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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 account 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-

1 grams fund.

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

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

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 obliga-
17 tions of corporations in which the United States is a shareholder or
18 member; or

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

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

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

28 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund
29 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 mit 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 (1) \$4,000 per individual per year for undergraduate studies;
- 2 (2) \$8,000 per individual per year for graduate studies;
- 3 (3) \$4,000 per individual per year for vocational studies;
- 4 (4) \$4,000 per individual per year for work studies;
- 5 (5) \$16,000 maximum outstanding loan balance per individual.

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

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

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

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

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

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

24 (f) The maximum loan amounts established in (a) - (d) of this
25 section shall increase in proportion to increases in the consumer price
26 index for Anchorage. The consumer price index for Anchorage for July 1,
27 1978 shall be the basis for determining percentage increases in the
28 maximum loan amounts.

29 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 on 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

1 renewable resources.

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

6 (c) Nothing in this section prevents the division from taking such
7 action and exercising such rights as it may consider necessary for the
8 protection of its interests in the event of actual or threatened default
9 on any of its investments, actual or threatened insolvency of the enter-
10 prise or project in which the investment has been made, or other situa-
11 tions which, in the opinion of the director, threaten to jeopardize the
12 investment.

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

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

17 (2) the project, if successful, is likely to be technologi-
18 cally and economically feasible;

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

23 (4) the applicant for financial assistance meets the eligi-
24 bility requirements for the Alaska loan programs fund;

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

28 (b) The division may not invest in a combination of equity pur-
29 chases 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 nego- ated
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 chapt .

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: Special Committee on the
Alaska Permanent Fund

Offered: 5/19/78
Referred: Finance

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 596

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. 45.96.030. 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 account 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 If 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-

1 grams fund.

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

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

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 obliga-
17 tions of corporations in which the United States is a shareholder or
18 member; or

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

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

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

28 Sec. 45.96.180. INVESTMENTS. (a) All investments of the fund
29 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;

20 (3) holders of hatchery permits under AS 16.10.400 - 16.10.-
21 470, including those holders issued permits before June 24, 1977, for
22 the planning, construction, and operation of hatchery facilities;

23 (4) regional associations qualified in accordance with AS
24 16.10.380 which have formed a nonprofit corporation or a local nonprofit
25 corporation approved by a qualified regional association, for precon-
26 struction activities necessary to obtain a permit under AS 16.10.400 -
27 16.10.470;

28 (5) local development companies to assist the new financing
29 of industrial and manufacturing plant construction, conversion or ex-

1 pansion, including the acquisition of land, to the extent necessary to
2 secure a loan for a portion of the cost by the Small Business Adminis-
3 tration under 15 U.S.C. sec. 696 (Section 502 of the Act of Congress
4 entitled "Small Business Investment Company Act of 1958" as amended);

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

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

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

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

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

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

24 (A) loans may be used for capital construction projects,
25 for hydroelectric generation and potable water supply including
26 surface storage and groundwater sources and transmission of water
27 from surface storage to the existing distribution system, and
28 development of hydroelectric generating facilities including trans-
29 mission of power to the load center;

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

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

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

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

15 (9) small businesses to acquire, finance or refinance or
16 equip businesses;

17 (10) loggers and forest products manufacturers and processors
18 for logging operations and equipment, forest products manufacturing or
19 processing plants, and for working capital for logging operations and
20 forest products manufacturing or processing;

21 (11) other businesses for equipment and operations related to
22 harvesting, manufacturing and processing other renewable or nonrenewable
23 resources in the state.

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

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

29 (1) the number of existing slots in licensed child care

1 facilities in the geographic area of the applicant;

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

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

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

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

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

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

24 (c) If an assessment made under this section fails to satisfy the
25 payments required on the principal and interest due on the loan, the
26 director may negotiate with the regional association to levy an assess-
27 ment under AS 16.10.530.

28 Sec. 45.96.300. PUBLIC PURPOSES. (a) The director of the divi-
29 sion of Alaska loan programs shall lend money to municipalities with

1 populations of less than 5,000 according to the most recent survey
2 conducted by the United States Census Bureau and to those corporations
3 eligible under (d) of this section. Loans to municipalities shall be
4 made through the purchase by the fund of municipal bonds. Loans to
5 nonprofit corporations shall be made through revenue bonds issued on
6 behalf of the corporation by the municipality in which the project is
7 constructed. If the construction takes place outside a municipality,
8 the revenue bonds shall be issued by the state bond committee on behalf
9 of the nonprofit corporation. The cost of a loan made under this sec-
10 tion shall be the same as the cost of borrowing to the fund. Loans made
11 under this subsection are subject to the following conditions:

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

15 (2) The borough or city attorney shall certify that all legal
16 requirements relating to required elections, if necessary, and issuance
17 have been met, or if the bonds are issued outside a municipality, cer-
18 tification shall be made by the Department of Law.

19 (3) The bonds shall be prepared by the municipality's attor-
20 ney, approved by the attorney general and need not be in definitive
21 form.

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

24 (b) The director of the division of Alaska loan programs shall
25 submit a bid for all general obligation bonds offered on a competitive
26 basis by a home rule borough or city or general law borough or city of
27 any class incorporated under the laws of the state if the borough or
28 city provides its bid form to the director at least 10 days before the
29 opening of the bid. The request for bids and the bid proposal shall

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

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

6 (A) 100 points under the average for the first five
7 years maturity;

8 (B) 75 Points under the average for the next five years
9 maturity;

10 (C) 50 points under the average for the next five years
11 maturity;

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

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

16 (F) 25 points above the average for the next five years
17 maturity.

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

20 (A) 50 points under the average for the first five years
21 maturity;

22 (B) 25 points under the average for the next five years
23 maturity;

24 (C) 0 points under the average for the next five years
25 maturity;

26 (D) 25 points above the average for the next five years
27 maturity;

28 (E) 50 points above the average for the next five years
29 maturity;

1 (F) 75 points above the average for the next five years
2 maturity.

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

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

18 (1) 50 points under the average for the first five years
19 maturity;

20 (2) 25 points under the average for the next five years
21 maturity;

22 (3) 0 points under the average for the next five years
23 maturity;

24 (4) 25 points above the average for the next five years
25 maturity;

26 (5) 50 points above the average for the next five years
27 maturity;

28 (6) 75 points above the average for the next five years
29 maturity;

1 (d) A nonprofit corporation is eligible for a loan under this
2 section if

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

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

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

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

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

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

29 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the

1 purpose of securing each tax exempt bond issue of municipalities of the
2 state and those bonds on behalf of nonprofit corporations guaranteed or
3 issued under this chapter there is established a special account called
4 the municipal bond capital reserve account. The commissioner of revenue
5 shall pay into that account from the unallocated reserve account upon
6 establishment an amount equal to five per cent of the obligations issued
7 and sold after July 1, 1978 and upon subsequent sales, if any, of obli-
8 gations of the issue secured an additional amount equal to five per cent
9 of the obligations sold. At the end of each fiscal year the commis-
10 sioner shall withdraw from the municipal bond capital reserve account
11 and pay to the unallocated reserve account any amount in the account in
12 excess of five per cent of the obligations secured or, if the amount in
13 the account is less than five per cent of the obligations secured, pay
14 into the account from the unallocated reserve account the amount neces-
15 sary to bring the reserve to five per cent. All money held in a muni-
16 cipal bond capital reserve account shall be used as required, when money
17 is not available from the principal and interest account, solely for (1)
18 the payment of the principal of obligations, (2) the purchase or re-
19 demption of obligations, (3) the payment of interest on obligations, or
20 (4) the payment of any redemption premium required to be paid when those
21 obligations are redeemed before maturity. Any income or interest earned
22 by the account shall be paid to the unallocated reserve account. Any
23 amount remaining in a municipal bond capital reserve account when the
24 issue the account secures is fully retired shall be paid to the unal-
25 located reserve account.

26 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director
27 of the division of Alaska loan programs may lend money to businesses
28 conducting exempt activities under sec. 103(b)(4) and (5) of the Inter-
29 nal Revenue Code of 1954 for those activities either directly or through

1 purchase by the fund of industrial development bonds issued on behalf of
2 the business by the state bond committee.

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

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

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

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

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

17 (2) when the activity is not performed within a municipality,
18 the commissioner of community and regional affairs approves the project.

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

27 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
28 to costs directly related to a project, the sum total of all costs of
29 financing and carrying out a project are eligible for bonding under

1 secs. 300 - 330 of this chapter. These include, but are not limited to,
2 the costs of all necessary studies, surveys, plans and specifications,
3 architectural, engineering or other special services, acquisition of
4 real property, site preparation and development, purchase, construction,
5 reconstruction and improvement of real property and the acquisition of
6 machinery and equipment as may be necessary in connection with a pro-
7 ject; an allocable portion of the administrative and operating expenses
8 of the issuer; the cost of financing the project, including interest on
9 bonds issued to finance the project; and the cost of other items, in-
10 cluding any indemnity and surety bonds and premiums on insurance, legal
11 fees, fees and expenses of trustees, depositaries, financial advisors,
12 and paying agents for the bonds issued as the issuer considers neces-
13 sary.

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

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

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

27 (d) Loans are noninterest bearing while a student is enrolled
28 under (c) of this section or is receiving a deferment of payments under
29 (g) of this section.

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

6 (f) If, upon completion of the course of study for which the loan
7 was granted, the borrower repays 60 per cent of the principal amount of
8 the loan with interest with no delinquency, the remaining 40 per cent
9 owing shall be forgiven.

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

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

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

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

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

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

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

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

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

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

7 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan
8 under this chapter a person must have been a resident of the state for
9 at least five years on the date of application for the loan and must be
10 18 years of age or older. Except for loans made under sec. 330 of this
11 chapter, a corporation is eligible for a loan if more than 60 per cent
12 of its shareholders have been residents of the state for at least five
13 years on the date of the application for the loan, the chief executive
14 officer and all members of the governing board of the corporation have
15 been residents of the state for at least five years on the date of
16 application for the loan, and the chief executive officer and members of
17 the governing board assume full individual liability for repayment of
18 the loan. A loan to a corporation is immediately due and payable if it
19 ceases to meet these eligibility criteria. An individual is ineligible
20 if

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

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

29 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the

1 authority of sec. 260 of this chapter for the purchase or construction
2 of residential housing may not exceed the following limitations: (1)
3 \$90,000 for a single family dwelling; (2) \$130,000 for a duplex; (3)
4 \$170,000 for a triplex; (4) \$210,000 for a fourplex. Any loan made for
5 the purchase or construction of residential facilities in excess of four
6 units shall be treated as a commercial buildings loan subject to the
7 limitations placed on such loans in (b)(1) of this section.

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

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

17 (2) \$350,000 per individual for farm chattel other than for
18 irrigation systems;

19 (3) 10 per cent of the farm's gross receipts for the previous
20 fiscal year up to a maximum of \$250,000 for farm working capital;

21 (4) 10 per cent of the fisherman's gross receipts for the
22 previous fiscal year up to a maximum of \$250,000 for working capital for
23 fishing.

24 (c) Loans for a single project under (b)(1) and (2) of this sec-
25 tion may be made in excess of the maximum limits but not to exceed
26 \$5,000,000 for loans under (b)(1) or \$1,100,000 for loans under (b)(2)
27 if

28 (1) the loan is made to more than one but not more than 10
individuals participating in the project and the loan to each individual

1 does not exceed the applicable maximum limit; or

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

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

8 (1) \$4,000 per individual per year for undergraduate studies;

9 (2) \$8,000 per individual per year for graduate studies;

10 (3) \$4,000 per individual per year for vocational studies;

11 (4) \$4,000 per individual per year for work studies;

12 (5) \$16,000 maximum outstanding loan balance per individual.

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

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

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

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

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

29 (5) a person directly or indirectly controlling, controlled

1 by, or under common control with, the borrower.

2 (f) The maximum loan amounts established in (a) - (d) of this
3 section shall increase in proportion to increases in the consumer price
4 index for Anchorage. The consumer price index for Anchorage for July 1,
5 1978 shall be the basis for determining percentage increases in the
6 maximum loan amounts.

7 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan
8 amounts established in sec. 380(a) and (b) of this chapter shall be
9 increased by the area cost differential as determined by the formula
10 $LCC/BCC \times LCOL/BCOL$ where

11 (1) LCC is the cost of construction in the area in which the
12 facility is located;

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

15 (3) LCOL is the cost of living in the area in which the
16 facility is located;

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

19 (b) For purposes of this section the Department of Transportation
20 and Public Facilities shall annually determine the cost of construction
21 and the cost of living in each area of the state under regulations
22 promulgated by the department establishing standards for the determi-
23 nation.

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

29 (1) if the borrower's experience is less than two years, he

1 may receive up to 50 per cent of the maximum amount;

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

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

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

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

10 Sec. 45.96.410. VALUE LIMITATION. The provisions of secs. 380 -
11 400 of this chapter notwithstanding, no loan made under this chapter
12 may exceed

13 (1) 90 per cent of the appraised value of real property
14 pledged as security for the loan;

15 (2) 95 per cent of the appraised value of real property
16 pledged as security for the loan if the loan is for residential housing
17 and is made in an area where Federal Housing Administration mortgage
18 insurance is not available; or

19 (3) 80 per cent of equipment pledged as security for the
20 loan.

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

24 (1) 30 years on a loan secured by real property;

25 (2) 15 years or the life of the equipment on a loan secured
26 by equipment used for production of income;

27 (3) seven years or the life of the chattel on a loan secured
28 by other chattels;

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

1 Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest
2 charged to borrowers under this chapter shall be the amount determined
3 by the commissioner of revenue to be sufficient to cover anticipated
4 cost of money to the fund and is, for borrowers other than municipali-
5 ties, one per cent over the anticipated cost plus the amount required
6 for any necessary insurance. The determination of the anticipated cost
7 by the commissioner is conclusive. Rates of interest less than that,
8 except as provided in (b) of this section, may be charged if the renew-
9 able resource development fund or another state fund agrees to pay the
10 difference between cost and the interest rate to be charged or if
11 appropriation for the purpose of paying the difference has been made.

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

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

1 fund shall pay a portion of the interest determined by the division of
2 renewable resources to be appropriate.

