation until
22 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
23 the corporation including the funds received under AS 44.55.010 in sec. 4 of
24 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
25 4 of this Act until the paid-in capital reaches \$50,000,000.

26 * Sec. 8. AS 37.10.065(c) is repealed.

27 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

28 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
29 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as

1 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
2 immediately in accordance with AS 01.10.070(c).

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Original sponsor: Special Committee on the
Alaska Permanent Fund

Offered: 6/1/78

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 596 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska loan programs fund, the
7 Alaska permanent fund, the renewable resources develop-
8 ment fund, and other state revenues; and providing for
9 an effective date."

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

11 * Section 1. AS 45 is amended by adding a new chapter to read:

12 CHAPTER 96. ALASKA LOAN PROGRAMS FUND.

13 Sec. 45.96.010. PURPOSE. There exists within state government
14 numerous loan funds serving specific, single purposes. Efficient use of
15 the capital resources of the state will be promoted by creating a single
16 loan fund which will provide a single source from which potential users
17 could acquire a state loan and obtain information about existing federal
18 or private loan programs which will better serve the needs of the user
19 or which will complement a proposed state loan. A single state source
20 of lending will provide strong assurance of repayment of its loans and
21 thereby lower the cost of borrowing to the state. The purpose of the
22 loan programs fund is to provide the lowest possible interest costs to
23 Alaska borrowers consistent with sound financial practices and to make
24 available to all sectors of the Alaska economy loans including long-term
25 financing not presently available from existing Alaska financial insti-
26 tutions. A strong, single loan source, by being available to secure
27 interest rates and terms better than those available to loan funds
28 limited in size for a specific purpose, will make a significant con-
29 tribution to lowering costs of living for Alaska residents and costs of

1 operations in the private and public sector.

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

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

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

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

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

29 (c) Bonds or bond anticipation notes may be issued as provided by

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

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

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

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

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

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

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

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

1 deposited with the state or municipal officer of an agency or political
2 subdivision of the state for any purpose for which the deposit of bonds,
3 notes or obligations of the state is authorized by law.

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

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

1 will be required for the purposes intended.

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

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

19 Sec. 45.96.110. SALE OF BONDS. Before selling an issue or series
20 of bonds, the state bond committee shall give notice inviting sealed
21 bids in such manner as it may prescribe. If satisfactory bids are
22 received, the bonds offered for sale shall be awarded to the highest
23 responsible bidder. If the state bond committee determines that the
24 bids received are not satisfactory as to price or responsibility of the
25 bidders, it may reject all bids received.

26 Sec. 45.96.120. UNALLOCATED RESERVE ACCOUNT. (a) For the purpose
27 of securing obligations of the fund, a special account called the un-
28 allocated reserve account is established. The income from the permanent
29 fund shall be paid to the commissioner of revenue for the purposes of

1 the unallocated reserve account. Other money may be appropriated to the
2 account. The amounts necessary to fund the capital reserve account
3 established under sec. 140 of this chapter, the fire insurance and
4 liability reserve account under sec. 160 of this chapter, and the loss
5 reserve account under sec. 150 of this chapter are allocated to those
6 accounts and the amount certified as necessary for these allocations by
7 the commissioner of revenue is hereby appropriated to these accounts.
8 All other expenditures from this account shall be in accordance with
9 annual appropriations.

10 (b) There is established within the unallocated reserve account a
11 special sub-account called the general fund contribution account. This
12 sub-account consists of the lesser of (1) all revenue to the general
13 fund from mineral lease rentals, royalties, royalty sale proceeds,
14 federal mineral revenue sharing payments and bonuses received by the
15 state or (2) any amounts remaining in the general fund at the end of a
16 fiscal year which have not been obligated or for which the appropriation
17 has not lapsed at the end of the fiscal year. The sub-account may be
18 used for any purpose the unallocated reserve account may be used for
19 subject to appropriation by the legislature; however, a separate ac-
20 counting for the sub-account shall be maintained.

21 Sec. 45.96.130. DEBT SERVICE RESERVE ACCOUNT. For the purpose of
22 securing each issue of its obligations, the fund shall establish a
23 special account called the debt service reserve account and shall pay
24 into the account from the proceeds of the sale of that issue of its
25 obligations the maximum amount permissible under federal law and regu-
26 lations for tax exempt obligations which may be invested without limi-
27 tation as to yield. All money held in a debt service reserve account
28 may be used as required, when money is not available from the principal
29 and interest account or the capital reserve account, solely for (1) the

1 payment of the principal of obligations, (2) the purchase or redemption
2 of obligations, (3) the payment of interest on obligations, or (4) the
3 payment of any redemption premium required to be paid when those obli-
4 gations are redeemed before maturity. Any amount remaining in a debt
5 service reserve account when the issue the account secures is fully
6 retired shall be paid to the unallocated reserve account.

7 Sec. 45.96.140. CAPITAL RESERVE ACCOUNT. For the purpose of se-
8 curing each issue of its obligations, the fund shall establish a special
9 account called the capital reserve account. The commissioner of revenue
10 shall pay into that accc . from the unallocated reserve account upon
11 establishment an amount equal to five per cent of the principal amount
12 of the obligations issued and sold and upon subsequent sales, if any, of
13 obligations of the issue secured an additional amount equal to five per
14 cent of the principal amount of the obligations sold. At the end of
15 each fiscal year the commissioner shall withdraw from each capital
16 reserve account and pay to the unallocated reserve account any amount in
17 the account in excess of five per cent of the remaining principal
18 balance of the obligations secured or, if the amount in the account is
19 less than five per cent of the remaining principal balance of the obli-
20 gations secured, pay into the account from the unallocated reserve
21 account the amount necessary to bring the reserve to five per cent. All
22 money held in a capital reserve account may be used as required, when
23 money is not available from the principal and interest account, solely
24 for (1) the payment of the principal of obligations, (2) the purchase or
25 redemption of obligations, (3) the payment of interest on obligations or
26 (4) the payment of any redemption premium required to be paid when those
27 obligations are redeemed before maturity. Any income or interest earned
28 by a capital reserve account shall be paid to the unallocated reserve
29 account established by sec. 120 of this chapter. Any amount remaining

1 in a capital reserve account when the issue the account secures is fully
2 retired shall be paid to the unallocated reserve account.

3 Sec. 45.96.150. LOSS RESERVE ACCOUNT. (a) For the purpose of
4 protecting the financial integrity of the fund, a special account called
5 the loss reserve account is established. The commissioner of revenue
6 shall pay into that account from the unallocated reserve account estab-
7 lished by sec. 120 of this chapter an amount equal to five per cent of
8 the estimated total amount of all loans to be made by the fund during
9 the first fiscal year of operation. At the first of the succeeding
10 fiscal year and each fiscal year thereafter, the commissioner shall pay
11 into the fund from the unallocated reserve account the amount necessary
12 to bring the balance of this account to five per cent of the total
13 amount of loans projected to be outstanding during that fiscal year.

14 (b) If during the fiscal year the total amount of loans outstand-
15 ing exceeds the amount projected to be outstanding, the commissioner of
16 revenue shall pay into this account from the unallocated reserve account
17 the sum needed to bring the balance of this account to five per cent of
18 the amount of loans outstanding.

19 (c) The one per cent difference between the rate of interest paid
20 by a borrower and the rate of interest paid by the fund required by
21 sec. 420 of this chapter shall be allocated to the loss reserve account.

22 (d) Money in the loss reserve account may only be used for losses
23 realized from loans made under this chapter, except when, at the begin-
24 ning of a fiscal year, the balance of this account exceeds five per cent
25 of the remaining principal balance of the total amount of loans pro-
26 jected to be outstanding during the fiscal year, the amount in excess of
27 five per cent shall be paid to the unallocated reserve account until all
28 amounts paid to the loss reserve account and the capital reserve account
29 have been paid and then to the earned income account of the loan pro-

grams fund.

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

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

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

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

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

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

(c) In addition to the investments authorized in (a) of this section, the director of the division of treasury may invest money from the general fund contribution account, established in sec. 120(b) of this chapter, in obligations, instrumentalities, loans, or bonds of the loan programs fund.

Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund cash balances and of reserves for specific bond issues or statutorily

1 required reserves are managed for the fund by the director of the divi-
2 sion of treasury in the Department of Revenue. The director shall
3 determine investment policy and manage the investments of the fund under
4 the same criteria applicable to other state investments he manages.

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

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

13 Sec. 45.96.190. BUDGET. The operating budget is from the general
14 fund unless the legislature specifically appropriates from the unallo-
15 cated reserve and is subject to the Executive Budget Act (AS 37.07).

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

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

8 (b) For loans not exceeding \$350,000 exclusive of interest and
9 charges a district loan committee consisting of the district director of
10 the district loan office and two loan officers other than the loan
11 officer processing the loan may approve the loan.

12 (c) For loans exceeding \$350,000 the loan must be approved by an
13 executive loan committee consisting of the director of the division of
14 Alaska loan programs, the commissioner of commerce and economic de-
15 velopment or his designee, and, if the loan is other than a renewable
16 resource loan, the director of the division of economic enterprise of
17 the Department of Commerce and Economic Development or his designee, or,
18 if the loan is a renewable resource loan, the director of the division
19 of renewable resources within the Department of Commerce and Economic
20 Development or his designee.