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

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

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

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

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

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

27 (B) he served in the armed forces for at least 90 days
28 between September 16, 1940, and July 25, 1947, but no benefits for
29 loans accrue to dependents of an enlistee or reenlistee for time

1 served after November 1, 1945, regardless of whether the enlistment
2 or reenlistment was before or after November 1, 1945;

3 (C) he died before the official date of the termination
4 of that war; and

5 (D) his discharge was not dishonorable;

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

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

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

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

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

1 for 90 days or more or service for a lesser period because of injury or
2 disability incurred in line of duty, between August 4, 1964, and July 1,
3 1977.

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

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

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

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

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

27 Sec. 45.96.460. COOPERATION WITH OTHER AGENCIES. All departments,
28 agencies and public corporations of the state shall provide information,
29 services and facilities to the fund on its request. The fund shall

1 reimburse the department, agency or corporation for expenses reasonably
2 incurred on the fund's behalf.

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

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

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

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

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

1 loan shall be submitted to the division at intervals the division re-
2 quires.

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

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

7 CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

29 (6) other securities, including corporate securities;

- 1 (7) Federal Housing Administration mortgages;
2 (8) Federal Veterans Administration mortgages;
3 (9) conventional residential mortgages if the offering fi-
4 nancial institution retains at least 25 per cent of the mortgage;
5 (10) other secured loans, if the offering financial insti-
6 tution retains at least 33 1/3 per cent of the mortgage;
7 (11) bankers acceptances drawn on and accepted by banks with a
8 combined capital and surplus aggregating at least \$200,000,000.

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

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

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

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

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

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

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

1 (e) The permanent fund may purchase loans provided for in (a)(7),
2 (8), (9), or (10), if the security for the loan is located in the state,
3 only with the approval of each purchase by the division of Alaska loan
4 programs of the Department of Commerce and Economic Development.

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

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

17 (h) In this section

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

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

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

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

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

29 Sec. 37.11.085. MANAGEMENT AND INVESTMENT POLICY. The management

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

12 ARTICLE 4. ALASKA RENEWABLE RESOURCES DEVELOPMENT

13 FINANCIAL ASSISTANCE PROGRAM.

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

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

25 Sec. 37.11.120. FINDINGS. (a) The legislature finds that the
26 state has vast quantities of unutilized, underutilized, or inefficiently
27 utilized renewable resources and that great opportunities for expanding
28 the wealth of the state and its residents rests in the expanded use of
29 these resources. Many problems which confront the state today, includ-

1 ing the lack of full employment opportunities and the lack of self-
2 sustaining renewable resource industry sectors, could be mitigated by
3 development of private renewable resource industries.

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

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

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

29 (e) It is further found that some of the state's resources will be

1 most appropriately utilized by reserving their use to noncommercial
2 activities for purposes of sustaining lifestyles such as subsistence
3 lifestyles and for environmental protection, both of which are histori-
4 cally and culturally important to the people of the state, and for
5 recreational or other noncommercial purposes.

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

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

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

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

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

29 Sec. 37.11.150. APPROPRIATION. The receipts of the renewable

1 resources development fund (AS 37.11.020) shall be appropriated to the
2 division for the purposes of this chapter.

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

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

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

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

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

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

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

29 (2) shall seek to optimize

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

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

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

7 (D) the preservation of future options for renewable
8 resource use;

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

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

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

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

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

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

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

29 (10) shall advise the director of the division of Alaska loan

1 programs of the Department of Commerce and Economic Development regard-
2 ing the most appropriate financial mechanisms for projects involving
3 renewable resources.

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

8 (c) Nothing in this section prevents the division from taking such
9 action and exercising such rights as it may consider necessary for the
10 protection of its interests in the event of actual or threatened default
11 on any of its investments, actual or threatened insolvency of the enter-
12 prise or project in which the investment has been made, or other situa-
13 tions which, in the opinion of the director, threaten to jeopardize the
14 investment.

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

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

19 (2) the project, if successful, is likely to be technologi-
20 cally and economically feasible;

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

25 (4) the applicant for financial assistance meets the eligi-
26 bility requirements for the Alaska loan programs fund;

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

1 (b) The division may not invest in a combination of equity pur-
2 chases and interest incentives of more than five per cent of the annual
3 receipts of the renewable resources development fund or \$1,500,000,
4 whichever is less, in a single project unless the legislature has ap-
5 proved the investment by concurrent resolution.

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

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

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

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

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

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

1 and shall consist of the total amount of interest due on the affected
2 loans;

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

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

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

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

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

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

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

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

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

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

27 Sec. 37.11.240. LOSS RESERVE ACCOUNT. (a) For the purpose of
28 protecting the financial integrity of the Alaska loan programs fund when
29 used to make loans to renewable resources projects, a special account

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

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

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

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

28 (b) The director of the division of treasury shall provide monthly
29 reports to the Legislative Budget and Audit Committee relating to the

1 investment of funds described in (a) of this section, including

- 2 (1) a summary of long-range and short-term investment policy;
3 (2) a list of investments made during the previous month;
4 (3) an evaluation of the performance of investments made;
5 (4) other information requested by the budget and audit com-
6 mittee.

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

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

27 Sec. 37.11.280. DEFINITIONS. In this chapter

- 28 (1) "director" means the director of the division of re-
29 newable resources;

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

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

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

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

13 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-
14 encumbered balances remaining in the Alaska renewable resources de-
15 velopment fund at the close of each fiscal year shall be deposited in
16 the Alaska renewable resources fund. These deposits shall be considered
17 fund principal and shall be invested in perpetuity in accordance with AS
18 37.13.020 (investment of Alaska permanent fund) [AS 37.10.070 (INVEST-
19 MENT OF SURPLUS STATE FUNDS)].

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

21 Sec. 03.10.050. ADMINISTRATION OF FUND. The commissioner shall
22 administer the loan fund.

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

24 (a) There is created a scholarship revolving loan fund. [THE FUND
25 SHALL BE USED TO MAKE SCHOLARSHIP LOANS TO STUDENTS SELECTED UNDER SECS.
26 751 - 806 OF THIS CHAPTER. ALL REPAYMENTS OF PRINCIPAL AND INTEREST ON
27 SCHOLARSHIP LOANS SHALL BE PAID INTO THE SCHOLARSHIP REVOLVING LOAN FUND
28 AND SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS. IF ESTIMATED FUNDS
29 AVAILABLE FROM SCHOLARSHIP LOAN REPAYMENTS ARE INADEQUATE TO FULLY FUND

1 ESTIMATED SCHOLARSHIP LOANS FOR ANY FISCAL YEAR, ADDITIONAL FUNDING FROM
2 THE GENERAL FUND MAY BE REQUESTED AND APPROPRIATED FOR THAT YEAR.]

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

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

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

9 Sec. 18.56.090. GENERAL POWERS. The corporation may

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

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

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

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

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

25 (a) There is created within the Department of Community and Re-
26 gional Affairs a senior citizens housing development fund. Subject to
27 direct appropriation [OR THROUGH PROCEEDS OF A BONDING ISSUE] the de-
28 partment shall make grants [OR LOANS] to municipalities or to corpora-
29 tions designated as tax exempt under sec. 501(c)(3) and (4) of the

1 Internal Revenue Code of 1954 [ELIGIBLE FOR LOANS UNDER SEC. 50 OF THIS
2 CHAPTER] for the purpose of developing senior citizen housing. [A GRANT
3 FROM THE PROCEEDS OF A BOND ISSUE MAY BE MADE ONLY TO MUNICIPALITIES.]

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

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

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

12 (38) AS 29.58.290 (industrial development bonds)

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (6) other securities, including corporate securities;

27 (7) Federal Housing Administration mortgages;

28 (8) Federal Veterans Administration mortgages;

29 (9) loans made under the provisions of the Alaska loan pro-

1 grams fund (AS 45.96) [AS 03.10 AND AS 26.15];

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

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

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

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

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

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

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

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

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

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

1 (i) The director [COMMISSIONER] shall purchase notes and mortgages
2 under (a) of this section at a rate conducive to develop and benefit
3 Alaska and Alaska residents and this rate may be less than the market
4 rate.

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

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

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

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

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

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

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

26 (a) In addition to uses of fund money authorized in sec. 10 of
27 this chapter, money of the fund shall be utilized to make grants to
28 municipalities, of up to one-half the nonfederal share of costs of pro-
29 jects described in sec. 10 of this chapter which are initiated by a

1 municipality [, AND LOANS OF AMOUNTS NECESSARY TO ENABLE MUNICIPALITIES
2 TO MAKE OPTION PAYMENTS ON PARKS AND OPEN SPACE LAND FOR THE ACQUISITION
3 OF WHICH FEDERAL FUNDS ARE ANTICIPATED].

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

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

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

11 (13) provide accounting services for the permanent fund (AS
12 37.13.010), the Alaska loan programs fund (AS 45.96), the renewable re-
13 sources development fund (AS 37.11), and all other state funds;

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

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

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

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

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

29 (2) have 10 years of experience in banking or investment

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

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

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

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

14 * Sec. 27. The following laws are repealed: AS 03.10.010; 03.10.020(1),
15 (4), and (5); 03.10.030; 03.10.054; AS 14.40.751(c), 14.40.759 - 14.40.771;
16 AS 16.10.300; 16.10.310(a)(1), (4), (5); 16.10.320; 16.10.500; 16.10.510(1),
17 (2), (5), (6), (9); 16.10.520; 16.10.540; AS 18.56.010, 18.56.085, 18.56.-
18 092 - 18.56.095, 18.56.100(b) - (k), 18.56.115 - 18.56.210; AS 18.100.030(1),
19 18.100.040 - 18.100.060; AS 26.15.010(b) - (d), 26.15.040 - 26.15.060, 26.-
20 15.110 - 26.15.160; AS 37.10.065, 37.10.075(b) - (d), 37.10.079; AS 37.-
21 11.030; AS 41.22.020(b) - (c); AS 41.30.010 - 41.30.080; AS 44.25.020(2);
22 AS 44.33.020(5), 44.33.245(a)(1), 44.33.245(b), 44.33.250 - 44.33.265; AS
23 44.58.005 - 44.58.010, 44.58.080(6) - (20), 44.58.090, 44.58.130 - 44.58.220,
24 44.58.240 - 44.58.260, 44.58.270(c), (f), 44.58.300, 44.58.390; AS 44.59.-
25 140(7) - (14), 44.59.170, 44.59.190 - 44.59.410, 44.59.430; AS 44.60.010,
26 44.60.130(7) - (13), 44.60.160 - 44.60.260, 44.60.310 - 44.60.320; AS 44.61.-
27 010 - 44.61.220; AS 45.86.010 - 45.86.030, 45.86.040(b) - (c), 45.86.050 -
28 45.86.060; AS 45.90.020(a)(1), (4), 45.90.030; AS 45.95.020 - 45.95.030,
29 45.95.070; AS 45.98.020 - 45.98.040, 45.98.060.

1 * Sec. 28. Sec. 45.96.120(b) in sec. 1 of this Act is retroactive to June
2 30, 1977. For the fiscal year ending June 30, 1978, the amount transferred
3 is the amount remaining in the general fund at the end of the fiscal year.

4 * Sec. 29. This Act takes effect immediately in accordance with AS 01.-
5 10.070(c).

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1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON THE
ALASKA PERMANENT FUND

2 SENATE BILL NO. 429

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 nue 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
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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. All money held in a debt service
27 reserve account may be used as required, when money is not available
28 from the principal and interest account or the capital reserve account,
29 solely for (1) the payment of the principal of obligations, (2) the

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

7 Sec. 45.96.1'0. 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 account from the unallocated reserve account upon
11 establishment an amount equal to five per cent of the obligations issued
12 and sold and upon subsequent sales, if any, of obligations of the issue
13 secured an additional amount equal to five per cent of the obligations
14 sold. At the end of each fiscal year the commissioner shall withdraw
15 from each capital reserve account and pay to the unallocated reserve
16 account any amount in the account in excess of five per cent of the
17 obligations secured or, if the amount in the account is less than five
18 per cent of the obligations secured, pay into the account from the
19 unallocated reserve account the amount necessary to bring the reserve to
20 five per cent. All money held in a capital reserve account may be used
21 as required, when money is not available from the principal and interest
22 account, solely for (1) the payment of the principal of obligations, (2)
23 the purchase or redemption of obligations, (3) the payment of interest
24 on obligations or (4) the payment of any redemption premium required to
25 be paid when those obligations are redeemed before maturity. Any income
26 or interest earned by a capital reserve account shall be paid to the
27 unallocated reserve account established by sec. 120 of this chapter.
28 Any amount remaining in a capital reserve account when the issue the
29 account secures is fully retired shall be paid to the unallocated
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1 reserve account.

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

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

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

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

29 Sec. 45.96.160. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The

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

7 Sec. 45.96.177. INVESTMENT OF RESERVE ACCOUNTS. (a) The director
8 of the division of treasury in the Department of Revenue shall invest
9 money in the reserve accounts established by this chapter, other than
10 funds in the debt service reserve account, only in

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

13 (2) obligations secured by reserves paid in by the United
14 States or agencies or instrumentalities of the United States or obliga-
15 tions of corporations in which the United States is a shareholder or
16 member; or

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

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

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

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

1 determine investment policy and manage the investments of the fund under
2 the same criteria applicable to other state investments he manages.

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

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

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

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

28 Sec. 45.96.210. LOAN PROCEDURES. (a) The director of the divi-
29 sion of Alaska loan programs shall establish district loan offices in

1 Juneau, Fairbanks, and Anchorage and may establish other loan offices as
2 necessary which shall be headed by district directors. The office shall
3 provide information concerning the loan programs under this chapter,
4 other state loan programs or grant programs, federal loan or grant
5 programs, and, to the extent feasible, private loan information.

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

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

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

27 (b) With the exception of borrowers designated in sec. 230 of this
28 chapter, the committee shall notify recipients of loans under the pro-
29 visions of this chapter who have been delinquent in their loan repayments

1 for a period in excess of 30 days. Upon notification of delinquency,
2 the borrower may request reevaluation and technical assistance from the
3 committee. If the borrower requests reevaluation, the committee shall
4 consider the terms and conditions of the loan as well as all other
5 pertinent information to determine whether there are feasible alternative
6 terms and conditions which will protect the interest of the state and
7 prevent the default of the loan.

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

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

20 Sec. 45.96.230. RENEWABLE RESOURCES LOANS EVALUATION COMMITTEE.

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

28 (b) The committee shall notify recipients of renewable resources
29 loans under the provisions of this chapter who have been delinquent in

1 their loan repayments for a period in excess of 30 days. Upon notifi-
2 cation of delinquency, the borrower may request reevaluation and tech-
3 nical assistance from the committee.

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

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

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

29 Sec. 45.96.250. LOAN PURPOSES. The fund may make loans for

1 residential housing, commercial purposes, public purposes, and education.

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

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

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

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

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

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

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

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

8 Sec. 43.96.270. COMMERCIAL LOANS. In addition to other powers
9 granted in this chapter, the fund may make loans to

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

14 (2) individual commercial fishermen who have had a commercial
15 fishing license for three years for the repair, restoration or upgrading
16 of existing vessels and gear and for the purchase of entry permits and
17 gear and the construction and purchase of vessels;

18 (3) holders of hatchery permits under AS 16.10.400 - 16.10.-
19 470, including those holders issued permits before June 24, 1977, for
20 the planning, construction, and operation of hatchery facilities;

21 (4) regional associations qualified in accordance with
22 AS 16.10.380 which have formed a nonprofit corporation or a local non-
23 profit corporation approved by a qualified regional association, for
24 preconstruction activities necessary to obtain a permit under AS 16.10.-
25 400 - 16.10.470;

26 (5) local development companies to assist the new financing
27 of industrial and manufacturing plant construction, conversion or ex-
28 pansion, including the acquisition of land, to the extent necessary
29 to secure a loan for a portion of the cost by the Small Business
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Administration under 15 U.S.C. sec. 696 (Section 302 of the Act of Congress entitled "Small Business Investment Company Act of 1958" as amended);

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

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

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

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

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

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

(a) loans may be used for capital construction projects, for hydroelectric generation and potable water supply including surface storage and groundwater sources and transmission of water from surface storage to the existing distribution system, and development of hydroelectric generating facilities including transmission of power to the load center;

(b) loans may be made to applicants for new or existing

1 projects including expenses incurred in securing necessary permits
2 and licenses, design of the project and construction of capital
3 improvements;

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

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

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

14 (F) small businesses to acquire, finance or refinance or
15 equip businesses;

16 (10) loggers and forest products manufacturers and processors
17 for logging operations and equipment, forest products manufacturing or
18 processing plants, and for working capital for logging operations and
19 forest products manufacturing or processing;

20 (11) other businesses for equipment and operations related to
21 harvesting, manufacturing and processing other renewable or nonrenewable
22 resources in the state.

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

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

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

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

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

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

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

15 Sec. 43.96.290. VOLUNTARY ASSESSMENT ON SALE OF SALMON. (a) In
16 place of or in addition to an assessment levied under AS 16.10.530, an
17 association of persons licensed under AS 16.05.340 - 16.05.600, which
18 consists of at least 51 per cent of the persons so licensed and actively
19 participating in a fishery to be benefited by a hatchery program, may
20 levy and collect an assessment from among its members for the purpose of
21 securing and repaying a loan made under sec. 270(3) or (4) of this
22 chapter.

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

28 (c) If an assessment made under this section fails to satisfy the
29 payments required on the principal and interest due on the loan, the
30 director may negotiate with the regional association to levy an assess-
31 ment under AS 16.10.530.

32 Sec. 43.96.300. PUBLIC PURPOSES. (a) The director of the divi-
33 sion of Alaska loan programs shall lend money to municipalities with
34 populations of less than 3,000 according to the most recent survey

1 conducted by the United States Census Bureau and to those corporations
2 eligible under (d) of this section. Loans to municipalities shall be
3 made through the purchase by the fund of municipal bonds. Loans to
4 nonprofit corporations shall be made through revenue bonds issued on
5 behalf of the corporation by the municipality in which the project is
6 constructed. If the construction takes place outside a municipality,
7 the revenue bond shall be issued by the state bond committee on behalf
8 of the nonprofit corporation. The cost of a loan made under this sec-
9 tion shall be the same as the cost of borrowing to the fund. Loans made
10 under this section are subject to the following conditions:

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

14 (2) The borough or city attorney shall certify that all legal
15 requirements relating to required elections, if necessary, and issuance
16 have been met, or if the bonds are issued outside a municipality, cer-
17 tification shall be made by the Department of Law.

18 (3) The bonds shall be in indefinite form prepared by the
19 municipality's attorney and approved by the attorney general.

20 (4) The bonds shall be for a term commensurate with purpose,
21 but in no event for more than 30 years on an even annual debt service
22 basis.

23 (b) The director of the division of Alaska loan programs shall
24 submit a bid for all general obligation bonds offered on a competitive
25 basis by a home rule borough or city or general law borough or city of
26 any class incorporated under the laws of the state if the borough or
27 city provides its bid form to the director at least 10 days before the
28 opening of the bid. The request for bids and the bid proposal shall
29 provide for issuing all or a portion of the bonds based upon the best

1 combination of bids. The bid shall be determined on the basis of the
2 Daily Bond Buyer 20 bond average as follows:

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

5 (A) 100 points under the average for the first five
6 years maturity;

7 (B) 75 Points under the average for the next five years
8 maturity;

9 (C) 50 points under the average for the next five years
10 maturity;

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

13 (E) 0 points under the average for the next five years
14 maturity;

15 (F) 25 points above the average for the next five years
16 maturity.

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

19 (A) 50 points under the average for the first five years
20 maturity;

21 (B) 25 points under the average for the next five years
22 maturity;

23 (C) 0 points under the average for the next five years
24 maturity;

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

27 (E) 50 points above the average for the next five years
28 maturity;

29 (F) 75 points above the average for the next five years

1 maturity.

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

4 (c) The director of the division of Alaska loan programs shall
5 submit a bid for all revenue bonds offered on a competitive basis by a
6 home rule borough or city or general law borough or city of any class
7 incorporated under the laws of the state or on behalf of a nonprofit
8 corporation performing any of the functions described in AS 29.48 for
9 which revenue sharing is received directly or indirectly by the cor-
10 poration or on behalf of those nonprofit corporations described in (d)
11 of this section if the borough, city, or nonprofit corporation provides
12 its bid form to the director at least 10 days before the opening of the
13 bid. The request for bids and the bid proposal shall provide for issu-
14 ing all or a portion of the bonds based upon the best combination of
15 bids. The bid shall be determined on the basis of the Daily Bond Buyer
16 20 bond average as follows:

17 (1) 50 points under the average for the first five years
18 maturity;

19 (2) 25 points under the average for the next five years
20 maturity;

21 (3) 0 points under the average for the next five years
22 maturity;

23 (4) 25 points above the average for the next five years
24 maturity;

25 (5) 50 points above the average for the next five years
26 maturity;

27 (6) 75 points above the average for the next five years
28 maturity;

29 (d) A nonprofit corporation is eligible for a loan under this

1 section if

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

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

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

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

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

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

28 Sec. 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT. For the
29 purpose of securing each tax exempt bond issue of municipalities of the

1 state and those bonds on behalf of nonprofit corporations guaranteed or
2 issued under this chapter there is established a special account called
3 the municipal bond capital reserve account. The commissioner of revenue
4 shall pay into that account from the unallocated reserve account upon
5 establishment an amount equal to five per cent of the obligations issued
6 and sold after July 1, 1978 and upon subsequent sales, if any, of obli-
7 gations of the issue secured an additional amount equal to five per cent
8 of the obligations sold. At the end of each fiscal year the commis-
9 sioner shall withdraw from the municipal bond capital reserve account
10 and pay to the unallocated reserve account any amount in the account in
11 excess of five per cent of the obligations secured or, if the amount in
12 the account is less than five per cent of the obligations secured, pay
13 into the account from the unallocated reserve account the amount neces-
14 sary to bring the reserve to five per cent. All money held in a muni-
15 cipal bond capital reserve account may be used as required, when money
16 is not available from the principal and interest account, solely for (1)
17 the payment of the principal of obligations, (2) the purchase or re-
18 demption of obligations, (3) the payment of interest on obligations, or
19 (4) the payment of any redemption premium required to be paid when those
20 obligations are redeemed before maturity. Any income or interest earned
21 by the account shall be paid to the unallocated reserve account. Any
22 amount remaining in a municipal bond capital reserve account when the
23 issue the account secures is fully retired shall be paid to the unal-
24 located reserve account.

25 Sec. 45.96.330. INDUSTRIAL DEVELOPMENT LOANS. (a) The director
26 of the division of Alaska loan programs may lend money to businesses
27 conducting exempt activities under sec. 103(b)(4) and (5) of the Inter-
28 nal Revenue Code of 1954 for those activities either directly or through
29 purchase by the fund of industrial development bonds issued on behalf of

1 the business by the state bond committee.

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

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

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

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

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

16 (2) when the activity is not performed within a municipality,
17 the commissioner of community and regional affairs approves the project.

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

26 Sec. 45.96.340. PROJECT COSTS ELIGIBLE FOR BONDING. In addition
27 to costs directly related to a project, the sum total of all costs of
28 financing and carrying out a project are eligible for bonding under
29 secs. 300 - 330 of this chapter. These include, but are not limited to,

1 the costs of all necessary studies, surveys, plans and specifications,
2 architectural, engineering or other special services, acquisition of
3 real property, site preparation and development, purchase, construction,
4 reconstruction and improvement of real property and the acquisition of
5 machinery and equipment as may be necessary in connection with a pro-
6 ject; an allocable portion of the administrative and operating expenses
7 of the issuer; the cost of financing the project, including interest on
8 bonds issued to finance the project; and the cost of other items, in-
9 cluding any indemnity and surety bonds and premiums on insurance, legal
10 fees, fees and expenses of trustees, depositories, financial advisors,
11 and paying agents for the bonds issued as the issuer considers neces-
12 sary.

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

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

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

26 (d) Loans are noninterest bearing while a student is enrolled
27 under (c) of this section or is receiving a deferment of payments under
28 (g) of this section.

29 (e) The repayment period for student loans is 10 years. Unless a

1 deferment of payments has been granted under (g) of this section, re-
2 payment shall commence when the student terminates his studies. In case
3 of hardship, the Alaska Loan Programs Evaluation Committee may extend
4 repayment of a loan for an additional period of up to five years.

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

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

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

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

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

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

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

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

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

29 (2) identified as important in state or national history as

1 provided for in AS 29.48.110(b); or

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

6 Sec. 45.96.370. ELIGIBILITY. In order to be eligible for a loan
7 under this chapter a person must have been a resident of the state for
8 at least five years on the date of application for the loan and must be
9 18 years of age or older. A corporation is eligible for a loan if more
10 than 60 per cent of its shareholders have been residents of the state
11 for at least five years on the date of the application for the loan, the
12 chief executive officer and all members of the governing board of the
13 corporation have been residents of the state for at least five years on
14 the date of application for the loan, and the chief executive officer
15 and members of the governing board assume full individual liability for
16 repayment of the loan. A loan to a corporation is immediately due and
17 payable if it ceases to meet these eligibility criteria. An individual
18 is ineligible if

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

24 (2) a loan from the state or an agency of the state has
25 been discharged in bankruptcy unless the loan is repaid in full and
26 10 years from the date of full payment has expired.

27 Sec. 45.96.380. MAXIMUM LOAN AMOUNTS. (a) Loans made under the
28 authority of sec. 260 of this chapter for the purchase or construction
29 of residential housing may not exceed the following limitations: (1)
30

1 \$90,000 for a single family dwelling; (2) \$130,000 for a duplex; (3)
2 \$170,000 for a triplex; (4) \$210,000 for a fourplex. Any loan made for
3 the purchase or construction of residential facilities in excess of four
4 units shall be treated as a commercial buildings loan subject to the
5 limitations placed on such loans in (b)(1) of this section.

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

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

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

17 (3) 10 per cent of the farm's gross receipts for the previous
18 fiscal year up to a maximum of \$250,000 for farm working capital;

19 (4) 10 per cent of the fisherman's gross receipts for the
20 previous fiscal year up to a maximum of \$250,000 for working capital for
21 fishing.

22 (c) Loans for a single project under (b)(1) and (2) of this sec-
23 tion may be made in excess of the maximum limits but not to exceed
24 \$5,000,000 for loans under (b)(1) or \$1,100,000 for loans under (b)(2)
25 if

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

29 (2) the loan is made to a corporation and no more than 10

1 individuals owning stock in that corporation assume personal liability
2 for the loan in an amount which as to each individual does not exceed
3 the applicable maximum limit.

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

- 6 (1) \$4,000 per individual per year for undergraduate studies;
- 7 (2) \$8,000 per individual per year for graduate studies;
- 8 (3) \$6,000 per individual per year for vocational studies;
- 9 (4) \$4,000 per individual per year for work studies;
- 10 (5) \$16,000 maximum outstanding loan balance per individual.

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

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

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

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

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

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

29 (f) The maximum loan amounts established in (a) - (d) of this

1 section shall increase in proportion to increases in the consumer price
2 index for Anchorage. The consumer price index for Anchorage for July 1,
3 1978 shall be the basis for determining percentage increases in the
4 maximum loan amounts.

5 Sec. 45.96.390. AREA COST DIFFERENTIAL. (a) The maximum loan
6 amounts established in sec. 380(a) and (b) of this chapter shall be
7 increased by the area cost differential as determined by the formula
8 $LCC/BCC \times LCOL/BCOL$ where

9 (1) LCC is the cost of construction in the area in which the
10 facility is located;

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

13 (3) LCOL is the cost of living in the area in which the
14 facility is located;

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

17 (b) For purposes of this section the Department of Transportation
18 and Public Facilities shall annually determine the cost of construction
19 and the cost of living in each area of the state under regulations
20 promulgated by the department establishing standards for the determi-
21 nation.