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

29 (b) With the exception of borrowers designated in sec. 230 of this

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

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

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

22 Sec. 45.96.230. RENEWABLE RESOURCES LOANS EVALUATION COMMITTEE.

23 (a) There is established in the Department of Commerce and Economic
24 Development the Renewable Resources Loans Evaluation Committee con-
25 sisting of the directors, or their designees, of the following divi-
26 sions: (1) the division of Alaska loan programs in the Department of
27 Commerce and Economic Development, (2) the division of collections in
28 the Department of Revenue, and (3) the division of renewable resources
29 development in the Department of Commerce and Economic Development.

1 (b) The committee shall notify recipients of renewable resources
2 loans under the provisions of this chapter who have been delinquent in
3 their loan repayments for a period in excess of 30 days. Upon notifi-
4 cation of delinquency, the borrower may request reevaluation and tech-
5 nical assistance from the committee.

6 (c) The committee has the same powers and duties in regard to
7 delinquent renewable resource loan recipients as the loan programs
8 evaluation committee has in regard to other borrowers under the pro-
9 visions of this chapter.

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

19 (b) If a borrower who has received notification of delinquency in
20 accordance with sec. 220 or 230 of this chapter does not request re-
21 evaluation, or if the appropriate evaluation committee determines that
22 renegotiation of the existing terms and conditions is not feasible or
23 justified, and the loan is not brought current within 30 days after the
24 notification of delinquency is sent, the loan shall be transferred to
25 the loss reserve account and transmitted for collection to the division
26 of collections. A monthly report of the status of the collection effort
27 shall be made to the Legislative Budget and Audit Committee. The total
28 principal and interest due shall be transferred from the loss reserve
29 account, established in sec. 150 of this chapter, to the fund upon

1 assignment of each loan.

2 Sec. 45.96.250. LOAN PURPOSES. The fund may make loans for resi-
3 dential housing, commercial purposes, public purposes, and education.

4 Sec. 45.96.260. RESIDENTIAL HOUSING. In addition to other powers
5 granted in this chapter, the fund may, for the purpose of providing
6 housing for persons who meet the eligibility requirements of sec. 370 of
7 this chapter,

8 (1) make or participate in the making of construction loans
9 to sponsors, developers, and builders of land development or residential
10 housing;

11 (2) make or participate in the making of mortgage loans to
12 sponsors, developers, builders, and purchasers of residential housing;

13 (3) purchase or participate in the purchase of mortgage loans
14 made to sponsors, developers, builders, owners, and purchasers of resi-
15 dential housing;

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

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

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

1 the Federal National Mortgage Association;

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

10 Sec. 45.96.270. COMMERCIAL LOANS. In addition to other powers
11 granted in this chapter, the fund may make loans to

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

16 (2) individual commercial fishermen who have had a commercial
17 fishing license for three years for the repair, restoration or upgrading
18 of existing vessels and gear and for the purchase of entry permits and
19 gear and the construction and purchase of vessels; loans made under this
20 paragraph are subject to the provisions of secs. 295 and 297 of this
21 chapter;

22 (3) holders of hatchery permits under AS 16.10.400 - 16.10.-
23 470, including those holders issued permits before June 24, 1977, for
24 the planning, construction, and operation of hatchery facilities;

25 (4) regional associations qualified in accordance with AS
26 16.10.380 which have formed a nonprofit corporation or a local nonprofit
27 corporation approved by a qualified regional association, for precon-
28 struction activities necessary to obtain a permit under AS 16.10.400 -
29 16.10.470;

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

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

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

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

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

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

23 (8) public utilities other than publicly owned or nonprofit,
24 as defined in AS 42.05.701(2)(A) and (C), for the following purposes and
25 under the following conditions:

26 (A) loans may be used for capital construction projects,
27 for hydroelectric generation and potable water supply including
28 surface storage and groundwater sources and transmission of water
29 from surface storage to the existing distribution system, and

1 development of hydroelectric generating facilities including trans-
2 mission of power to the load center; loans may also be used to
3 construct, acquire, finance and operate power production facilities
4 limited to fossil fuel, wind power, tidal, geothermal, or solar
5 energy production and waste energy conservation facilities;

6 (B) loans may be made to applicants for new or existing
7 projects including expenses incurred in securing necessary permits
8 and licenses, design of the project and construction of capital
9 improvements;

10 (C) existing hydroelectric and water supply projects may
11 be expanded or rehabilitated with loan funds under this paragraph
12 if the rehabilitation and expansion is a capital improvement pro-
13 ject;

14 (D) loans shall be repaid to the fund by the borrower
15 from revenue derived from the sale of electric power or water;

16 (E) the utility shall demonstrate in its loan applica-
17 tion that the project is economically and technically feasible and,
18 taking into account the low interest on loans under this chapter,
19 is the most economical means of furnishing the proposed service;

20 (9) small businesses to acquire, finance or refinance or
21 equip businesses;

22 (10) loggers and forest products manufacturers and processors
23 for logging operations and equipment, forest products manufacturing or
24 processing plants, and for working capital for logging operations and
25 forest products manufacturing or processing;

26 (11) other businesses for equipment and operations related to
27 harvesting, manufacturing and processing other renewable or nonrenewable
28 resources in the state.

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

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

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

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

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

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

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

16 Sec. 45.96.290. VOLUNTARY ASSESSMENT ON SALE OF SALMON. (a) In
17 place of or in addition to an assessment levied under AS 16.10.530, an
18 association of persons licensed under AS 16.05.540 - 16.05.600, which
19 consists of at least 51 per cent of the persons so licensed and actively
20 participating in a fishery to be benefited by a hatchery program, may
21 levy and collect an assessment from among its members for the purpose of
22 securing and repaying a loan made under sec. 270(3) or (4) of this
23 chapter.

24 (b) Upon satisfactory demonstration to the director of the divi-
25 sion of Alaska loan programs that an assessment levied under this sec-
26 tion may reasonably be relied upon to secure and repay a loan to be made
27 under sec. 270(3) or (4) of this chapter, the director may make the loan
28 without requiring an assessment under AS 16.10.530.

29 (c) If an assessment made under this section fails to satisfy the

1 payments required on the principal and interest due on the loan, the
2 director may negotiate with the regional association to levy an assess-
3 ment under AS 16.10.530.

4 Sec. 45.96.295. LOANS MADE TO COMMERCIAL FISHERMEN. A loan under
5 sec. 270(2) of this chapter may not run longer than 15 years or bear
6 interest exceeding five per cent, and it shall be secured by a first
7 lien and appropriate security agreements, except that a lien in favor of
8 the state is not required for loans guaranteed fully by the federal
9 government under the Federal Ship Financing Act of 1972 (46 U.S.C. secs.
10 1271 - 1279b; 86 Stat. 909), as amended. In the case of a security
11 agreement given to secure a loan made under sec. 270(2) of this chapter
12 and covering a vessel documented under the laws of the United States and
13 so long as the Ship Mortgage Act of 1920 (46 U.S.C. secs. 911 - 984; 41
14 Stat. 1000), as amended, and the Shipping Act of 1916 (46 U.S.C. secs.
15 801 - 842; 39 Stat. 728), as amended, remain ambiguous with respect to
16 whether or not a state or state agency qualifies as a citizen of the
17 United States for purposes of those Acts, the first lien requirement of
18 this section may be satisfied by the recordation and endorsement of a
19 first preferred ship mortgage under the Ship Mortgage Act of 1920, and
20 by perfection of a security interest under the Uniform Commercial Code -
21 Secured Transactions (AS 45.05.690 - 45.05.794), if the approval of the
22 Secretary of Commerce is obtained under 46 U.S.C. sec. 839 for the
23 transfer to the department of the interest in a vessel documented under
24 the laws of the United States. In the case of a security agreement
25 given to secure a loan made under sec. 270(2) of this chapter and
26 covering a vessel documented under the laws of the United States, the
27 first lien requirement of this section may also be satisfied by use of a
28 trust deed and bond issue under it, if the trustee is a citizen of the
29 United States and obtains a first preferred ship mortgage on the vessel

1 under the Ship Mortgage Act of 1920, and the approval of the Secretary
2 of Commerce is obtained under 46 U.S.C. secs. 839 and 961 for the trans-
3 fer of the bond or bonds to the department if the trustee is not a
4 trustee approved by the Secretary of Commerce under 46 U.S.C. secs. 808,
5 835 and 961. Loans may not exceed 90 per cent of the appraised value of
6 the collateral used to secure the loan.

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

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

16 (1) the certificate for the pledged permit lists the director
17 as the legal owner of the permit;

18 (2) the certificate for the pledged permit lists the debtor
19 as the equitable owner of the permit;

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

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

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

28 (c) The director is not liable for any act or omission resulting
29 from permit ownership nor will that act or omission affect his title to

1 the permit or his rights under it.

2 (d) Upon satisfaction of the note by the debtor, the director
3 shall certify to the commission that the note has been satisfied.

4 (e) Upon certification as provided in (d) of this section, the
5 commission shall amend the permit certificate to list the debtor as the
6 legal owner.

7 (f) Notwithstanding the provisions of sec. 295 of this chapter,
8 loans under sec. 270(2) of this chapter for the purchase of limited
9 entry permits may not exceed 90 per cent of the appraised value of the
10 collateral used to secure the loan.