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

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

29 (2) if the borrower's experience is two to three years, he

1 may receive up to 70 per cent of the maximum amount;

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

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

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

8 Sec. 45.96.410. VALUE LIMITATION. The provisions of secs. 380 -
9 400 of this chapter notwithstanding, no loan made under this chapter
10 may exceed

11 (1) 90 per cent of the appraised value of real property
12 pledged as security for the loan;

13 (2) 95 per cent of the appraised value of real property
14 pledged as security for the loan if the loan is for residential housing
15 and is made in an area where Federal Housing Administration mortgage
16 insurance is not available; or

17 (3) 80 per cent of equipment pledged as security for the
18 loan.

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

22 (1) 30 years on a loan secured by real property;

23 (2) 15 years or the life of the equipment on a loan secured
24 by equipment used for production of income;

25 (3) seven years or the life of the chattel on a loan secured
26 by other chattels;

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

28 Sec. 45.96.430. RATE OF INTEREST. (a) The rate of interest
29 charged to borrowers under this chapter shall be the amount determined

1 by the commissioner of revenue to be sufficient to cover anticipated
2 cost of money to the fund and is, for borrowers other than municipali-
3 ties, one per cent over the anticipated cost plus the amount required
4 for any necessary insurance. The determination of the anticipated cost
5 by the commissioner is conclusive. Rates of interest less than that,
6 except as provided in (b) of this section, may be charged if the renew-
7 able resource development fund or another state fund agrees to pay the
8 difference between cost and the interest rate to be charged or if
9 appropriation for the 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 23, 1950, and January 31, 1955, who served other than dishonorably
11 on 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 23, 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, 1977.

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

Sec. 44.96.450. EMPLOYMENT PRACTICES. (a) In the performance of contracts let by a recipient of a loan under this chapter for construction, repair, preliminary surveys, engineering studies, consulting, maintenance work or any other extension of services necessary to complete any project for which the loan was made, 95 per cent residents shall be employed where they are available and qualified. If 10 or fewer persons are employed under the contract, then 90 per cent residents shall be employed where they are available and qualified.

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

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

(d) Municipalities and state agencies and departments when contracting for services concerning any aspects of administration and financing of the fund shall comply with AS 36.13.

Sec. 44.96.460. COOPERATION WITH OTHER AGENCIES. All departments, agencies and public corporations of the state shall provide information, services and facilities to the fund on its request. The fund shall reimburse the department, agency or corporation for expenses reasonably incurred on the fund's behalf.

1 Sec. 44.96.470. **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 rateable 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
17 one per cent.

18 Sec. 44.96.480. **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 any segment more than one indicated 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
27 contractual relations in respect to the project after the application
28 for loan shall be submitted to the Division at intervals the Division
29 requires

1 Sec. 44.96.490. 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 self-
11 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
10 officials, 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 divisor 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

1 renewable resources.

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

6 (c) Nothing in this section prevents the division from taking such
7 action and exercising such rights as it may consider necessary for the
8 protection of its interests in the event of actual or threatened default
9 on any of its investments, actual or threatened insolvency of the enter-
10 prise or project in which the investment has been made, or other situa-
11 tions which, in the opinion of the director, threaten to jeopardize the
12 investment.

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

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

17 (2) the project, if successful, is likely to be technologi-
18 cally and economically feasible;

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

23 (4) the applicant for financial assistance meets the eligi-
24 bility requirements for the Alaska loan programs fund;

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

28 (b) The division may not invest in a combination of equity pur-
29 chases 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(c) 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

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

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

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

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

(38) AS 29.58.290 (industrial development bonds)

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

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

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

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

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

(c) The division [DEPARTMENT OF REVENUE] in June and December of 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 [THE
12 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 37.-
10 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,
18 26.15.110 - 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;
21 AS 44.58.005 - 44.58.010, 44.58.080(6) - (20), 44.58.090, 44.58.130 - 44.58.-
22 220, 44.58.240 - 44.58.260, 44.58.270(c), (f), 44.58.300, 44.58.390; AS 44.-
23 59.140(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 45.90.020(a)(1), (4), 45.90.030; AS 45.95.020 - 45.95.030,
27 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
29 June 30, 1977.

1 * Sec. 29. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).
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AS A UNIT IN THE ORIGINAL DOCUMENT.

TYPE OF LOAN		SMALL BUSINESS		YEAR 1972				
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
MARKS, WILLIAM D., d/b/a/ PIED PIPER PEST CONTROL	Pest control	Ketchikan	4-28-1972	May 15, 1972	60,000	60,000		
YEAR 1974								
PERRY, CHARLES d/b/a/ PERRY'S OUTBOARD & CYCLE SHOP	Working capital	Ketchikan	12-10-73	Jan. 14, 1974	37,000		60,000	Does not statutory requirement
PERRY, CHARLES d/b/a/ PERRY'S OUTBOARD & CYCLE	Working capital	Ketchikan	12-10-73	Feb. 8, 1974	60,000		60,000	Unable to Meet Debt Servicing
YEAR 1975								
STEPHENS, AUBREY	Pay off loan	Ketchikan	3-1-74	Aug. 29, 1974	60,000	15,000		
ABEL, ARILD & GOLDIE d/b/a/ ABEL'S CONFECTIONARY	Build & equipment	Craig	11-13-73	Aug. 29, 1974	25,000	25,000		
DILLARD, KENNETH & ISLEY, ELZIE d/b/a/ HARDLY ABLE LUMBER CO.	Capital and set up mill	Ketchikan	8-6-74	Oct. 4, 1974	40,000		40,000	Can't meet debt servicing
DILLARD, KENNETH & ISLEY, ELZIE d/b/a/ HARDLY ABLE LUMBER CO.	Capital & Set up mill	Ketchikan	8-6-74	Oct. 25, 1974	40,000	20,000		
MOORE CONSTRUCTION CO.	Payoff deed	Ketchikan	10-8-74	Nov. 8, 1974	100,000	180,000		
BURNETT, RALPH C.	Buy out partner	Klawock	5-12-74	Dec. 26, 1974	60,000	60,000		
YEAR 1976								
KETCHIKAN AIR SERVICES	Replace existing terminal & floating hanger	Ketchikan	5-30-75	Aug. 21, 1975	130,000	100,000		

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
EMARD, GARY	Restaurant franchise	Ketchikan	9-10-75	Sept. 22, 1975	100,000	100,000		
BROWN, GEORGE	Purchase land & building to relocate Childrens Store - toys & togs	Ketchikan	9-30-75	Nov. 13; 1975	100,000		100,000	Unable to service debt
LEWIS, HARLEY E. SR.	Install bar & restaurant in Marine View Plaza Hotel	Ketchikan	10-20-75	Dec. 9, 1975	100,000	100,000		
HAZELQUIST, DON	Start new business	Ketchikan	11-17-75	Dec. 9, 1975	35,000		35,000	Lack of management experience
KETCHIKAN AIR SERVICES	Purchase property	Ketchikan	5-30-75	Feb. 10, 1976	130,000	100,000		
TYEE AIRLINES	Purchase aircraft	Ketchikan	2-19-76	Feb. 27, 1976	85,600	85,600		
ANTONSEN, HANS	REfinancing existing major equipment & indeptness improvements & repairs	Ketchikan	3-16-76	Mar. 26, 1976	100,000	100,000		

YEAR 1977

KIRKPATRICK, MERLIN C.

Business expansion Ketchikan

9-21-76

Nov. 16, 1976

30,000

34,000

1977
YEAR

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
CROW, ANDY	Purchase land & existing building	Ketchikan	10-22-76	Dec. 3, 1976	74,508	67,500		
O'BRIEN, EUGENE	Vessel	Ketchikan	12-20-76	Jan 14, 1977	82,250	82,250		
ANGELA, INC. DON & SANDRA WENDTE	Purchase new equipment	Ketchikan	1-10-	Jan. 18, 1977	10,200	10,000		

TYPE OF LOAN		SMALL BUSINESS			YEAR 1975			
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
FERGUSON, ROBERT E.	Debts	Wrangall	10-30-74	Nov. 21, 1974	15,000		15,000	Credit record bad
CLARK, L. H. & HAZEL	Purchase tug	Tenakee	3-26-75	Mar. 27, 1975	130,000	100,000		
NANNAUCK, JULIA	Working capital	Petersburg	3-27-75	May 12, 1975	10,000		10,000	Can't meet debt servicing requirements

				YEAR 1976				
PYHALA, KAUKO	Payoff financing	Petersburg	5-10-76	May 21, 1976	38,500		38,500	Can't meet debt servicing

				YEAR 1977				
JACKSON'S INC.	To purchase stock and inventory (expansion)	Kake	9-1-76	Oct. 26, 1976	100,000	100,000		
BOWERS, ANTON T.	Purchase M/V Tola and modify	Petersburg	11-29-76	Jan. 6, 1977	64,875	65,000		

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
POWELL, LARRY E. d/b/a MALLOTT'S GENERAL STORE	Equipment and Labor	Yakutat	9-16-74	Oct. 4, 1974	35,000	59,000		
PREWITT, GENE L.	Buy bus and pay off other busses	Sitka	11-19-74	Dec. 13, 1974	49,328	49,000		
ANDERSON, RONALD	Purchase property	Sitka	8-19-74	Jan. 8, 1975	80,000	60,000		
MALLOTT, BYRON I.	Starting a business	Yakutat	4-3-75	May 2, 1975	59,000	38,000		
ADAMS, BERTRAND J.	Expand garbage and disposal business	Yakutat	3-26-75	June 3, 1975	20,000		16,000	Debt Servicing
							<u>YEAR 1976</u>	
CHANNEL CLUB, INC.	Refinance	Sitka	5-28-75	July 23, 1975	100,000	90,000		
GRIER, DR. DALE C	Refinance existing Dental Center	Sitka	7-21-75	Sept. 4, 1975	75,000	72,000		
PREWITT, GENE	Three new busses for operation in Sitka	Sitka	1-9-76	Jan 26, 1976	55,000	56,300 to 93,000 (Addition)		
WHITE, WAYNE & HELEN	Purchase land, building and construct	Sitka	11-20-75	Jan. 26, 1976	100,000		100,000	Member Not Eligible for grant program
PREWITT, GENE (Above date for current year loan March 17)								

YEAR 1976

TYPE OF LOAN		SMALL BUSINESS						
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
ROSI, DR. PETERS SR.	Develop and furnish leasehold for business relocation	Sitka	3-23-76	April 16, 1976	25,000	25,000		
							YEAR 1977	
ROSI, PETER S. DR.	Develop and furnish leasehold for business relocation	Sitka	3-23-76	Aug. 27, 1976	25,000		25,000	Insufficient Collateral
ALLEN MARINE WAYS	To buy property	Sitka	8-19-76	Sept. 10, 1976	60,000	60,000		
ERB, GARY & ANN	Construction of commercial building	Sitka	9-24-76	Oct. 21, 1976	95,000	95,000		
THOMPSON, HAROLD KNUT	Purchase of fish buying vessel	Sitka	1-11-77	Feb. 3, 1977	45,000	45,000		
WILMAC CORPORATION	Build	Sitka	1-11-77	Feb. 15, 1977	100,000	100,000		
MATTHAEI, HENRY A.	Property	Sitka	1-28-77	Jan. 28, 1977 NRR, 22	135,000	100,000		

TYPE OF LOAN SMALL BUSINESS

NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
HOTCH, JOE	Purchase Fishing vessel	Klukwan	7-11-72	Aug. 1, 1972	11,500	8,625		
CHANNEL CONSTRUCTION	Land Development	Juneau	8-1-72	Aug. 21, 1972	60,000		60,000	Venture is too Speculative
GOODWIN, LOWELL B. d/b/a FASHION FABRICS	Add 2 story addition to building	Juneau	9-8-72	Sept. 1, 1972	100,000	100,000		
HEIBER, JAMES D. d/b/a ALASKAN MEMORIAL PARKS	Capital	Juneau	9-20-72	Nov. 7, 1972	60,000		60,000	High Operating Losses
GRAY, DONALD G.	For purchase of Vessel	Juneau	9-3-72	Nov. 7, 1972	32,000	40,000		
ANDERS, ED	Purchase equipment for site development	Juneau	9-28-72	Nov. 7, 1972	10,000	10,000		(was joint venture)
ETHRIDGE, DON R.	Purchase "PURSUIT" (Vessel)	Juneau	10-31-72	Dec. 28, 1972	4,800	4,800		
MONTGOMERY, LOUIE	Construct sawmill	Haines	10-10-72	March 24, 1973	25,000	25,000		
GOODWIN, LOWELL B.	Building under cover parking lot	Juneau	4-3-73	April 17, 1973	20,000		20,000	Problem in Debt Servicing

YEAR 1974

VANKIRK, ROY M. d/b/a SUNSET TERRACE COURT	Purchase and install sewage treatment and retire existing mort.	Douglas	8-23-73	Oct. 10, 1973	40,000	40,000		
CARLSON, VERNON & CECELIA d/b/a CARLSON'S SALES AGENCY	Purchase Inventory	Juneau	10-15-73	Oct. 30, 1973	15,000	15,000		
HOLLOWAY, E.L.	Purchase 1/2 interest in Prospector/Purchase price @\$125,000.00	Douglas	12-5-73	Dec. 7, 1973	60,000	60,000		
LY-VER-KAY, INC.	Working Capital	Juneau	12-20-73	Jan. 31, 1974	60,000	60,000		

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
JACOBSEN, HAROLD GRAY	Franchise for Honda Motorcycle & Arctic Cat	Juneau	2-8-74	Feb. 22, 1974	25,000		25,000	Insufficient collateral
JACOBSEN, HAROLD GRAY	Franchise for Motorcycle and Arctic Cat	Juneau	2-8-74	March 1, 1974	25,000	17,500		
THIBODEAU, ROBERT J.	To consolidate debts and secure additional working capital	Douglas	2-19-74	March 18, 1974	60,000	60,000		
LY-VER-KAY, INC. DONALD BOE, KENTUCKY FRIED CHICKEN	Buy equipment & refinance	Juneau	12-20-73	April 10, 1974	60,000	60,000		