11 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-
12 sion of Alaska loan programs shall lend money to municipalities with
13 populations of less than 5,000 according to the most recent survey
14 conducted by the United States Census Bureau and to those corporations
15 eligible under (d) of this section. Loans to municipalities shall be
16 made through the purchase by the fund of municipal bonds. Loans to
17 nonprofit corporations shall be made through revenue bonds issued on
18 behalf of the corporation by the municipality in which the project is
19 constructed. If the construction takes place outside a municipality,
20 the revenue bonds shall be issued by the state bond committee on behalf
21 of the nonprofit corporation. The cost of a loan made under this sec-
22 tion shall be the same as the cost of borrowing to the fund. Loans made
23 under this subsection are subject to the following conditions:

24 (1) When the amount of the issuance is \$5,000,000 or less,
25 the loan shall be made through the purchase of general obligation or
26 revenue bonds.

27 (2) The borough or city attorney shall certify that all legal
28 requirements relating to required elections, if necessary, and issuance
29 have been met, or if the bonds are issued outside a municipality, cer-

1 tification shall be made by the Department of Law.

2 (3) The bonds shall be prepared by the municipality's attorney,
3 approved by the attorney general and need not be in definitive
4 form.

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

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

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

18 (A) 100 points under the average for the first five
19 years maturity;

20 (B) 75 Points under the average for the next five years
21 maturity;

22 (C) 50 points under the average for the next five years
23 maturity;

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

26 (E) 0 points under the average for the next five years
27 maturity;

28 (F) 25 points above the average for the next five years
29 maturity.

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

3 (A) 50 points under the average for the first five years
4 maturity;

5 (B) 25 points under the average for the next five years
6 maturity;

7 (C) 0 points under the average for the next five years
8 maturity;

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

11 (E) 50 points above the average for the next five years
12 maturity;

13 (F) 75 points above the average for the next five years
14 maturity.

15 (3) If there are no bids, the director shall purchase the
16 bonds at a six per cent interest rate for all maturities.

17 (c) The director of the division of Alaska loan programs shall
18 submit a bid for all revenue bonds offered on a competitive basis by a
19 home rule borough or city or general law borough or city of any class
20 incorporated under the laws of the state or on behalf of a nonprofit
21 corporation performing any of the functions described in AS 29.48 for
22 which revenue sharing is received directly or indirectly by the cor-
23 poration or on behalf of those nonprofit corporations described in (d)
24 of this section if the borough, city, or nonprofit corporation provides
25 its bid form to the director at least 10 days before the opening of the
26 bid. The request for bids and the bid proposal shall provide for issu-
27 ing all or a portion of the bonds based upon the best combination of
28 bids. The bid shall be determined on the basis of the Daily Bond Buyer
29 20 bond average as follows:

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

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

5 (3) 0 points under the average for the next five years
6 maturity;

7 (4) 25 points above the average for the next five years
8 maturity;

9 (5) 50 points above the average for the next five years
10 maturity;

11 (6) 75 points above the average for the next five years
12 maturity;

13 (d) A nonprofit corporation is eligible for a loan under this
14 section if

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

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

19 (3) it is statutorily created and performs a state function.

20 (e) The major part of the proceeds of any bond issue shall be used
21 for purposes which are tax exempt under federal law and regulation in
22 effect at the time the bonds are issued.

23 Sec. 45.96.310. DEFAULT ON MUNICIPAL BONDS. (a) Notwithstanding
24 any provision of law, to the extent that any department or agency of the
25 state is the custodian of money payable to a municipality, at any time
26 after written notice to the department or agency head from the commis-
27 sioner of revenue that the municipality is in default on the payment of
28 principal or interest on municipal bonds of the municipality then held
29 or owned by the fund, the department or agency shall withhold the pay-

1 ment of that money from that municipality and pay over the money to the
2 fund for the purpose of paying principal of and interest on bonds of the
3 fund.

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

12 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the
13 purpose of securing each tax exempt bond issue of municipalities of the
14 state and those bonds on behalf of nonprofit corporations guaranteed or
15 issued under this chapter there is established a special account called
16 the municipal bond capital reserve account. The commissioner of revenue
17 shall pay into that account from the unallocated reserve account upon
18 establishment an amount equal to five per cent of the obligations issued
19 and sold after July 1, 1978 and upon subsequent sales, if any, of obli-
20 gations of the issue secured an additional amount equal to five per cent
21 of the obligations sold. At the end of each fiscal year the commis-
22 sioner shall withdraw from the municipal bond capital reserve account
23 and pay to the unallocated reserve account any amount in the account in
24 excess of five per cent of the obligations secured or, if the amount in
25 the account is less than five per cent of the obligations secured, pay
26 into the account from the unallocated reserve account the amount neces-
27 sary to bring the reserve to five per cent. All money held in a muni-
28 cipal bond capital reserve account shall be used as required, when money
29 is not available from the principal and interest account, solely for (1)

1 the payment of the principal of obligations, (2) the purchase or re-
2 demption of obligations, (3) the payment of interest on obligations, or
3 (4) the payment of any redemption premium required to be paid when those
4 obligations are redeemed before maturity. Any income or interest earned
5 by the account shall be paid to the unallocated reserve account. Any
6 amount remaining in a municipal bond capital reserve account when the
7 issue the account secures is fully retired shall be paid to the unal-
8 located reserve account.

9 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director
10 of the division of Alaska loan programs may lend money to businesses
11 conducting exempt activities under sec. 103(b)(4) and (5) of the Inter-
12 nal Revenue Code of 1954 for those activities either directly or through
13 purchase by the fund of industrial development bonds issued on behalf of
14 the business by the state bond committee.

15 (b) A loan may be made under this section only if upon payment of
16 the loan the project shall be the property of

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

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

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

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

29 (2) when the activity is not performed within a municipality,

1 the commissioner of community and regional affairs approves the project.

2 (d) A corporation, partnership, or firm which requests a loan of
3 greater than \$5,000,000 for a project under this section may request a
4 special series of bonds for its project. The director of the division
5 of Alaska loan programs may request the state bond committee to issue
6 the special series of bonds on behalf of the corporation, partnership,
7 or firm in place of making a direct loan. A corporation, partnership,
8 or firm is eligible for a special bond series for its project if it has
9 a credit rating of "A" or better.

10 (e) A special series of bonds which may not exceed \$1,250,000,000
11 may be issued for the purpose of purchasing or otherwise acquiring any
12 obligation which is issued in respect to financing a gas pipeline not to
13 exceed \$1,000,000,000 and for other purposes as to the remainder if the
14 obligations are fixed and certain as to terms of repayment and if the
15 legislature approves issuance of the bonds by concurrent resolution.
16 The amount and purpose of the bonds shall be as established by the
17 concurrent resolution.

18 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
19 to costs directly related to a project, the sum total of all costs of
20 financing and carrying out a project are eligible for bonding under
21 secs. 300 - 330 of this chapter. These include, but are not limited to,
22 the costs of all necessary studies, surveys, plans and specifications,
23 architectural, engineering or other special services, acquisition of
24 real property, site preparation and development, purchase, construction,
25 reconstruction and improvement of real property and the acquisition of
26 machinery and equipment as may be necessary in connection with a pro-
27 ject; an allocable portion of the administrative and operating expenses
28 of the issuer; the cost of financing the project, including interest on
29 bonds issued to finance the project; and the cost of other items, in-

1 cluding any indemnity and surety bonds and premiums on insurance, legal
2 fees, fees and expenses of trustees, depositaries, financial advisors,
3 and paying agents for the bonds issued as the issuer considers neces-
4 sary.

5 Sec. 45.96.350. EDUCATION. (a) In addition to other powers
6 granted in this chapter, the fund may be used to make scholarship loans
7 to students selected under (b) - (g) of this section.

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

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

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

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

27 (f) If, upon completion of the course of study for which the loan
28 was granted, the borrower repays 60 per cent of the principal amount of
29 the loan with interest with no delinquency, the remaining 40 per cent

1 owing shall be forgiven if appropriated funds are available for payment
2 to the fund of the amount forgiven.

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

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

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

8 (3) performance by the student of military or required alter-
9 native service; or

10 (4) 50 per cent or greater disability of the student, as
11 certified by competent medical authority.

12 Sec. 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS. (a) In
13 addition to other powers granted in this chapter, the fund may make
14 loans to a business directly involved in the tourist industry.

15 (b) Upon endorsement and plan approval by a local historical
16 district commission established under AS 29.48.108 and the recommend-
17 ation of a majority of the members of the Historic Sites Advisory Com-
18 mittee, the fund may make loans to a person, firm, business or munici-
19 pality subject to applicable laws for the restoration, improvement,
20 rehabilitation, or maintenance of a structure which is

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

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

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

29 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan

1 under this chapter a person must have been a resident of the state for
2 at least five years on the date of application for the loan and must be
3 18 years of age or older. Except for loans made under sec. 330 of this
4 chapter, a corporation is eligible for a loan if more than 60 per cent
5 of its shareholders have been residents of the state for at least five
6 years on the date of the application for the loan, the chief executive
7 officer and all members of the governing board of the corporation have
8 been residents of the state for at least five years on the date of
9 application for the loan, and the chief executive officer and members of
10 the governing board assume full individual liability for repayment of
11 the loan. A loan to a corporation is immediately due and payable if it
12 ceases to meet these eligibility criteria. An individual is ineligible
13 if

14 (1) he is 60 days or more delinquent on a loan from the state
15 or an agency of the state outstanding on the effective date of this Act
16 or on a loan made under this chapter, but if the delinquency is cured
17 eligibility is restored after expiration of 10 years from curing the
18 delinquency; or

19 (2) a loan from the state or an agency of the state has been
20 discharged in bankruptcy unless the loan is repaid in full and 10 years
21 from the date of full payment has expired.