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
HOWSERS & HYATT, LTD.	To pay two mortgages	Haines	6-5-74	July 3, 1974	100,000	100,000		
OLERUD, DAVID E.	Construction and equipment	Haines	6-4-74	July 5, 1974	60,000	50,000		
ADAMS, JERRY	Equipment	Juneau	6-18-74	July 19, 1974	9,000	9,000		
MCCUNE, ALICE	Capital, equipment const., pay debts	Juneau	6-18-74	Aug. 2, 1974	60,000		60,000	Not Enough Collateral
ROSENBRECK, JIMMIE C	payoff loan	Juneau	7-23-74	Aug. 29, 1974	50,000		50,000	Could not make payment
ROSENBRECK, JIMMIE C.	Payoff loan	Juneau	7-23-74	Oct. 4, 1974	50,000	50,000		
GRANT, JOHN & HUGH	Construction	Juneau	9-10-74	Oct. 28, 1974	100,000	100,000		
HESMAN, WARD A.	Purchase gift store	Skagway	10-30-74	Nov. 14, 1974	24,000		24,000	Additional Information
HORTON, HAROLD & JAMES	Financing and improvements	Haines	10-14-74	Nov. 21, 1974	100,000	100,000		
HESMAN, WARD A.	Purchase gift shop	Skagway	10-30-74	Nov. 21, 1974	24,000	20,000		
SAYLORS. A.M.	Move Print Shop	Douglas	11-12-74	Nov. 27, 1974	50,000	34,125		

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
COMBS, JAMES C.	Build box shop equipment	Haines	9-5-74	Nov. 21, 1974	30,000		30,000	Debt Service can't be met
SLATER, CLIFF & ERMA	Buy out partner	Haines	10-10-74	Jan. 16, 1975	31,000	31,000		
FISH, INC. (Elton Engstrom)	Equipment	Juneau	10-29-74	Jan. 16, 1975	75,000	75,000		
RIPLEY, RUDY d/b/a/ COMMERCIAL ART	New equipment purchase	Juneau	1-15-75	Jan. 28, 1975	13,000	13,000		
RELIABLE TRANSFER CORP.	Finance new warehouse	Juneau	1-23-75	March 3, 1975	100,000	100,000		
CADIENTE, CARLOS	Start new business	Juneau	2-7-75	March 5, 1975	15,000	12,000		
SHAW, JOE	Expand	Juneau	3-12-75	April 9, 1975	75,000		75,000	Can't accept 3rd position on collateral as security
REVIS ENT. INC.	Refinance and capital	Skagway	3-18-75	April 9, 1975	75,000	75,000		
MORGAN, LINDA	Purchase 1/2 interest in business	Juneau	3-21-75	April 9, 1975	6,000	6,000		
REYNOLDS, J. R.	Payoff partner	Juneau	4-3-75	April 18, 1975	100,000	100,000		
HANSEN, KENNETH A.	Purchase Kentucky Fried Chicken	Juneau	4-9-75	April 18, 1975	55,000	60,000		
CARLSON'S SALES AGENCY	Purchase inventory	Juneau	10-15-73	April 18, 1975	20,000	14,500		

TYPE OF LOAN		SMALL BUSINESS						
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SCOFIELD, DON E.	Purchase shop and equipment	Juneau	5-1-75	May 7, 1975	80,000	60,000		
MCCONAGHY, JIM	Purchase boat and Equipment	Auke Bay	5-7-75	May 21, 1975	30,000		30,000	Loan Funds Shouldn't be used for pleasure craft type vessels
THIBODEAU, ROBERT J.	Consolidate debts	Juneau	2-19-75	June 3, 1975	60,000	60,000		
TAYLOR, WILLIAM	Pay off mortgage on Beachcomber	Haines	5-17-75	June 3, 1975	36,000	36,000		
DOUGLAS TRUCKING	Pay off bills	Juneau	5-13-75	June 3, 1975	60,000	50,000		
THIBODEAU, ROBERT J.	To consolidate debts and secure additional Shop Rite working capital	Juneau	2-19-75	June 3, 1975	60,000	60,000		
CINEMA ALASKA INC.	Equipment purchases and supplies services	Juneau	5-23-75	June 3, 1975	25,572.75		25,600	Unacceptable Collateral

TYPE OF LOAN		SMALL BUSINESS						1976 YEAR	
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>	
NEAL, FREDERICK	Purchase equipment	Haines	5-6-75	July 23, 1975	3,000		3,000	Closed his business did not notify Business Loans	
ALASKA PICTURE INC.	Production of motion picture	Juneau	7-14-75	Aug. 12, 1975	100,000		100,000	Insufficient collateral	
FLUCK, REINHOLD	New construction partially completed	Juneau	7-29-75	Aug. 22, 1975	100,000	100,000			
NEASE, PETER	Start backhoe excavation and construction	Juneau	8-8-75	Sept. 15, 1975	14,000		14,000	The venture is too speculative in nature	
DONALDSON, DARYL	Expansion and equipment	Juneau	10-9-75	Oct. 29, 1975	59,085		59,000	Expansion would require 100% financing	
WARD, KENNETH	Purchase air taxi certificate and 1967 Cessna 185 Amphib.	Juneau	10-20-75	Nov. 5, 1975	28,500		28,500	Unable to meet debt servicing	
ROBINSON, LYLE & ENGEL EMIL	Purchase land and equipment	Juneau	9-24-75	Nov. 5, 1975	85,000		85,000	Wanted longer term than 5 years	
AURORA ENTERPRISES, INC.	Refinance	Juneau	9-10-75	Nov. 13, 1975	100,000	100,000			

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
ADAMS, JERRY	Purchase building	Juneau	10-21-75	Dec. 2, 1975	62,000	65,000		
REEVES, JIM	Refinancing and improvements	Haines	10-1-75	Dec. 9, 1975	70,000		70,000	Insufficient Collateral
MCLAUGHLIN, HARRY	Purchase Charter Boat	Juneau	11-5-75	Dec. 9, 1975	100,000	100,000		
SKYLINE VENTURES, INC.	Required maintenance	Skagway	12-24-75	Jan. 8, 1976	100,000	100,000		
O'DANIEL, JOHN	Four additional rooms for hotel	Skagway	4-1-76	April 16, 1976	9,500		9,500	No background i Hotel Management
HILL, ROBERT & DEANE	Build	Juneau	4-25-76	May 6, 1976	85,000		85,000	Insufficient Collateral
GOODWIN, BERT & ELAINE	Construction	Juneau	9-8-75	June 4, 1976	100,000	100,000		
HENRICKSEN, IRENE	Equipment, property remodelling and inventory	Skagway	4-12-76	June 15, 1976	170,000	100,000		
RIPLEY, RUDY & JUDEY d/b/a COMMERCIAL ART	Equipment	Juneau	1-5-75	June 28, 1976	10,000		(Additional)10,000	Can't Meet Debt Servicing
							YEAR <u>1977</u>	
MORELLI, FRANK	Refinance, capital and construct	Skagway	4-23-76	July 22, 1976	100,000		84,500	Can't Meet Debt Servicing

TYPE OF LOAN	SMALL BUSINESS							
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SCHROTH, ROBERT	Buy out partner	Juneau	5-24-76	July 29, 1976	100,000	100,000		
THOMA, THEODORE (CHIP)	M.V. Grizzly Bear necessary repairs	Juneau	7-26-76	Aug. 12, 1976	35,000	20,000		
MORELLI, FRANK	Construct new building	Skagway	7-6-76	Aug. 12, 1976	100,000	76,500		
JACOBSEN, KATHERINE	Construction of warehouse	Juneau	8-9-76	Aug. 27, 1976	34,500	34,500		
SKYLINE VENTURES	Payoff existing loan	Skagway	12-24-75	Sept. 20, 1976	100,000	100,000		
HARRI PLUMBING & HEATING INC.	Payoff previous partner	Juneau	8-20-76	Sept. 24, 1976	100,000	100,000		
HORTON'S PROPERTIES, INC.	Expand bar	Juneau	9-7-76	Sept. 29, 1976	100,000	100,000		
CORRINGTON, DENNIS	Build gift shop	Skagway	7-16-76	Oct. 21, 1976	25,000	25,000		
HENRICKSEN, IRENE	Purchase Curio Store	Skagway	12-23-76	Jan. 4, 1977	64,000	64,000		
ST. CLAIRE, LARRY	Purchase of motor vessel suitable to charter	Juneau	12-10-76	Feb. 3, 1977	75,000		97,500	No evidence that debt serving is available
SEDEWICK, RON	To purchase inventory in Ron's Apothecary	Juneau	1-3-77	Feb. 3, 1977	35,000	35,000		
MCLAUGHLIN, HARRY (Require change in payments)	Vessel	Juneau	11-5-75	Feb. 24, 1977	100,000	100,000		
MORELLI, GREG Increase from original amount	Construction,	Skagway	4-23-76	March 17, 1977	76,500	76,500		

1977
YEAR _____

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BENSON & DEARDORFF	Lumber equipment	Haines	3-18-77	April 5, 1977	41,000		41,000	Debt servicing
BENSON & DEARDORFF	Equipment	Haines	4-25-77	April 28, 1977	41,000	41,000		
GRANT, J & GRANT, H.	Purchase inventory	Juneau	4-29-77	May 17, 1977	100,000	100,000		
DIDDIER, ROBERT	Equipment	Juneau	4-14-77	May 26, 1977	40,000	35,000		
CARLSON, VERNON	Refinance	Juneau	5-13-77	June 16, 1977	26,900		26,900	Wrong type loan. Short term financing

YEAR 1973

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
HALL, ARLOT W.	Boat repair and equipment	Cordova	11-1-72	Nov. 7, 1972	14,500	14,500		
WALKER, ED d/b/a	Working capital	Valdez	12-26-72	Jan. 30, 1973	60,000		60,000	Insufficient Cash Flow

YEAR 1974

VIRGINIA BRADLEY d/b/a NEW SEWARD HOTEL	To make repairs & improvements as required pursuant to Fire Marshal's report	Seward	8-17-73	Sept. 18, 1973	37,500	37,500		
SIMMONS, ERROL R.	Finance the Valdez Mobile Home Court	Valdez	9-11-73	Dec. 7, 1973	60,000	60,000		
WILSON, DEAN L. & ADA M d/b/a/ KLONDIKE FURS	Capitalize for buying business	Copper Center	10-3-73	Dec. 21, 1973	12,000		12,000	Cannot service Debt
BENNIE, FRANCIS & CAROL	To purchase existing tourism busines The Fish House ^s	Seward	11-6-73	Feb. 8, 1974	50,000	44,000		

YEAR 1975

PRUITT, JAMES T.	Build and Construction of shop	Seward	11-18-75 4	Jan. 28, 1975	30,000	30,000		
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TYPE OF LOAN		SMALL BUSINESS							YEAR
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>	
KAZAZEAN, MARK	To purchase restaurant and bar	Cordova	9-19-75	Oct. 29, 1975	75,000	74,500			
MCINTOSH, BOB	Purchase Caribou Motel & Lodge	Glennallen	1-16-76	April 29, 1976	60,000		60,000	Insufficient equity	
							YEAR	1977	
YOUNG, BENJAMIN	Vessel	Cordova	4-4-77	April 19, 1977	37,500	37,500			
WARD, GRAHAM	Equipment	Glennallen	4-18-77	June 16, 1977	100,000		100,000	Debt servicing	

TYPE OF LOAN		SMALL BUSINESS		YEAR 1973				
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
KALMBACH, FRITZ	Contracting and land development	Wasilla	9-7-72	Oct. 26, 1972	60,000	60,000		
PALMER, GEORGE	Repair and purchase	Palmer	6-4-74	July 23, 1974	43,000	43,000		
PALMER, GEORGE	Repair and construct	Palmer	6-4-74	Dec. 10, 1974	43,000	43,000		
							YEAR 1975	
MOSS, THOMAS	Working capital	Palmer	9-17-76	Oct. 21, 1976	100,000			
GALLAGHER, JERRY	Construct shop and office space	Palmer	8-16-76	Dec. 14, 1976	80,880	78,900		
CARNEY, DOMONIC	Payoff mortgage and land and equipment	Wasilla	4-4-77	June 21, 1977	28,500	28,500		
							YEAR 1977	
								100,000 Not sufficient collateral

YEAR 1973

TYPE OF LOAN		SMALL BUSINESS						
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
MAXIM, LESTER	Painter	Anchorage	3-16-72	July 3, 1972	65,000	60,000		
WAGNER, HAROLD	Purchase truck forklift, office equipment, and lumber from resale	Anchorage	7-20-72	Aug. 10, 1972	60,000		60,000	Insufficient collateral
C & R WINDOW CLEANERS, INC.	Purchase equipment for business	Anchorage	12-12-72	Jan. 9, 1973	17,000	17,000		
CONLAN, CHARLES d/b/a/ ALASKAN DENTAL ARTS	Purchase Equipment & new quarters, and hire new employees	Eagle River	12-27-72	Jan. 25, 1973	60,000	51,000		
VINCENT, DOUG d/b/a/ VALLEY TRANSPORTATION	Refinance 9 Mack tractors	Anchorage	12-13-72	Jan. 25, 1973	60,000		60,000	Insufficient collateral
BROADWATER INDUSTRIES, INC.	To stable financial conditions	Eagle River	12-20-72	Jan. 25, 1973	60,000		60,000	No legitimate purpose of loan
RHYNER, RICHARD d/b/a/ INTERIOR TELEPHONE COMPANY	Installation of new telephone central office & cable plant at Iliamna	Anchorage	12-15-72	Feb. 16, 1973	60,000	60,000		
MOE-BUCK-HOTES & ASSOCIATES, INC.	Purchase equipment & inventory	Anchorage	6-9-72	Feb. 16, 1976	60,000		60,000	Insufficient collateral
AIM, INC.	To acquire & approve additional property for resale	Anchorage	1-2-73	April 17, 1973	60,000		60,000	Nature of business too speculative
RINE, JOHN d/b/a/ S-R EQUIPMENT RENTAL, INC.	Working capital	Anchorage	4-11-73	May 22, 1974 3	14,600		14,600	Insufficient collateral