22 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the
23 authority of sec. 260 of this chapter for the purchase or construction
24 of residential housing may not exceed the following limitations: (1)
25 \$90,000 for a single family dwelling; (2) \$130,000 for a duplex; (3)
26 \$170,000 for a triplex; (4) \$210,000 for a fourplex. Any loan made for
27 the purchase or construction of residential facilities in excess of four
28 units shall be treated as a commercial buildings loan subject to the
29 limitations placed on such loans in (b)(1) of this section.

1 (b) Commercial loans made under the authority of sec. 270 of this
2 chapter may not exceed the following limitations:

3 (1) \$500,000 per individual for business activities; farm
4 development; agricultural irrigation systems; purchase, construction,
5 renovation, or repair of commercial buildings; fish manufacturing and
6 processing; fishing vessels and gear; logging operations and equipment;
7 timber manufacturing and processing; nonrenewable resource extraction;
8 or any other activity not otherwise specifically provided for in this
9 section;

10 (2) \$350,000 per individual for farm chattel other than for
11 irrigation systems;

12 (3) 10 per cent of the farm's gross receipts for the previous
13 fiscal year up to a maximum of \$250,000 for farm working capital;

14 (4) 10 per cent of the fisherman's gross receipts for the
15 previous fiscal year up to a maximum of \$250,000 for working capital for
16 fishing.

17 (c) Loans for a single project under (b)(1) and (2) of this sec-
18 tion may be made in excess of the maximum limits but not to exceed
19 \$5,000,000 for loans under (b)(1) or \$1,100,000 for loans under (b)(2)
20 if

21 (1) the loan is made to more than one but not more than 10
22 individuals participating in the project and the loan to each individual
23 does not exceed the applicable maximum limit; or

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

28 (d) Educational loans made under the authority of sec. 350 of this
29 chapter may not exceed the following limitations:

- (1) \$4,000 per individual per year for undergraduate studies;
- (2) \$8,000 per individual per year for graduate studies;
- (3) \$4,000 per individual per year for vocational studies;
- (4) \$4,000 per individual per year for work studies;
- (5) \$16,000 maximum outstanding loan balance per individual.

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

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

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

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

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

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

(f) The maximum loan amounts established in (a) - (d) of this section shall increase in proportion to increases in the consumer price index for Anchorage. The consumer price index for Anchorage for July 1, 1978 shall be the basis for determining percentage increases in the maximum loan amounts.

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

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

4 (1) LCC is the cost of construction in the area in which the
5 facility is located;

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

8 (3) LCOL is the cost of living in the area in which the
9 facility is located;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (3) seven years on a loan secured by tangible personal pro-
22 perty;

23 (4) one year on a loan for working capital.

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

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

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

22 (c) When the World War II veterans' revolving fund's assets become
23 depleted so that it can no longer pay the difference, the provisions of
24 (b) of this section relating to loans made to veterans apply only if
25 appropriation is made for the purpose of paying the difference. When
26 the agricultural revolving loan fund's assets become depleted so that it
27 can no longer pay the difference, the renewable resources development
28 fund shall pay a portion of the interest determined by the division of
29 renewable resources to be appropriate.

1 Sec. 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE. (a) The
2 following persons are eligible for special interest rates for veterans
3 established in sec. 430(b) of this chapter:

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

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

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

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

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

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

1 (C) he died before the official date of the termination
2 of that war; and

3 (D) his discharge was not dishonorable;

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

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

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

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

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

1 1977.

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

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

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

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

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

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

1 Sec. 45.96.470. BANK PARTICIPATION. (a) Loans made under the
2 authority of this chapter may be made in participation with financial
3 institutions. The participating financial institution may act as agent
4 for the division of Alaska loan programs in the initial processing of
5 applications for loans. Fees for such services shall be mutually agreed
6 upon.

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

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

15 (d) The maximum service fee for administering a loan which may be
16 charged by a participating financial institution is one-eighth of one
17 per cent.

18 Sec. 45.96.480. ASSURANCE REQUIRED. In each loan made from the
19 fund the loan agreement shall contain a contractual assurance by the
20 borrower that no person who provides services to the borrower in pre-
21 liminary phases of a project, including all studies made in connection
22 with the project, may participate in the implementation stages of that
23 project or may represent more than one interest in connection with the
24 project. A list of all persons performing preliminary services shall be
25 furnished to the division of Alaska loan programs as part of the loan
26 application, and a list of all persons with whom the borrower has con-
27 tractual relations in respect to the project after the application for
28 loan shall be submitted to the division at intervals the division re-
29 quires.

1 Sec. 45.96.490. DEFINITIONS. For purposes of this chapter, "the
2 fund" and "the loan programs fund" mean the Alaska loans program fund
3 created in sec. 20 of this chapter.

4 * Sec. 2. AS 37 is amended by adding a new chapter to read:

5 CHAPTER 13. ALASKA PERMANENT FUND.

6 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art. IX, sec. 15 of
7 the state constitution there is established within the Department of
8 Revenue as a separate fund the Alaska Permanent Fund. The permanent
9 fund consists of 25 per cent of all mineral lease rentals, royalties,
10 royalty sale proceeds, federal mineral revenue sharing payments and
11 bonuses received by the state. The commissioner of revenue shall de-
12 posit in the permanent fund 25 per cent of the receipts from these
13 sources at least once each month.

14 Sec. 37.13.020. INVESTMENT OF THE PERMANENT FUND. (a) The Alaska
15 Permanent Fund may be invested only in any of the following:

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

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

22 (3) notes issued by the Farmers Home Administration;

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

25 (5) corporate obligations rated "A" or better by a nationally
26 recognized rating service or of equivalent quality;

27 (6) other securities, including corporate securities;

28 (7) Federal Housing Administration mortgages;

29 (8) Federal Veterans Administration mortgages;

1 (9) conventional residential mortgages if the offering fi-
2 nancial institution retains at least 25 per cent of the mortgage;

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

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

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

10 (1) be secured by real estate in the state or other col-
11 lateral allowed under (a)(10) of this section;

12 (2) have as a mortgagor an Alaskan resident or a corporation
13 in which at least 60 per cent of the stock is owned by Alaska residents;

14 (3) be certified by the originating financial institution
15 that the loan being sold has been made in compliance with law and that
16 liens supporting the loan have been perfected;

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

19 (c) When more than one-half of one per cent of the aggregate of
20 all loans purchased from a financial institution becomes delinquent for
21 a period of 60 days or more, the state shall discontinue purchasing
22 loans from that financial institution until the delinquency is reduced
23 to less than one-half per cent.

24 (d) The permanent fund may purchase loans provided for in (a)(9)
25 or (10) of this section only from financial institutions which are
26 operating under the national banking laws, federal savings and loan
27 laws, or under the provisions of AS 06.05, 06.15, 06.25 and 06.30.

28 (e) The permanent fund may purchase loans provided for in (a)(7),
29 (8), (9), or (10), if the security for the loan is located in the state,

1 only with the approval of each purchase by the division of Alaska loan
2 programs of the Department of Commerce and Economic Development.

3 (f) Investment policy shall be formulated by the director of the
4 division of treasury of the Department of Revenue subject to the ap-
5 proval of the commissioner of revenue. In formulating investment policy
6 the director shall consider maximum income and safety as governed by the
7 prudent-man rule. The investment policy shall be proposed to the legis-
8 lature during the first 10 days of any regular session and only becomes
9 effective 60 days after presentation or at the end of the session,
10 whichever is earlier, unless disapproved by a resolution concurred in by
11 a majority of the members of each house.

12 (g) The commissioner of revenue may enter into contracts for
13 services providing investment advice, custody of securities, and execu-
14 tion of transactions, in or outside the state.

15 (h) In this section

16 (1) "closing costs" means appraisal costs, legal costs, title
17 insurance, and any other out-of-pocket expenses approved by the com-
18 missioner of revenue;

19 (2) "mortgage" means a pledge or security of particular
20 property for the payment of a debt or the performance of some other
21 obligation, whatever form the transaction may take;

22 (3) "resident" means a person domiciled in the state;

23 (4) "securities" means bonds, notes, debentures and all other
24 forms of indebtedness but does not include common stock, preferred
25 stock, and all other forms of equity capital.

26 * Sec. 3. AS 37.11 is amended by adding new sections to read:

27 Sec. 37.11.085. MANAGEMENT AND INVESTMENT POLICY. The management
28 and investment policy of the renewable resources development fund and
29 renewable resources permanent fund shall be formulated by the director

1 of the division of treasury of the Department of Revenue subject to the
2 approval of the commissioner of revenue. In formulating investment
3 policy the director of the division of treasury shall consider maximum
4 income and safety as governed by the prudent-man rule. The investment
5 policy shall be proposed to the legislature during the first 10 days of
6 any regular session and only becomes effective 60 days after presenta-
7 tion or at the end of the session, whichever is earlier, unless dis-
8 approved by a resolution concurred in by a majority of the members of
9 each house.

10 ARTICLE 4. ALASKA RENEWABLE RESOURCES DEVELOPMENT
11 FINANCIAL ASSISTANCE PROGRAM.

12 Sec. 37.11.110. DECLARATION OF POLICY. (a) It is the policy of
13 the state in the development of its renewable resources to seek to
14 accomplish the development of its human resources by providing maximum
15 opportunities for employment and a higher standard of living for its
16 residents in conjunction with renewable resource management.