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
WOODS & RHODE, INC d/b/a ALASKA TRUSS & MILLWORD	Working Capital	Anchorage	4-2-73	June 11, 1973	60,000		60,000	Cannot Provide Operating Capital
A.R.C. INDUSTRIES, INC.	Purchase & Improve Existing Business	Anchorage	3-27-73	June 11, 1973	60,000	60,000		
ALASKA CONSUMER FEDERATION, INC.	Expand Inventory	Anchorage	4-6-73	June 22, 1973	60,000	60,000		
							YEAR 1974	
ALYESKA AIR SERVICE, INC.	Working Capital	Anchorage	5-14-73	July 18, 1973	30,000		30,000	Unable to Gen- erate Income to repay loan
A.R.C. INDUSTRIES, INC.	Purchase Heavy Equipment	Anchorage	7-3-73	July 30, 1973	45,000		45,000	Insuff. Coll.
A.R.C. INDUSTRIES, INC.	Retire Existing Debt, Working Cap.	Anchorage	8-14-73	Aug. 14, 1973	32,000	32,000		
CURRAN, THOMAS E., JR. & LUCE, L. AMES	To Obtain Building for Law Firm	Anchorage	7-7-73	Aug. 14, 1973	60,000	60,000		
BETTYE SMITH d/b/a ALASKA BUSINESS COLLEGE	To Implement Hotel Working Capital	Anchorage	8-1-73	Sept. 18, 1973	60,000		60,000	Insuff. Coll.
MOE-BUCK-HOTES & ASSOC., INC.	Appliances	Anchorage	10-1-73	Oct. 10, 1973	60,000	60,000		
MARSHALL, JULIUS	Build Addition & Pay off Property	Anchorage	8-28-73	Oct. 10, 1973	60,000		60,000	Insuff. Coll.
WALSH, CHARLES	Working Capital	Anchorage	7-31-73	Oct. 30, 1973	60,000		60,000	Too Speculative
BROWN, GEORGE E.	Purchase of Property & Altera- tions	Anchorage	11-14-73	Dec. 4, 1973	60,000		60,000	Can't meet debt servicing
STEWART, ROBERT d/b/a S & S WELDING, INC.	Working Capital	Anchorage	11-6-73	Dec. 7, 1973	60,000	60,000		

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
TUFFORD, WILLIAM d/b/a/ THE PORTER HOUSE	Consolidate payments and remodel	Anchorage	10-11-73	Dec. 14, 1973	60,000		60,000	Insufficient Collateral
ELLIOTT, AGNES E. d/b/a HOMESTEAD INDUSTRIES, INC.	To provide operating capital and acquire new quarters and machinery for expan- sion	Anchorage	11-23-73	Dec. 21, 1973	20,000	20,000		
CREECH, WILLIAM L. d/b/a INLET FUEL, INC.	Purchase of delivery truck and working capital	Anchorage	10-23-73	Dec. 21, 1973	38,000		38,000	Inadequate Coll.
M.S.P. & G., INC.	Land development	Anchorage	1-30-74	April 9, 1974	45,000		45,000	Can't Meet Debt Svcng.
JOHNSON, SAMUEL E.	Refinance balance and remodeling	Anchorage	4-24-74	May 13, 1974	60,000		60,000	Can't Meet Debt Svcng.
ALASKA GENERAL ALARM, INC.	Working capital	Anchorage	3-29-74	May 21, 1974	25,000		25,000	Insufficient Collateral
ALASKA GENERAL ALARM, INC.	Equipment & capital	Anchorage	3-29-74	May 21, 1974	25,000		25,000	Not Enough Collateral
PAWELEK, EDMUND THEODORE	Consolidate business debts, purchase office equipment, operating capital	Anchorage	4-15-74	May 29, 1974	18,000	18,000		
CHEMICAL & GEOLOGICAL LAB- ORATORIES OF ALASKA, INC.	Procurement of outstanding stock	Anchorage	5-16-74	May 29, 1974	60,000	60,000		
PAWELEK, EDMUND	Consolidate business debts, purchase office equipment operating capital	Anchorage	4-15-74	June 18, 1974	18,000	18,000		change coll.
ALLIED ENTERPRISES OF ALASKA INC.	Working capital	Anchorage	6-12-74	July 3, 1974	60,000		60,000	Insufficient Collateral

YEAR 1975

TYPE OF LOAN		SMALL BUSINESS						
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
CLEAN SERVICEC, INC.	Lot improvement	Anchorage	3-29-74	July 19, 1974	60,000	100,000		
BRANHAM, E. G. & MICHAEL d/b/a/ ADVENTURES UNLIMITED	Buy plane, payoff a loan, build some units	Anchorage	6-12-74	Aug. 2, 1974	60,000		60,000	Too many debts
SCHUESSLER, CHARLES E.	Payoff mortgage	Anchorage	6-3-74	Aug. 21, 1974	100,000	100,000		
ROCKFORD CORPORATION	Land and construction	Anchorage	7-15-74	Aug. 29, 1974	100,000		100,000	Not enough collateral
SANDERS, MELVIN G.	To buy hotel	Anchorage	9-3-74	Sept. 10, 1974	100,000		100,000	Not in intent of S.B. loans
ALASKA GENERATOR & ENGINE SALES, INC.	Retire note	Anchorage	6-28-74	Sept. 24, 1974	100,000		100,000	More in- formation
STENEHJEM, EARL H.	Remodel	Anchorage	8-26-74	Oct. 23, 1974	98,000	98,000		
AEROBIC SEWAGE PURIFICATION INC.	Equipment	Anchorage	9-25-74	Oct. 28, 1974	100,000	100,000		
ROCKFORD CORP.	Land & construction	Anchorage	10-9-74	Nov. 4, 1974	100,000	100,000		
ALASKA GENERATOR & ENGINE SALES, INC.	Retire note	Anchorage	6-28-74	Nov. 4, 1974	100,000	100,000		
SMITH, RON	Equipment	Anchorage	10-28-74	Nov. 21, 1974	13,000	13,000		
CLEVELAND, TOMMIE	Equipment and capital	Anchorage	9-10-74	Nov. 21, 1974	100,000		100,000	Not enough collateral

TYPE OF LOAN		SMALL BUSINESS						YEAR	1975
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED	
CARMODY, DOYLE V. d/b/a/ D. C. SALES & SERVICE, INC.	Pay off lien	Anchorage	10-14-74	Nov. 25, 1974	100,000	69,000			
CHRISTIAN ENT., INC.	Working capital & equipment	Anchorage	9-16-74	Jan. 16, 1975	90,000		90,000	Insuf- ficient collateral	
ALASKA HEAT, INC. (Kris Lethin)	Working capital	Anchorage	12-2-74	Jan. 21, 1975	100,000	100,000			
TOWNSEND, DANIEL H. d/b/a/ DAN'S CAMERA REPAIR	Purchase equipment	Anchorage	2-1-73	Feb. 21, 1975	15,000	5,000			
GEUSS & MCGRANAHAN, DRS.	Purchase equipment	Anchorage	12-9-74	Feb. 21, 1975	85,000	100,000			
BETTISWORTH, KEN	Refinance and equipment	Anchorage	11-25-74	Feb. 21, 1975	27,500		27,500	Can't meet debt servicing	
BETTISWORTH, KEN	Purchase franchise	Anchorage	11-25-74	Mar. 3, 1975	27,600	27,500			
ANCHORAGE JANITORIAL & WINDOW CLEANERS, INC.	Improvements	Anchorage	1-14-75	Mar. 3, 1975	100,000		100,000	Debt service question- able	
ALASKA POLLUTION CONTROL	Equip pollution control for oil spills	Anchorage	2-13-75	Apr. 9, 1975	100,000	70,000			
NORTHERN RECREATION, INC.	Remodeling and working capital	Anchorage	12-17-74	Apr. 18, 1975	90,000		90,000	Can't meet debt servicing	

TYPE OF LOAN		SMALL BUSINESS						
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
KIMBALL, JOHN H.	Working capital	Anchorage	3-24-75	May 2, 1975	45,000		45,000	Supplement to bank loans, not needed for your business at this time
KELLY, C. G.	Capitalize business	Anchorage	3-24-75	May 2, 1975	100,000	100,000		
ALASKA POLLUTION CONTROL	Equip pollution control for oil spills	Anchorage	2-13-75	May 21, 1975	100,000	100,000		
ALASKA POLLUTION CONTROL	To adequately equip Alaska pollution control	Anchorage	2-13-75	May 21, 1975	100,000	70,000		
A.R.C. INDUSTRIES, INC.	Purchase and improve existing business	Anchorage	3-27-73	May 21, 1975	60,000		60,000	Insufficient Collateral
CALISTA CORPORATION	Purchase 50-LP outboard	Anchorage	5-7-75	May 23, 1975	1,500	50,000		
MARHENKE, BOB	Equipment	Anchorage	4-14-75	June 3, 1975	110,000	93,500		
PREBLICH, EVALYN	Complete construction of a 50 unit campground at Sunrise, Alaska	Anchorage	4-1-75	June 3, 1975	80,000		80,000	Could not meet debt service

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
MARHENKE, BOB	Refinance existing building	Anchorage	4-14-75	June 3, 1975	110,000	93,500		
49 NORTH INC.	Tug and barge trans. services	Anchorage	6-9-75	June 10, 1975	100,000	100,000		
BROWN, CHARLES E.	Complete building & operating capital	Anchorage	6-13-75	June 16, 1975	100,000	100,000		
BROWN, CHARLES E.	Complete building of steel business	Anchorage	6-13-75	June 16, 1975	200,000	100,000		
KELLOGG, BERT F.	Blacktop three streets	Anchorage	5-20-75	June 20, 1975	53,000	53,000		
							YEAR <u>1976</u>	
49 NORTH, INC.	Implementation of Tug & Barge	Anchorage	6-4-75	July 10, 1975	100,000	100,000		
BEIRNE, DR. MICHAEL F.	Refinance land - real property	Anchorage	8-18-75	Aug. 21, 1975	100,000		100,000	Not Eligible
SILVER STAR MINING COMPANY (MELVIN, FRANCIS & PAUL BARRY)	Mining	Anchorage	2-26-75	Sept. 4, 1975	100,000	100,000		

TYPE OF LOAN

SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BEIRNE, MICHAEL	Refinance land - real property	Anchorage	8-18-75	Sept. 22, 1975	100,000	100,000		
QUICK, DEFORREST	Relocate business and purchase land	Anchorage	9-12-75	Oct. 3, 1975	98,000		98,000	Land Cost Too High for This Type of Investment
ADOLPH, PETER & MARTINSON, BAHNE	To construct Volvo Sales & Parts Facilities	Anchorage	9-15-75	Oct. 3, 1975	100,000	100,000		
RICKERSON, LUTHER DEAN	Purchase new rental equip. (aircraft)	Anchorage	1-28-76	Feb. 20, 1976	30,000		31,000	Unable to go over long term agree- ment of 5 years
CORNELL, ELSIE	Install sewer, drill well, pur- chase doser, gene- rator, install plumbing	Anchorage	2-6-76	March 17, 1976	50,000		50,000	Can't Meet Debt Service
FRANCIS-SELLERS-HENSEN	To purchase 4 Seasons Sport & Music Center	Anchorage	2-18-76	Mar. 19, 1976	95,000		100,000	Insufficient Collateral
ARCTIC ORIGINALS, INC.	Arts and crafts	Anchorage	3-12-76	April 2, 1976	90,500		90,500	Not-within intent of program
LOWDER, BARTON	Pay off mortgage	Anchorage	4-1-76	April 29, 1976	90,000	70,000		
CORNELL, ELSIE	Equipment & Construction	Anchorage	2-6-76	May 21, 1976	50,000		50,000	Can't Meet Debt Service
LOWDER, BARTON	Pay off const. Liens	Anchorage	4-1-76	May 21, 1976	20,000	20,000	(addition to existing loan)	
BROWN, RONALD O. & REESE J. NEIL d/b/a/ INTERIOR SHIPPING	Property and building	Anchorage	4-30-76	June 4, 1976	65,000	48,750		

TYPE OF LOAN		SMALL BUSINESS						
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
GARDNER, CHARLES F., Jr.	Equipment	Anchorage	5-3-76	July 22, 1976	33,000	30,000		
BAKER, JAMES d/b/a/ ALASKA ARCHERY	Construction	Anchorage	9-7-76	Sept. 24, 1976	100,000	100,000		
KLONDIKE ALASKA, INC.	Payoff long term liabilities	Chugiak	12-27-76	Feb. 3, 1977	100,000		100,000	Can't meet debt servicing
GILLIAM, PIERRE	Aircraft	Anchorage	8-9-76	Feb. 24, 1977	60,000		60,000	Not able to service debt
KLONDIKE ALASKA, INC.	Expansion	Chugiak	12-27-76	Feb. 24, 1977	100,000	100,000		
CLEAN SERVICE INC. (partial release)	Construction	Anchorage	3-29-74	Mar. 9, 1977	100,000	100,000		Approved on July 9, 1974. Release of property held by the State on March 9, 1977.
WUITSCHICK, WALTER	Service station	Anchorage	2-11-77	March 15, 1977	60,000	50,000		
STEWART, R. S. & S. WELDING (partial release of collateral)	Payoff	Anchorage	11-6-73	March 23, 1977	60,000	60,000		
PETERSON, WILLIAM	Charter	Anchorage	3-25-77	April 5, 1977	43,690		43,690	Debt servicing
JAMES, MARY L.	Inventory	Anchorage	3-7-77	April 12, 1977	116,809.50		116,809.50	Wrong type of loan
PETERSON, WILLIAM	Charter	Anchorage	4-11-77	April 12, 1977	43,690		43,690	Can't Meet Debt Service

TYPE OF LOAN		SMALL BUSINESS		YEAR 1977				
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SAFEWAY FLOOR CO. INC.	Capital	Anchorage	4-7-77	April 26, 1977	59,859		59,859	Shorter terms
BEDSWORTH, WILLIAM	Construction	Anchorage	12-27-76	April 28, 1977	192,000	74,810		
NAVROT, ROBERT	Warehouse	Anchorage	4-18-77	May 4, 1977	100,000	100,000		
BUCHANAN, JACK	Purchase business and property	Anchorage	3-25-77	May 26, 1977	100,000	100,000		
ALASKA BUSH CARRIERS, INC.	Building	Anchorage	4-8-77	June 14, 1977	100,000		100,000	Insufficient collateral
ALASKA BUSH CARRIERS, INC.	Building	Anchorage	4-8-77	June 16, 1977	100,000	100,000		