17 (b) It is the policy of the state to utilize the resources of the
18 renewable resources funds to further the development of self-sustaining
19 renewable resource industries to contribute to a stable state economy,
20 employment opportunities, and life-style choices of its citizenry; and
21 to further the most appropriate uses of the state's renewable resources
22 for commercial, subsistence, and common use.

23 Sec. 37.11.120. FINDINGS. (a) The legislature finds that the
24 state has vast quantities of unutilized, underutilized, or inefficiently
25 utilized renewable resources and that great opportunities for expanding
26 the wealth of the state and its residents rests in the expanded use of
27 these resources. Many problems which confront the state today, includ-
28 ing the lack of full employment opportunities and the lack of self-
29 sustaining renewable resource industry sectors, could be mitigated by

1 development of private renewable resource industries.

2 (b) It is further found that several key factors have influenced
3 the slow development of renewable resources. Contributing factors
4 include the recent sharp reduction nationally and internationally in
5 research and development financing, and lack of new venture capital, the
6 lack of opportunity for Alaskan entrepreneurs to develop concepts or
7 ideas or to achieve adequate financing, the general lack of knowledge
8 within the financial community about conditions and factors extant to
9 renewable resource development, the often severe lack of information
10 about the state's renewable resources necessary to evaluate development
11 opportunities, and resource management problems which have discouraged
12 investment and the development of appropriate technologies to economi-
13 cally utilize Alaska's renewable resources in a unique and often harsh
14 environment.

15 (c) It is further found that the state policy of assisting the
16 development of viable industries is best accomplished by providing
17 assistance to private industry and to aid private industry, in whatever
18 ways necessary and feasible, to most efficiently identify and develop
19 new industries which will make the most appropriate commercial use of
20 the state's renewable resources.

21 (d) It is further found to be a valid public purpose for public
22 expenditures and investments to promote the prosperity and general
23 welfare of citizens of the state and to expand economic and employment
24 opportunities and tax revenue in the state by providing financial and
25 technical assistance to renewable resource product, market and tech-
26 nological research and development.

27 (e) It is further found that some of the state's resources will be
28 most appropriately utilized by reserving their use to noncommercial
29 activities for purposes of sustaining lifestyles such as subsistence

1 lifestyles and for environmental protection, both of which are histori-
2 cally and culturally important to the people of the state, and for
3 recreational or other noncommercial purposes.

4 Sec. 37.11.130. DIVISION OF RENEWABLE RESOURCES CREATED. There is
5 created the division of renewable resources within the Department of
6 Commerce and Economic Development to carry out the purposes of this
7 chapter.

8 Sec. 37.11.140. PURPOSES. The purposes of the division are to
9 facilitate the long-range rehabilitation, enhancement, and development
10 of Alaska's renewable resources so as to further the creation of a
11 self-sustaining Alaskan economy based on renewable resources.

12 (1) Within the purview of rehabilitation and enhancement the
13 resources of the division shall be used to demonstrate technologies and
14 innovations for rehabilitation and enhancement or maintenance of re-
15 source systems in order to achieve and sustain their most appropriate
16 uses for the benefit of present and future generations of Alaskans.

17 (2) Within the purview of development the division shall,
18 through financial assistance and participation, (A) identify products,
19 markets, and technologies for renewable resource industries in Alaska;
20 (B) stimulate the research and development of the products, markets, and
21 technologies; and (C) assist in the demonstration in the application and
22 economic viability of the products, markets, and technologies.

23 (3) The division shall disseminate information on the acti-
24 vities, products, and ventures of the division so as to assist all
25 interested Alaskans in renewable resource use, research, and develop-
26 ment.

27 Sec. 37.11.150. APPROPRIATION. The receipts of the renewable
28 resources development fund (AS 37.11.020) shall be appropriated to the
29 division for the purposes of this chapter.

1 Sec. 37.11.160. DIRECTOR, DIVISION OF RENEWABLE RESOURCES. In
2 order to qualify for the position of director of the division a person
3 must

4 (1) be graduated from an accredited college with a major in
5 business administration, economics, or a related field; and

6 (2) have eight years of administrative or management experi-
7 ence in resource planning or development, industrial engineering,
8 management consultation, economic planning, commercial sales, promotion
9 activity involving contact with major management and governmental offi-
10 cials, or related fields.

11 Sec. 37.11.170. COMPENSATION OF DIRECTOR. The director is in the
12 classified service under AS 39.25 and shall receive an annual salary
13 within range 27 in the salary schedule for state employees established
14 in AS 39.27.011 or within one range below that received by the highest
15 paid deputy commissioner in the Department of Commerce and Economic
16 Development if that is higher than range 27.

17 Sec. 37.11.180. CONFLICTS OF INTEREST. No employee of the divi-
18 sion may acquire an interest, direct or indirect, in a corporation,
19 association, project, or other business enterprise to which the division
20 is providing financial assistance in any form. If an employee owns or
21 controls an interest, he shall immediately disclose the interest in
22 writing to the director and refrain from participating in any manner in
23 any division activity relating to that interest.

24 Sec. 37.11.190. POWERS AND DUTIES OF DIRECTOR. (a) The director

25 (1) may hire the staff necessary to carry out the purposes of
26 this chapter;

27 (2) shall seek to optimize

28 (A) the number of residents of the state who benefit
29 from a renewable resource through compatible or complementary use;

1 (B) the number of different interests which benefit from
2 a renewable resource through compatible or complementary use;

3 (C) the proportion of the total income derivable from a
4 renewable resource which accrues to the state and its citizens;

5 (D) the preservation of future options for renewable
6 resource use;

7 (3) shall consider investment proposals only after an appli-
8 cant for an investment has submitted a detailed proposal to the divi-
9 sion's staff and the staff has prepared a written report recommending
10 the investment and after an analysis of the short-term and long-term
11 effects of the proposal and the extent of the Alaska loan programs fund
12 financing;

13 (4) may approve applications for financial assistance only if
14 they meet established criteria for financial assistance;

15 (5) shall establish and periodically review and revise cri-
16 teria relating to the suitability of projects for financial assistance
17 under this chapter;

18 (6) shall consider regional and local preferences or pri-
19 orities in fund allocation decisions;

20 (7) shall monitor and provide for operational and performance
21 evaluations of projects for which the division provides financial assis-
22 tance;

23 (8) shall identify potential opportunities for rehabilita-
24 tion, enhancement, and development of renewable resources;

25 (9) shall adopt regulations to implement this chapter in
26 accordance with the Administrative Procedure Act (AS 44.62);

27 (10) shall advise the director of the division of Alaska loan
28 programs of the Department of Commerce and Economic Development regard-
29 ing the most appropriate financial mechanisms for projects involving

renewable resources.

(b) The division may not assume responsibility for managing any enterprise or project in which it has invested, but it may exercise voting rights for any purpose affecting the repayment of financial assistance provided under the Alaska loan programs fund or this chapter.

(c) Nothing in this section prevents the division from taking such action and exercising such rights as it may consider necessary for the protection of its interests in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise or project in which the investment has been made or other situations which, in the opinion of the director, threaten to jeopardize the investment.

Sec. 37.11.200. ELIGIBILITY. (a) No financial assistance may be made unless the division finds that

(1) the project, if successful, will further the purposes of this chapter;

(2) the project, if successful, is likely to be technologically and economically feasible;

(3) the applicant for financial assistance has entered into an agreement that any new renewable resource activity shall be primarily established and remain in the state for a minimum period of time established by the division;

(4) the applicant for financial assistance meets the eligibility requirements for the Alaska loan programs fund;

(5) the corporate officers, directors, and equity holders have agreed to a reasonable salary and benefit scale which reflects current business standards.

(b) The division may not invest in a combination of equity purchases and interest incentives of more than five per cent of the annual

1 receipts of the renewable resources development fund or \$1,500,000,
2 whichever is less, in a single project unless the legislature has ap-
3 proved the investment by concurrent resolution.

4 (c) The renewable resources development fund may not be used for
5 direct grants made to the private sector or for loans which contain a
6 forgiveness of indebtedness provision.

7 (d) No loan may be guaranteed or participated in with the Alaska
8 loan programs fund for a period in excess of 30 years unless the legis-
9 lature has approved the loan by concurrent resolution.

10 Sec. 37.11.210. FINANCIAL ASSISTANCE. (a) In carrying out the
11 purposes of this chapter the director may approve financial assistance
12 only to projects for the rehabilitation, enhancement, and development of
13 the state's renewable resources and which have been approved by the
14 division of Alaska loan programs.

15 (b) The division's financial assistance to projects is limited to

16 (1) investment in not more than 50 per cent of the capital
17 stock or other ownership interest in a project; no investment under this
18 paragraph is permitted until the applicant has borrowed the maximum
19 amount allowable from the Alaska loan programs fund (AS 45.96);

20 (2) interest incentives under which the division pays part or
21 all of the interest on the loans made from the Alaska loan programs fund
22 to the project when the project involves a high financial risk, has
23 significant employment opportunity potential, or has potentially broad
24 application to the public; interest incentives are only in addition to
25 investments made under (1) of this subsection; payments of interest
26 assumed by the division under this paragraph shall be made to the divi-
27 sion of Alaska loan programs when the loans to the project are closed
28 and shall consist of the total amount of interest due on the affected
29 loans;

1 (3) grants for public purposes as defined in AS 45.96.300
2 only when the amount of the grant has been included in the general
3 budget of the state for the next fiscal year.