YEAR 1972

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
KSRM RADIO, INC.	Radio Operations	Soldotna	2-7-72	April 21, 1972	60,000	60,000		
PEDERSEN, WALTER	Clean-up & erosion control contracting	Starling	4-10-72	May 15, 1972	18,000	18,000		

YEAR 1973

WRIGHT, FRANK V.	Purchase equipment	Kenai	6-15-72	July 3, 1972	42,500		42,500	Insufficient collateral
ACKERSON, GEORGE d/b/a/ GOLDEN KEY ENTERPRISES, INC.	New equipment property (cabs)	Kenai	6-28-72	July 7, 1972	47,000	47,000		
SCHMIDT, ROBERT & DORIS d/b/a/ R-LEE SEAFOODS, INC.	Refinance business & provide working capital	Soldotna	9-15-72	Nov. 7, 1972	60,000		60,000	Environmental improvement
MULLIN, WILLIAM E.	To buy out K & M Construction	Homer	11-27-72	Jan. 9, 1973	60,000		60,000	Cannot service debt
SCHMIDT, ROBERT & DORIS d/b/a/ R-LEE SEAFOODS, INC.	Working capital & refinance business	Soldotna	9-15-72	Feb. 16, 1973	60,000	60,000		
SUNSET ROOFING, INC.	Purchase equipment & working capital	Soldotna	4-25-73	May 22, 1973	30,000		30,000	Insufficient collateral
BUCHANAN, DALTON W. d/b/a/ PENN'S HARDWARE	Working capital, asset acquisition & debt financing	Soldotna	4-17-73	May 22, 1973	55,000	55,000		

TYPE OF LOAN		SMALL BUSINESS		YEAR 1973				
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
WRIGHT, ZELL d/b/a/ BIG K GROCERY MART, INC.	Working capital	Soldotna	5-4-73	May 31, 1973	60,000		60,000	Insufficient business income
HUDSON, A. L. d/b/a/ HUDSON AIRCRAFT SERVICE & FALCON AVIATION, INC.	Payoff hangar, inquire full inventory of AVGAS for resale, obtain inventory of parts & equipment for aircraft	Kenai	5-2-73	May 31, 1973	56,250	56,250		
RUTHERFORD, MELVIN G. d/b/a/ BLOCKY'S BACKHOE	Purchase equipment	Kenai	1-29-73	June 11, 1973	59,000		60,000	Cannot meet 5 yr. term
PETERKIN, THOMAS	Construction of Building	Soldotna	5-29-73	July 25, 1973	60,000		60,000	Debt servicing
WRIGHT, FRANK V.	Operating capital	Kenai	8-2-73	August 14, 1973	10,000		10,000	Insufficient collateral
MAHURIN, WILLARD G. d/b/a/ RIVER TERRACE MOTEL	Complete new restaurant and payoff existing loan	Soldotna	10-19-73	Dec. 4, 1973	50,000	50,000		
HANSEN, ROBERT D.	Purchase inventory for business expansion	Soldotna	10-23-73	Dec. 4, 1973	40,000		40,000	Investment speculative
WOODFORD, THOMAS S.	Working capital & inventory	Soldotna	9-17-73	Dec. 14, 1973	40,000		40,000	Cannot service debt

YEAR 1974

YEAR 1974

TYPE OF LOAN		SMALL BUSINESS							
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>	
SCHMIDT, DORIS d/b/a/ R-LEE SEAFOODS, INC.	Refinance business & provide working capital	Soldotna	9-15-72	Feb. 14, 1974	60,000		60,000	Unable to service debt.	
ROPER, R. L.	Acquire new and existing equipment	Kenai	1-24-74	April 9, 1974	60,000		60,000	Lack of working capital	
HAMILTON, CECIL A.	Provide working Capital	Soldotna	2-11-74	April 9, 1974	25,000		25,000	Interpreted as a personal loan	
WELLS CARGO, INC.	To purchase additional equip- ment & for working capital	Kenai	3-27-74	May 21, 1974	60,000	60,000			
ROPER, ROBERT L. d/b/a/ INLET PROCESSING	Acquire new and existing equipment	Kenai	1-21-74	May 21, 1974	60,000	45,000			
WELLS CARGO, INC.	Equipment	Kenai	3-27-74	May 21, 1974	60,000	60,000			
ROPER, ROBERT L. d/b/a/ COOK INLET PROCESSING	Equipment and construction.	Kenai	1-21-74	May 21, 1974	60,000	45,000			

TYPE OF LOAN		SMALL BUSINESS		YEAR				
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
MCLANE, STANLEY S	Finance office building & crew	Soldotna	5-9-74	July 3, 1974	60,000	60,000		
MCLANE, STANLEY S.	Retire note const.	Soldotna	5-9-74	July 3, 1974	60,000	60,000		
CLUTTS, ROBERT E. d/b/a/ ANCHOR RIVER INN	Construction	Anchor Point	5-22-74	Aug. 2, 1974	110,000	100,000		
KENAI CHIROPRACTER CENTER, INC.	Refinancing	Kenai	8-2-74	Aug. 21, 1974	30,000	28,000		
OBERTS, LEO T. & JOHNSON, CLARENCE D. d/b/a/ JOHNNY JOHNSON MOTORS	Improvements & Equipment	Kenai	8-6-74	Aug. 27, 1974	100,000	100,000		
GAMACHE, WALTER N. d/b/a/ RIDGWAY BODY & FENDER	Retire loan & equipment	Soldotna	9-4-74	Sept. 24, 1974	24,500		24,500	Additional information -
WHITE, DELORIS M. d/b/a/ E & M SALES & SERVICE	Working capital & Pay off Loans	Homer	11-27-74	Dec. 26, 1974	50,000		50,000	Not enough collateral
WHITE, DELORIS d/b/a/ E & M SALES & SERVICE	Capital and Pay off Mortgage	Homer	11-23-74	Feb. 7, 1975	50,000	35,000		

YEAR 1976

TYPE OF LOAN		SMALL BUSINESS LOANS						
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
CEKIN, NEKOLA	Finish construction of Nick's Ark	Kasilof	7-11-75	August 19, 1975	50,000		50,000	Insufficient working capital
PAN ALASKA ADJUSTORS	Working capital	Kenai	8-11-75	Sept. 15, 1975	37,000		37,000	Couldn't meet debt servicing
PETERKIN, THOMAS	Construction of Building	Soldotna	5-29-73	Oct. 16, 1975	60,000	100,000		
TUEIT, JAMES H.	Acquire Hudson Aviation & Falcon Aviation	Kenai	9-22-75	Dec. 2, 1975	85,000	85,000		
PENINSULA GREENHOUSES, INC.	Operating capital	Kenai & Soldotna	1-26-76	Feb. 2, 1976	80,000		80,000	Can not meet Debt Servicing
DOYLE, PATRICK	Refinancing and working capital	Kenai	2-09-76	Mar. 5, 1976	100,000		100,000	Working capital is on short term basis wanted long term
4 SEASONS SPORT & MUSIC	Sport and music Center	Homer	2-18-76	April 2, 1976	100,000		100,000	Insufficient Collat
DOYLE, PATRICK	Refinancing and working capital	Kenai	2-9-76	April 2, 1976	100,000	45,000		
4 SEASONS SPORT CENTER	Sport & Music Center	Homer	2-18-76	April 9, 1976	95,000	85,000		
TOLOFF, DANIEL	Crane for oil	Kenai	3-18-76	April 9, 1976	95,000	95,000		

TYPE OF LOAN		SMALL BUSINESS LOANS			YEAR 1976			
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
TOLOFF, DANIEL	Equipment	Kenai	3-18-76	May 11, 1976	95,000	76,000		
							YEAR 1977	
JEPPESON, JERALD K.	Remodel	Anchor Point	4-30-76	July 9, 1976	90,000		90,000	Can't meet debt serv servicing
NORTHSAIL ADVENTURES, INC.	Passenger vessel	Homer	5-3-76	July 9, 1976	90,000	90,000		
WASSON, GERALD	Construction	Kenai	6-8-76	July 21, 1976	97,500	97,000		
DIAMOND, DAVID	Building construction	Kenai	7-28-76	Aug. 27, 1976	100,000	56,000		
KENAI NEWSPAPERS, INC.	To purchase & remodel a building	Kenai	11-10-76	Dec. 14, 1976	100,000	100,000		
BUXTON, PAUL	Construction	Soldotna	11-15-76	Feb. 24, 1977	62,000	62,000		
TILLION, WILLIAM	Vessel & Equipment	Homer	12-14-77	Mar. 15, 1977	65,000	65,000		
SALING'S INC.	Vessel	Homer	1-18-77	Mar. 23, 1977	65,468	65,468		
MAIN, LARRY N.	Build and equip	Soldotna	3-23-77	April 5, 1977	100,000	100,000		
BARR, JAMES	Purchase bar and store	Kenai	4-14-77	May 17, 1977	60,000	57,000		
BRAUN, FRED F.	Purchase building	Kenai	5-2-77	May 26, 1977	60,000	50,000		
SWANSON, RONALD	Payoff and construction	Kenai	5-2-77	June 7, 1977	100,000	94,000		

TYPE OF LOAN		SMALL BUSINESS		YEAR 1972				
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
WELCH, JOHN (Withdrawn)	Painting	Kodiak	2-3-72	April 21, 1972	20,000	20,000		
							YEAR 1973	
WELCH, JOHN	Purchase Equipment	Kodiak	2-3-72	July 3, 1972	20,000		20,000	Can't Meet Debt Svc.
OLSEN, HANS P.	Major repairs & survival gear-repay	Kodiak	3-25-72	Oct. 6, 1972	80,000	40,000		
IDEAL PAINTING, ROOFING AND DECORATING, INC.	Working capital for U.S.C.G. Kodiak. Alaska	Kodiak	1-16-73	June 11, 1973	20,000	20,000		
							YEAR 1974	
SWENSON TRUCKING & EXCAVATING, INCL	Working Capital & Refinancing	Kodiak	4-4-74	May 13, 1974	60,000		60,000	Insufficient extens.

YEAR 1976

TYPE OF LOAN

SMALL BUSINESS LOANS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BILLINGS, CHRIS	Purchase trailer court	Kodiak	3-23-76	April 16, 1976	56,250	56,500		
STEVENS, GARY	Seafood market	Kodiak	4-14-76	June 28, 1976	35,000		25,000	Can't meet debt servicing

YEAR 1977

STEVENS, GARY	Equipment & capital	Kodiak	4-14-76	July 9, 1976	35,000	20,000		
BEARDSLEY & EATON	Equipment	Kodiak	9-21-76	April 19, 1977	100,000	100,000		
BEARDSLEY & EATON	Equipment	Kodiak	9-21-76	April 28, 1977	50,000	50,000		
STEVENS, GARY	Establish market	Kodiak	5-14-76	June 16, 1977	35,000	20,000		6 month extension of prin principal payments

HOUSE DISTRICT 15

YEAR 1977

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
GIMELLI & SHOWALTER	Purchase fuel tanks and inventory	Port Lions	7-13-76	Nov. 16, 1976	63,000		57,000	Could Not Meet Debt Servicing
OSTERBACK, OSTERBACK & NULT	Vessel	Sand Point	4-28-77	May 4, 1977	35,000	100,000		

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
DILLINGHAM COMMERCIAL CO.	Capital	Dillingham	6-19-74	July 12, 1974	100,000		100,000	Insufficient collateral
KACHEMAK SEAFOODS, INC.	Restore working capital	Togiak	3-5-75	May 23, 1975	75,000	75,000		

TYPE OF LOAN		SMALL BUSINESS		YEAR 1974				
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BETHEL DRILLING & WELDING SERVICE, INC.	Working capital	Bethel	10-19-73	Dec. 14, 1973	40,000	40,000		
							YEAR 1975	
BUSHMASTER AIR ALASKA, INC.	Aircraft and consolidate	Bethel	12-26-74	Feb. 7, 1975	41,146	41,000		
MUTE, ISAAC	Purchase cars for business	Bethel	4-3-75	May 7, 1975	10,000		10,000	Collateral unacceptable
CALISTA CORP.	Purchase boat engine	Bethel	5-1-75	May 23, 1975	2,000	2,000		

TYPE OF LOAN

SMALL BUSINESS

YEAR 1976

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
LUKUDAK, LAMBERT E.	To expand community theatre business	Emmonak	12-9-75	Jan. 6, 1976	10,000	10,000		

SMALL BUSINESS

NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
BETTLES LIGHT & POWER, INC.	Expand an existing State Certificate	Bettles	12-26-72	April 17, 1973	60,000		60,000	Too Speculative
						YEAR	1974	
MCHENRY, JOE	To finance a mill at Caribou Creek	Nenana	3-13-74	April 29, 1974	15,000	15,000		
BRAGG, BARNELL	Purchase equipment and material	Delta Junction	3-6-74	April 29, 1974	10,000	10,000		
						YEAR	1975	
WILSON, ALAN	Working capital	Nenana	1-10-75	Feb. 21, 1975	100,000		100,000	Business could not service debt.