4 (c) All financial assistance provided by the division shall be
5 paid from the renewable resources development fund. All repayments of
6 financial assistance provided by the division shall be deposited into
7 the renewable resources development fund.

8 (d) Before a project is approved for financial assistance, the
9 division shall perform a study to determine its economic and technical
10 feasibility. If the project is subsequently approved for financial
11 assistance, the division shall provide such technical assistance as is
12 considered necessary and desirable by the director. The cost of the
13 study and assistance provided under this subsection shall be borne by
14 the division.

15 (e) Processing and closing of all financial assistance provided
16 under this section shall be conducted by the division of Alaska loan
17 programs at the same time as that division processes and closes the
18 financial assistance that it is providing to the applicant.

19 Sec. 37.11.220. LOAN GUARANTEES. (a) The division shall guaran-
20 tee all loans made to a renewable resources project from the Alaska loan
21 programs fund.

22 (b) If payment of a loan guarantee becomes necessary, that payment
23 shall be made from the loss reserve account established in sec. 240 of
24 this chapter.

25 Sec. 37.11.230. REPAYMENT OF INTEREST INCENTIVES. (a) An appli-
26 cant for whose project the director has approved an interest incentive
27 shall repay the amount of the incentive without interest.

28 (b) Repayment shall begin at the end of the year following the
29 first year that the project shows a net profit and shall be by annual

1 remittance to the division of a percentage of the project's annual net
2 profit after taxes for the preceding year. The percentage of the pro-
3 ject's net profit to be the basis of repayment shall be negotiated
4 between the director and the recipient of the interest incentive before
5 approving the interest incentive. For purposes of this subsection "net
6 profit" means adjusted gross income as defined in sec. 62 of the Inter-
7 nal Revenue Code of 1954, as amended. The director may reduce the net
8 profit of a project in order to allow for extraordinary items including,
9 but not limited to, changes in inventory valuation, changes in account-
10 ing methods, or gains or losses on the sale of depreciated property.

11 (c) The director may investigate the management of a project re-
12 ceiving an interest incentive or the business enterprise responsible for
13 the project, including, but not limited to, staffing patterns, wage and
14 salary scales and agreements, investment policies and practices, pur-
15 chasing, and payment arrangements with affiliated interests for the
16 purpose of determining unreasonable practices which adversely affect the
17 project's net profit. If the director finds unreasonable management
18 practices which adversely affect the project's net profit, he shall
19 order the cessation of those practices. If the unreasonable practices
20 are not halted within a reasonable period of time, the director may
21 declare the project in default under sec. 190(c) of this chapter.

22 (d) As a condition to receiving an interest incentive under this
23 chapter, an applicant shall agree to submit to the director copies of
24 his annual state and federal income tax returns that cover the project.

25 Sec. 37.11.240. LOSS RESERVE ACCOUNT. (a) For the purpose of
26 protecting the financial integrity of the Alaska loan programs fund when
27 used to make loans to renewable resources projects, a special account
28 called the loss reserve account of the renewable resources development
29 fund is established. The commissioner of revenue shall pay into the

1 account from the development fund an amount equal to 10 per cent of the
2 estimated total amount of all loans guaranteed by the development fund
3 during the first fiscal year of operation. At the first of the suc-
4 ceeding fiscal year and each fiscal year thereafter, the commissioner
5 shall pay into the account from the development fund the amount neces-
6 sary to bring the balance of this account to 10 per cent of the total
7 amount of loans projected to be outstanding during that fiscal year.

8 (b) If during the fiscal year the total amount of loans outstand-
9 ing exceeds the amount projected to be outstanding, the commissioner of
10 revenue shall pay into the account from the development fund the sum
11 needed to bring the balance of this account to 10 per cent of the amount
12 of loans outstanding.

13 (c) Money in the loss reserve account may only be used for losses
14 realized from loan guarantees made under sec. 220 of this chapter, ex-
15 cept when, at the beginning of a fiscal year, the balance of this ac-
16 count exceeds 10 per cent of the total amount of loans projected to be
17 outstanding during the fiscal year, the amount in excess of 10 per cent
18 shall be paid to the development fund.

19 Sec. 37.11.250. INVESTMENTS. (a) Investment of the loss reserve
20 account and the renewable resources development fund established under
21 sec. 20 of this chapter is managed by the director of the division of
22 treasury in the Department of Revenue. The director of the division of
23 treasury shall determine investment policy and manage the investments of
24 the fund under the same criteria applicable to other state investments
25 he manages.

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

29 (1) a summary of long-range and short-term investment policy;

- 1 (2) a list of investments made during the previous month;
2 (3) an evaluation of the performance of investments made;
3 (4) other information requested by the budget and audit com-
4 mittee.

5 Sec. 37.11.260. ACCOUNTING. Accounting for the renewable re-
6 sources development fund shall be provided by the Department of Admin-
7 istration. Reports shall be made by that department to the Department
8 of Revenue, the Department of Commerce and Economic Development, and the
9 Legislative Budget and Audit Committee on at least a monthly basis.
10 These reports shall include an itemization of each loan which has been
11 in default for a period in excess of 30 days and the measures taken for
12 each to insure compliance with terms and conditions of the loan. The
13 Legislative Budget and Audit Committee shall provide quarterly reports
14 to the legislature summarizing the information it receives under this
15 section, under sec. 250 of this chapter and under AS 45.96.240(b) and
16 including comments and suggestions the committee determines to be of
17 interest to the legislature relating to the administration of the de-
18 velopment fund. Other reports shall be made as prescribed by the De-
19 partment of Commerce and Economic Development.

20 Sec. 37.11.270. BUDGET. The division is subject to the provisions
21 of the Executive Budget Act (AS 37.07) for all funds, whether received
22 through allocations by this chapter or otherwise. The operational
23 budget shall be a separate budget category from the remainder of the
24 budget.

25 Sec. 37.11.280. DEFINITIONS. In this chapter

26 (1) "director" means the director of the division of re-
27 newable resources;

28 (2) "division" means the division of renewable resources in
29 the Department of Commerce and Economic Development;

1 (3) "rehabilitation, enhancement, and development" means any
2 activity or program which improves the health and well-being of a re-
3 newable resource or renewable resource population leading to an increase
4 in the quality or productivity of this resource and to an increase in
5 the benefits derivable from this resource accruing to the state and its
6 citizens;

7 (4) "renewable resource" means non-human living organisms;
8 natural components of the environment, including the air, land, and
9 water; and energy systems which are naturally recurring or replenished.

10 * Sec. 4. AS 37.11.060 is amended to read:

11 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-
12 encumbered balances remaining in the Alaska renewable resources de-
13 velopment fund at the close of each fiscal year shall be deposited in
14 the Alaska renewable resources fund. These deposits shall be considered
15 fund principal and shall be invested in perpetuity in accordance with AS
16 37.13.020 (investment of Alaska permanent fund) [AS 37.10.070 (INVEST-
17 MENT OF SURPLUS STATE FUNDS)].

18 * Sec. 5. AS 03.10.050 is repealed and re-enacted to read:

19 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
20 administer the loan fund.

21 * Sec. 6. AS 14.40.751(a) is amended to read:

22 (a) There is created a scholarship revolving loan fund. [THE FUND
23 SHALL BE USED TO MAKE SCHOLARSHIP LOANS TO STUDENTS SELECTED UNDER SECS.
24 751 - 806 OF THIS CHAPTER. ALL REPAYMENTS OF PRINCIPAL AND INTEREST ON
25 SCHOLARSHIP LOANS SHALL BE PAID INTO THE SCHOLARSHIP REVOLVING LOAN FUND
26 AND SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS. IF ESTIMATED FUNDS
27 AVAILABLE FROM SCHOLARSHIP LOAN REPAYMENTS ARE INADEQUATE TO FULLY FUND
28 ESTIMATED SCHOLARSHIP LOANS FOR ANY FISCAL YEAR, ADDITIONAL FUNDING FROM
29 THE GENERAL FUND MAY BE REQUESTED AND APPROPRIATED FOR THAT YEAR.]

1 * Sec. 7. AS 14.40.755(b) is amended to read:

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

6 * Sec. 8. AS 18.56.090 is repealed and re-enacted to read:

7 Sec. 18.56.090. GENERAL POWERS. The corporation may

8 (1) collect and pay reasonable fees and charges in connection
9 with making, purchasing and servicing its loans, notes, bonds, commit-
10 ments and other evidences of indebtedness;

11 (2) sell, at public or private sale, to any purchaser, in-
12 cluding the Federal National Mortgage Association, all or any part of a
13 mortgage or other instrument or document securing a construction, land
14 development, mortgage or temporary loan of any type in the possession of
15 the corporation.

16 * Sec. 9. AS 18.100.050 is amended to read:

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

22 * Sec. 10. AS 18.100.070(a) is amended to read:

23 (a) There is created within the Department of Community and Re-
24 gional Affairs a senior citizens housing development fund. Subject to
25 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-
26 partment shall make grants [OR LOANS] to municipalities or to corpora-
27 tions designated as tax exempt under sec. 501(c)(3) and (4) of the
28 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER SEC. 50 OF THIS
29 CHAPTER] for the purpose of developing senior citizen housing. [A GRANT

1 FROM THE PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

2 * Sec. 11. AS 18.100.070(b) is amended to read:

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

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

10 (38) AS 29.58.290 (industrial development bonds)

11 * Sec. 13. AS 29.58 is amended by adding a new section to read:

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

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

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

24 (b) Money collected for the state shall be deposited by the col-
25 lector in the nearest bank to the account of the division [DEPARTMENT OF
26 REVENUE] when the division [DEPARTMENT OF REVENUE] directs this to be
27 done.

28 (c) The division [DEPARTMENT OF REVENUE] in June and December of
29 each year shall publish in at least one newspaper of general circulation

1 in each of the four judicial districts a detailed report in display
2 advertising form of the amount of state money deposited in each named
3 bank or other financial institution. A copy of the semiannual report on
4 bank deposits shall also be sent to the Legislative Affairs Agency for
5 distribution of copies to the members of the legislature. The terms of
6 the deposit may be obtained upon a written request.

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

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

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

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

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

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

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

24 (6) other securities, including corporate securities;

25 (7) Federal Housing Administration mortgages;

26 (8) Federal Veterans Administration mortgages;

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

29 (10) conventional residential mortgages if the offering fin-

1 ancial institution retains at least 25 per cent of the mortgage;

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

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

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

9 (14) repurchase agreements, reverse repurchase agreements, or
10 any trading practice or instrumentalities that may evolve in investment
11 management.

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

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

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

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

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

28 (i) The director [COMMISSIONER] shall purchase notes and mortgages
29 under (a) of this section at a rate conducive to develop and benefit

1 Alaska and Alaska residents and this rate may be less than the market
2 rate.

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

4 (k) In making investments under (a) of this section, the director
5 may pool the surplus assets of the state funds but shall maintain
6 separate accounts for each fund.

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

8 (a) When the commissioner of revenue determines that there are
9 funds in the state treasury which are not being used for the purposes
10 provided for in sec. 70 of this chapter, he may direct the director of
11 the division of treasury to deposit the funds [THEY MAY BE DEPOSITED] in
12 financial institutions in the state which offer the highest bid for the
13 state funds. Collateral may be required by the commissioner to secure
14 state deposits provided for under this section.

15 * Sec. 21. AS 39.25.120(2) is amended to read:

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

23 * Sec. 22. AS 41.22.020(a) is amended to read:

24 (a) In addition to uses of fund money authorized in sec. 10 of
25 this chapter, money of the fund shall be utilized to make grants to
26 municipalities, of up to one-half the nonfederal share of costs of pro-
27 jects described in sec. 10 of this chapter which are initiated by a
28 municipality [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES
29 TO MAKE OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION

1 OF WHICH FEDERAL FUNDS ARE ANTICIPATED].

2 * Sec. 23. AS 41.35.180(5) is repealed and re-enacted to read:

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

8 * Sec. 24. AS 44.21.020 is amended by adding new paragraphs to read:

9 (13) provide accounting services for the permanent fund (AS
10 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-
11 sources development fund (AS 37.11), and all other state funds;

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

14 * Sec. 25. AS 44.25 is amended by adding a new section to read:

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

22 (b) In order to qualify for the position of director, a person
23 must

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

27 (2) have 10 years of experience in banking or investment
28 management involving review, analysis, purchase and sell recommenda-
29 tions, and responsibility for performance with at least four of these

1 years in a managerial capacity.

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

9 * Sec. 26. AS 44.33.020 is amended by adding a new paragraph to read:

10 (22) administer the Alaska loan programs fund (AS 45.96) and
11 the renewable resources development fund (AS 37.11).

12 * Sec. 27. The following laws are repealed: AS 03.10.010; 03.10.020(1),
13 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;
14 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; 16.10.500; 16.10.510(1),
15 (2), (5), (6), (9); 16.10.520; 16.10.540; AS 18.56.010, 18.56.085, 18.56.-
16 092 - 18.56.095, 18.56.100(b) - (k), 18.56.115 - 18.56.210; AS 18.100.030(1),
17 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060, 26.-
18 15.110 - 26.15.160; AS 37.10.065, 37.10.075(b) - (d), 37.10.079; AS 37.-
19 11.030; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.25.020(2);
20 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.265; AS
21 44.58.005 - 44.58.010, 44.58.080(6) - (20), 44.58.090, 44.58.130 - 44.58.220,
22 44.58.240 - 44.58.260, 44.58.270(c), (f), 44.58.300, 44.58.390; AS 44.59.-
23 140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS 44.60.010,
24 44.60.130(7) - (13), 44.60.160 - 44.60.260, 44.60.310 - 44.60.320; AS 44.61.-
25 010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c), 45.86.050 -
26 45.86.060; AS 45.88.010 - 45.88.040; AS 45.90.020(a)(1), (4), 45.90.030;
27 AS 45.95.020 - 45.95.030, 45.95.070; AS 45.98.020 - 45.98.040, 45.98.060.

28 * Sec. 28. Sec. 45.96.120(b) in sec. 1 of this Act is retroactive to June
29 30, 1977. For the fiscal year ending June 30, 1978, the amount transferred

1 is the amount remaining in the general fund at the end of the fiscal year.

2 * Sec. 29. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).
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Original sponsor: Ferguson

Offered: 6/7/78
Referred: Rules

1 IN THE SENATE

BY THE RULES COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 338 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; to
7 legislative oversight; and providing for an effective
8 date."

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

10 * Section 1. AS 24.20 is amended by adding new sections to read:

11 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

12 Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The
13 Investment Oversight Committee is established as a permanent interim
14 committee of the legislature. The establishment of the committee recog-
15 nizes the need of the legislature for technical review and oversight of
16 the performance of all agencies of the state which perform lending or
17 investment functions.

18 Sec. 24.20.610. FINDINGS. The legislature finds that there is a
19 substantial need for oversight of the performance of all agencies of the
20 state which perform lending or investment functions since these func-
21 tions do not receive the detailed review to which other expenditures of
22 public money are subject, and therefore the knowledge necessary for
23 sound legislation in this area is not readily available. There is a
24 need for legislative oversight which will provide information on the
25 policy and performance of these agencies, the extent to which the
26 agencies conform to statutory intent, and the impact of their perfor-
27 mance on the economy and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the committee are to

29 (1) monitor and report

1 (A) the performance of the agencies of the state which
2 perform lending or investment functions,

3 (B) the extent to which the performance of these agen-
4 cies has contributed to the fiscal, financial, economic and social
5 improvement of the state and its citizens,

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

9 (2) hold these agencies accountable to statutory intent in
10 their performance by recommending, where appropriate, changes in policy
11 to the agencies or changes in legislation to the legislature;

12 (3) annually review the extent of capitalization of the
13 investment funds of the state and alternative investment policy for the
14 general fund surplus and recommend needed legislation.

15 Sec. 24.20.630. MEMBERSHIP. The committee is composed of eight
16 members: the president of the senate, the speaker of the house, and
17 three members appointed from each house by the respective presiding
18 officer. The membership from each house shall include at least one
19 member from each of the two major political parties. The committee
20 shall select its own chairman.

21 Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be
22 organized within 15 days after the organization of each legislature.
23 Members serve for the duration of the legislature during which they are
24 appointed. If a member is reelected or his term of office extends into
25 the next succeeding legislature, he continues to serve until reappointed
26 or the appointment of his successor.

27 (b) When a member of the committee files a declaration of candi-
28 dacy for an elective office other than that of member of either house of
29 the legislature, and he has not resigned from membership on the com-

1 mittee, his committee membership terminates on the date of filing.

2 Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory
3 or appointive membership of the committee, the presiding officer of the
4 house incurring the vacancy shall choose a successor. If the office of
5 the president of the senate or speaker of the house of representatives
6 becomes vacant and a vacancy from the affected house occurs among the
7 membership of the committee, the remaining committee members from the
8 house incurring the vacancy shall appoint a new member.

9 Sec. 24.20.660. MEETINGS. The committee may meet during sessions
10 of the legislature and during the interim between sessions at such times
11 and places in the state as the chairman may determine. Members may
12 receive, for the minimum time required to get to and from meetings and
13 for the period while attending meetings, the same travel and per diem
14 allowances provided by law for members of the legislature when attending
15 sessions, except that members of the committee receive no per diem
16 during legislative sessions other than the per diem allowance paid to
17 other members of the legislature.

18 Sec. 24.20.670. POWERS. The committee has the power to

19 (1) organize, adopt rules for the conduct of its business,
20 and prescribe procedures for the comprehensive fiscal analysis, budget
21 review and post-audit functions of those agencies of the state which
22 perform lending or investment functions;

23 (2) hold public hearings, administer oaths, issue subpoenas,
24 compel the attendance of witnesses and production of papers, books,
25 accounts, documents and testimony, and have the deposition of witnesses
26 taken in a manner prescribed by court rule or law for taking depositions
27 in civil actions;

28 (3) require all state officials and agencies of state govern-
29 ment to give full cooperation to the committee or its staff in assem-

1 bling and furnishing requested information;

2 (4) hold public hearings relating to the confirmation of the
3 Board of Trustees of the Alaska Permanent Fund Corporation, the Board of
4 Trustees of the Alaska Renewable Resources Corporation, and the Alaska
5 Enterprise Investment Corporation Policy Board;

6 (5) prepare and distribute reports, memoranda, or other
7 necessary materials;

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

11 (7) receive and review reports and post-audit analyses con-
12 ducted by the Legislative Budget and Audit Committee relating to all
13 agencies of the state which perform lending or investment functions;

14 (8) enter into and enforce all contracts necessary or desira-
15 ble for the functions of the committee.

16 Sec. 24.20.680. STAFF. The legislative audit division and the
17 legislative finance division shall provide audits, reports and analyses
18 requested by the committee. The committee may hire and determine the
19 salary of the staff it considers necessary within the limit of the
20 budget approved by the legislature.

21 Sec. 24.20.690. DUTIES. The committee shall

22 (1) report to the legislature its recommendations relating to
23 the confirmation of suggested appointees to the Alaska Permanent Fund
24 Corporation Board of Trustees, the Board of Trustees of the Alaska
25 Renewable Resources Corporation, and the Alaska Enterprise Investment
26 Corporation Policy Board;

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

29 (3) review periodic reports from all agencies of the state

1 which perform lending or investment functions;

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

6 (5) present to the legislature within 30 days after the con-
7 vening of each regular session a review of the report of the governor
8 under AS 37.09.020(b) with recommendations for any needed legislation;

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

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

15 Sec. 24.20.700. RECORDS. The committee shall keep a complete file
16 of all reports presented to it and all reports presented by it to the
17 legislature or any legislative committee.

18 * Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

19 (b) The governor shall annually, before the convening of the
20 legislature, report to the legislature through the Investment Oversight
21 Committee the long-range fiscal and economic consequences of

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

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

26 * Sec. 3. AS 37 is amended by adding a new chapter to read:

27 CHAPTER 13. ALASKA PERMANENT FUND.

28 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of
29 the state constitution, there is established as a separate fund the

1 Alaska permanent fund. The permanent fund consists of 100 per cent of
2 mineral lease bonuses after deduction of any amounts allocated to the
3 Alaska Native Fund under the Alaska Native Claims Settlement Act and
4 implementing state legislation and any amounts allocated by law to the
5 Alaska renewable resources development fund and 30 per cent of all
6 mineral lease rentals, royalties, royalty sale proceeds, and federal
7 mineral revenue sharing payments received by the state and any other
8 money allocated by law or appropriated to the principal of the fund
9 which shall be paid to the Alaska Permanent Fund Corporation at least
10 once each month. Management of the permanent fund is performed by (1)
11 the Alaska Permanent Fund Corporation established in this chapter to
12 which five-sixths of the receipts from these sources is allocated and
13 (2) the Alaska Enterprise Investment Corporation established in AS 44.55
14 to which one-sixth of the receipts from these sources is allocated until
15 the amount so allocated reaches the sum of \$100,000,000. Thereafter the
16 total receipts from these sources is allocated to the Alaska Permanent
17 Fund Corporation.

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

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

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

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

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

3 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
4 provide a mechanism for the management and investment of those permanent
5 fund assets allocated to the Alaska Permanent Fund Corporation in a
6 manner consistent with the findings established in sec. 20 of this
7 chapter.

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

15 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
16 of trustees consists of three members appointed by the governor and
17 confirmed by a majority of the members of the legislature in joint
18 session.

19 (b) The board shall annually elect a chairman from among its
20 members.

21 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
22 appointed for terms of four years, and they may be reappointed. Terms
23 shall be staggered. Initial terms shall be one member serving for two
24 years, one member serving for three years, and one member serving for
25 four years.

26 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
27 remove a trustee from office by and with the consent of a majority of
28 the members of the legislature in joint session. A removal by the
29 governor shall be in writing and state the reason for removal. If the

1 legislature is not in session, the governor may suspend a member of the
2 board. Upon suspension, a vacancy is not created but the trustee may
3 not participate in board business and may not be counted for purposes of
4 establishing a quorum. The joint session shall be held within 30 days
5 from the date of removal if the removal occurs while the legislature is
6 in session or within 30 days of convening of the legislature if the
7 legislature is not in session. If the legislature refuses to consent to
8 his removal, the trustee shall be reinstated to his position.

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

18 (c) A vacancy on the board does not impair the authority of a
19 quorum of the board to exercise all the powers and perform all the
20 duties of the board.

21 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
22 be appointed to the board who has not been a resident of the state for
23 at least three years.

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

27 (c) At least one member of the board shall have recognized compe-
28 tence and wide experience in finance, investments, or other business
29 management-related field. No two members may be appointed to the board

1 who share substantially similar professional or occupational back-
2 grounds.

3 Sec. 37.13.090. QUORUM. Two members of the board constitute a
4 quorum for the transaction of business and the exercise of the powers
5 and duties of the board.

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

10 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
11 determine the salary of an executive director. The executive director
12 may, with the approval of the board, select and employ additional staff
13 as necessary. No employee of the corporation, including the executive
14 director, may be a trustee. The executive director and all other em-
15 ployees of the board are in the exempt service under AS 39.25.

16 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
17 to the provisions of AS 39.50.

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

24 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
25 applicable to the board in the management and investment of permanent
26 fund assets. The prudent-man rule as applied to investments of the
27 corporation means that in making investments the board shall exercise
28 the judgment and care under the circumstances then prevailing which an
29 institutional investor of ordinary prudence, discretion, and intel-

1 lige te exercises in the management of large investments entrusted to it
2 not in regard to speculation but in regard to the permanent disposition
3 of funds, considering the probable income from them as well as probable
4 safety of capital.

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

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

10 (d) The board shall submit long-range and quarterly investment
11 reports to the Investment Oversight Committee.

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

14 (f) The board may enter into and enforce all contracts necessary,
15 convenient or desirable for purposes of the corporation except it may
16 not contract with agencies or departments of the state to recommend or
17 select investments.

18 (g) Subject to (a) and (b) of this section, the board may invest
19 corporation assets in obligations of, or obligations insured or guaran-
20 teed by, the United States or agencies or instrumentalities of the
21 United States; loans secured by first liens on unencumbered realty or
22 leaseholds; corporate securities which under the Securities Act of 1933
23 are freely marketable; and short-term investments which meet the re-
24 quirements of (a) and (b) of this section except for the term of the
25 investments.

26 (1) No portion of the assets of the fund may be used in the
27 purchase of stock of any corporation which is not paying dividends on
28 that stock in cash at the time of purchase; nor in the purchase of bonds
29 of any corporation, upon which any regular interest payment has been

1 defaulted at any time within five years before purchase, except bonds
2 never in default but which have been outstanding for less than five
3 years.

4 (2) No portion of the assets of the corporation may be used
5 in the purchase of stock if immediately following the purchase the
6 proportionate market value of all stocks held by the corporation would
7 exceed 30 per cent of the corporation's assets.

8 (h) The board shall establish and from time to time as necessary
9 modify guidelines for the investment of the corporation's assets.
10 Before adoption of any guidelines the guidelines shall be reported to
11 the Investment Oversight Committee for review and comment.

12 (i) Nothing in this section may be interpreted to preclude in-
13 state investments that have a risk level and expected yield comparable
14 to alternative investment opportunities.

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

28 Sec. 37.13.150. INCOME. The interest and dividends received in a
29 year are the income of the corporation for that year. The income avail-

1 able for disbursement shall be determined on an averaging basis. For
2 the first five years, income will be the simple averaging of the annual
3 current return at cost. Subsequently, there will be a moving average
4 current return, in which the latest fiscal year will replace the oldest
5 year. The income available for disbursement will be the lesser of the
6 latest fiscal year's income, or the average annual current income for
7 the past five fiscal years of the fund at cost, and after adjustment for
8 capital losses charged to that fiscal year.

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

12 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
13 from the general fund and is subject to the Executive Budget Act (AS
14 37.07).

15 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
16 provide for an annual post audit and annual operational and performance
17 evaluations of the corporation's investments and investment programs.

18 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
19 ber 30 of each year, the board shall publish a report to the governor,
20 legislature, and the public in easily understandable language. Each
21 report must include financial statements audited by independent outside
22 auditors, a statement of the amount of money received by the permanent
23 fund from each investment during the period covered, a statement of
24 corporation investments including an appraisal at market value, a de-
25 scription of corporation investment activity during the period covered
26 by the report, a comparison of the corporation performance with the
27 intended goals contained in sec. 20 of this chapter, an examination of
28 the impact of the investment criteria of this chapter on the corporation
29 portfolio with recommendations of any needed changes and any other

1 information the board believes would be of interest to the governor, the
2 legislature, and the public. The annual income statement and balance
3 sheet of the corporation shall be published in at least one newspaper in
4 each judicial district. The income statement and balance sheet for the
5 two fiscal years preceding the publication of the election pamphlet
6 under AS 15.57 shall be included in that pamphlet. The board may also
7 publish other reports it considers desirable to carry out its purpose.

8 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
9 taxes and assessments in the state. All security instruments issued by
10 the corporation, their transfer, and their income are exempt from all
11 taxes and assessments in the state.

12 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
13 trustees and employees of the corporation may not engage in partisan
14 political activities. The resources of the corporation may not be used
15 to finance any partisan political activities.

16 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
17 possession of the corporation is a public record, except that infor-
18 mation which discloses the particulars of the business or affairs of a
19 private enterprise or investor is confidential and is not a public
20 record. Confidential information may be disclosed only for the purposes
21 of an official law enforcement investigation or when its production is
22 required in a court proceeding. These restrictions do not prohibit the
23 publication of statistics presented in a manner that prevents the iden-
24 tification of particular reports, items, persons, or enterprises.

25 * Sec. 4. AS 44 is amended by adding a new chapter to read:

26 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

27 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
28 created the Alaska Enterprise Investment Corporation. The corporation
29 is a public corporation and government instrumentality in the Department