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
ACKISS, WILLIAM	Purchase furniture & fixtures and existing inventory	Fairbanks	1-23-73	March 7, 1973	60,000	60,000		
							YEAR <u>1974</u>	
CRAIGEN & MILLER d/b/a CIRCLE M LOUNGE	Working capital	Fairbanks	8-6-73	Aug. 14, 1973	49,000		49,000	Insufficient Collateral
CRAIGEN & MILLER	Working capital	Fairbanks	10-24-73	Oct. 30, 1973	49,000		49,000	Debt Servicing
HILL, COY	Working capital	Fairbanks	11-30-73	Jan. 14, 1974	60,000		56,000	Insufficient Collateral
FRANKLIN, TERRY d/b/a POLARIS LOUNGE	To build and furnish new bar adjacent to present location of bar	Fairbanks	11-2-73	Jan. 4, 1974	35,000	30,000		
STURGEON, SHELTON d/b/a STURGEON TRANSPORTATION COMPANY	Purchase additional equipment needed to expand	Fairbanks	2-1-74	March 12, 1974	60,000	60,000		
CRAIGEN & MILLER	To rebuild business destroyed by fire	Fairbanks	8-3-73	March 12, 1974	49,000	49,000		
SMALLEY, JACK	Purchase tow permit and purchase of 4 new tow trucks	Fairbanks	2-11-74	April 29, 1974	60,000	60,000		
SWENSON TRUCKING AND EXCAVATING, INC.	Equipment and Expenses	Fairbanks	4-4-74	May 13, 1974	60,000		60,000	Not sufficient to put business stable

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
ARCTIC VILLAGE	Construction	Fairbanks	4-22-74	Aug. 29, 1974	40,000		40,000	Unable to meet debt servicing
ARCTIC VILLAGE (Gary Atwood & Robert Morton)	Construction	Fairbanks	8-7-74	Sept. 5, 1974	100,000	100,000		
RASMUSSEN, JOHN	Equipment	Fairbanks	6-20-74	Sept. 9, 1974	40,000		40,000	More Information
SCHRUF, JOSEF	Construction and equipment	Fairbanks	8-30-74	Oct. 4, 1974	75,000	75,000		
O'BRIEN, JACK	Construction and payoff mortgage	Fairbanks	9-16-74	Oct. 4, 1974	100,000	100,000		
RASMUSSEN, JOHN	Equipment	Fairbanks	6-20-74	Oct. 23, 1974	40,000	29,500		
KOBUK OIL CO., INC.	Remodel and construct	Faibanks	11-18-74	Dec. 2, 1974	100,000	100,000		
TURNER, JAMES	Purchase drilling equipment	Fairbanks	1-2-75	March 14, 1975	100,000	100,000		

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
WINDRUM, FRED & ANN	Service station and car wash	Fairbanks	6-26-75	July 23, 1975	100,000	100,000		
CRAIGEN & MILLER	Circle Lounge	Fairbanks	5-19-75	Jan. 6, 1976	49,000	49,000		
BENSON, CLIFFORD	Sole owner of corporation	Fairbanks	9-12-75	Jan. 6, 1976	38,000	60,000		
TAKU DEVELOPMENT (James Lundgren)	Purchase tow permit and tow trucks and equipment	Fairbanks	2-11-76	Feb. 25, 1976	60,000	60,000		
GRIFFIN, FRANK	Purchase of research vessel	Fairbanks	10-27-75	March 22, 1976	63,000	63,000		
WINDRUM, FRED (MR. & MRS.) (NORTH STAR TERMINALS)	Service Stations (3) and car wash	Fairbanks	6-26-76 5	June 4, 1976	100,000	100,000		(Changed Commitment to Participation)
							<u>YEAR 1977</u>	
DAVIDSON, LYNN M.	Property	Fairbanks	6-18-76	July 21, 1976	73,000	54,000		
ALASKA TENT & TARP	Construct additional building	Fairbanks	1-25-76	Aug. 6, 1976	100,000	100,000		
INSULATION ENGINEERING INC.	Shop, office and manufacturing	Fairbanks	7-19-76	Aug. 27, 1976	80,000	70,000		
TATE, RICHARD M.	Construct new shop and office building	Fairbanks	6-28-76	Sept. 29, 1976	100,000	100,000		
WILKEN, GARY	Purchase D.H. Distributors, Inc.	Fairbanks	8-25-76	Oct. 8, 1976	92,700	92,700		

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
RAMISKEY, THOMAS	Charter fishing business	Fairbanks	11-29-76	Dec. 14, 1976	96,000	90,000		
ADAMS, CHARLES R.	Finish construction of 10 bay garage	North Pole	11-18-76	Jan. 4, 1977	100,000	100,000		
BRITTAIN, GARY	Truck services, completion of building and operating capital	Fairbanks	12-15-76	Jan. 18, 1977	100,00		100,000.	Could not service debt
SWENSON TRUCKING & EXCAVATING	Working capital and payables	Fairbanks	11-22-76	Feb. 3, 1977	46,500	46,500		
ROLLE, JAMES W.	Capital.	Fairbanks	4-3-77	April 5, 1977	46,750		46,750	Insufficient Collateral
WIINDRUM, ANN d/b/a NORTH STAR TRUCK STOP	Service Station.	Fairbanks	6-26-76	April 19, 1977	100,000.	100,000		
SCARBOROUGH, THOMAS N.	Equipment	Fairbanks	4-8-77	April 28, 1977	23,000	23,000		
O'BRIEN, JACK	Inventory and construction	Fairbanks	9-16-74	May 10, 1977	100,000	100,000		(Release of 40 acres of land approved collateral)
WASSER, LIE E. JR.	New business	Fairbanks	4-28-77	May 31, 1977	45,000	35,000		
SIDERAKES, JOHN	Improve and addition	Fairbanks	3-21-77	June 14, 1977	200,000	100,000		

YEAR 1976TYPE OF LOANSMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
NORDHIM, ROGER W.	Purchase furniture store	Kotzebue	3-26-76	April 22, 1976	75,000	20,000		

1975
YEAR _____

TYPE OF LOAN SMALL BUSINESS

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
LARSON, TIMBERS & VAN WINKLE	Purchase office building	Nome	5-8-75	June 27, 1975	20,000	20,000		

YEAR 1977

L & S RENTALS	Construction	Nome	3-25-77	June 16, 1977	300,000	100,000		
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TYPE OF LOAN

SMALL BUSINESS

YEAR 1977

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
URION, KATHY	Inventory	Seattle	4-20-77	May 4, 1977	23,625	23,000		

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

HOUSE DISTRICT

1YEAR 1974

TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
WALTERS, ELSIE	Add 34 rooms restaurant & bar	Kecchikan	9-13-73	Oct. 30, 1973	782,000		782,000	Age was handicap
HILLTOP MOTEL, INC.	Construction	Ketchikan	12-10-73	Jan. 14, 1974	782,000	625,600		
CREEK STREET ENTERPRISES, INC.	Building	Ketchikan	3-11-74	May 6, 1974	134,000		134,000	Conflicted with Tourism program

YEAR 1975

CREEK STREET ENTERPRISES, INC.	Building	Ketchikan	9-13-74	Oct. 4, 1974	170,545	126,000		
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HOUSE DISTRICT 2YEAR 1974TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SEE, FRANK	Construction	Hoonah	9-20-73	April 18, 1974	150,000	150,000		

YEAR 1977

OLSON, RICHARD & DOTTIE	Hotel	Wrangell	9-9-76	Oct. 21, 1976	149,000	145,000		
HUNA TOTEM CORPORATION	Building motel restaurant	Hoonah	2-13-74	Oct. 21, 1976	150,000	150,000		

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
MORK, WILLIAM	Payoff note	Pelican	11-10-72	December 28, 1972	2,000	2,000		

POTLACH MOTEL	25 more units	Sitka	4-14-75	May 21, 1975	240,000	150,000		
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SITKA HOTEL ASSOCIATES	Hotel-restaurant	Sitka	2-10-77	June 16, 1977	1,000,000	1,600,000		
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YEAR 1973

TYPE OF LOAN		TOURISM							
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>	
MCNABB, E. L. (BUSTER)	Construction Hotel	Juneau	11-20-72	Dec. 1, 1972	1,000,000	1,000,000			
BARANOF HOTEL, INC.	Construction	Juneau	12-7-72	Mar. 7, 1973	1,250,000	1,000,000			
BURNS, ROBERT O. d/b/a/ KLONDIKE SAFARIS	Payoff and purchases of equipment	Juneau	4-23-73	May 31, 1973	55,890	24,000			
							YEAR	<u>1974</u>	
PETER'S BROTHERS, ALASKA	Mining operation	Juneau	9-28-73	Oct. 10, 1973	1,000,000		1,000,000	Not eligible for loan from fund	
							YEAR	<u>1975</u>	
FRANK ORICK & ASSOCIATES (HENRY CAMEROT & FRANK ORICK)	Construction restaurant	Juneau	6-17-74	July 12, 1974	600,000	600,000			
							YEAR	<u>1976</u>	
SHOCKLEY-SIDWELL	Boat charters	Juneau	1-12-76	Feb. 11, 1976	214,500	171,600			

YEAR 1973

TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SMITH, E. LEROY d/b/a/ SMITTY' GATEWAY LODGE	Pay off Construction financing	Glennallen	3-18-73	May 8, 1973	49,500		49,500	Does Not Qualify for Loan

YEAR 1974

OUR POINT OF VIEW LODGE, INC.	Const., remodel capital, equipment	Cooper Landing	4-1-74	May 29, 1974	95,000		95,000	Can't meet debt servicing
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YEAR 1975

B & E ENTERPRISES, INC.	"Boatel"	Valdez	6-21-74	Aug. 28, 1974	1,250,000		1,250,000	Insuf- ficient security
B & E ENTERPRISES, INC. (Charles W. Ellis)	"Boatel"	Valdez	6-21-74	Nov. 25, 1974	1,250,000	1,000,000		

YEAR 1976

HOUSE DISTRICT		TOURISM							
TYPE OF LOAN									
<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>	
AHTNA	Motel	Copper Center	7-11-75	August 8, 1975	874,725	755,000			
SMITH, JOHN	Motel	Seward	11-24-75	Jan. 6, 1976	218,400	273,000			

YEAR 1977

AHTNA, INC.	Const. motel, restaurant and bar	Glennallen	7-11-75	July 9, 1976	874,725		145,000	(Addition to 755,000 already loaned)
AHTNA INC.	Building	Copper Center	7-11-75	Aug. 27, 1976	874,725		874,725	Financial evaluation not current

TYPE OF LOAN

TOURISM

YEAR 1974

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BURRO, WILBERT	Improvements	Willow	3-6-74	May 29, 1974	149,500	149,500		
BURRO, WILBERT	Motel	Willow	3-6-74	May 29, 1974	149,500	149,500		

TYPE OF LOAN		TOURISM		YEAR 1973				
NAME	PURPOSE OF LOAN	LOCATION	DATE RECV'D	DATE ACTION TAKEN	AMOUNT REQUESTED	AMOUNT APPROVED	AMOUNT DISAPPROVED	REASON DISAPPROVED
LONGORIA, JULIAN	Construction	Anchorage	8-30-72	Jan. 30, 1973	235,200	231,127.80		
SHEPHERD, ED R. d/b/a/ TRADER ED'S CRUISES	Vessel	Anchorage	1-1-73	March 7, 1973	58,000		58,000	Terms not accepted
SHEPHERD, ED R. d/b/a/ TRADER ED'S CRUISES	Vessel	Anchorage	1-1-73	March 24, 1973	58,000	52,200		
							YEAR 1974	
KENDALL, BRUCE B.	Purchase motel (Kobuk)	Anchorage	6-25-73	July 30, 1973	750,000	750,000		
FAR NORTH DEVELOPMENT CORP.	Const. banquet house	Anchorage	8-9-73	Aug. 14, 1973	750,000		750,000	Not with intent of program
FAR NORTH DEVELOPMENT CORP.	Const. banquet house	Anchorage	8-9-73	Sept. 18, 1973	700,000		700,000	Can't meet debt servicing
MCCUNE, ALICE	Expanding	Anchorage	10-22-73	Oct. 30, 1973	49,500		49,500	Insufficient collateral
HENDERSON, NORMAN L. ARCTIC AUTO RENTAL, INC.	Expansion	Anchorage	1-14-74	Jan. 31, 1974	75,000		75,000	Insufficient collateral
ATZ TRAVEL, INC.	Develop tourism business	Anchorage	12-20-72	Feb. 8, 1974	195,000		100,000	Can't meet debt servicing

HOUSE DISTRICT

7-12

YEAR 1974

TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
ARCTIC AUTO RENTAL, INC. d/b/a/ BUDGET RENT-A-CAR	Expansion	Anchorage	2-21-74	March 12, 1974	53,000		53,000	Debt servicing
ATZ TRAVEL, INC.	Develop Tourism	Anchorage	12-20-72	March 12, 1974	195,000		100,000	Debt Servicing
YEAR 1975								
BARRATT INNS, INC. (Glen Barratt)	Add to inn	Anchorage	12-13-74	Feb. 10, 1975	700,000	690,000		
TUNDRA TOURS, INC. & UKPEAGVIK INUPIAT CORP.	Add to hotel	Anchorage	5-3-75	Mar. 27, 1975	1,000,000	1,000,000		
PIKE, ROGER	Purchase Merchandise	Anchorage	2-13-74	Mar. 27, 1975	80,000		80,000	Not enough collateral
PRINCE WILLIAM NAVIGATION	Finance and const. vessel	Anchorage	4-28-75	May 21, 1975	145,000	145,000		
NANA DEVELOPMENT CORP.	Const. hotel in Kotzebue	Anchorage	1-10-75	May 21, 1975	1,000,000	1,000,000		

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
GARTIN, CECIL L. JR.	Build addition to the original Brown Bear Lodge	Anchorage	3-11-76	Mar. 22, 1976	141,000		141,000	Can't meet debt servicing

YEAR 1977

GROSECLOSE, LINTON, HUGGINS	Build hotel	Anchorage	8-24-76	Sept. 10, 1976	3,450,000	1,000,000		
CALISTA CORPORATION	Building hotel	Anchorage	9-23-76	Oct. 21, 1976	1,000,000	1,000,000		
LARRY BECK & ASSOCIATES	Improving Alaska Show	Anchorage	3-3-77	May 4, 1977	120,000		120,000	Can't Meet Debt Servicing
LARRY BECK & ASSOCIATES	Improving Alaska Show	Anchorage	3-3-77	May 10, 1977	90,000	90,000		
LARRY BECK & ASSOCIATES	Improve Alaska Show	Anchorage	3-3-77	June 7, 1977	120,750	113,000		

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
MAYO, HARRY d/b/a/ RIVERSIDE CAMPGROUND	Expanding	Soldotna	6-4-73	July 18, 1973	35,000		35,000	Questioned ability to serve debt
DICSON, INC. (GARNER-BREWSTER)	Construction	Kenai	6-1-73	July 18, 1973	142,713		142,713	Lack of experience
EGAN, EMMETT d/b/a/ PINES MOTEL & BAR	Construction	Kenai	1-31-74	April 9, 1974	149,440		149,440	Not eligible for loan from fund

YEAR 1975

BECKER, DAVID L. d/b/a/ HEADY HOTEL	20-room addition	Homer	4-7-75	June 10, 1975	149,950	160,000		
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YEAR 1976

NORTH SAIL ADVENTURES INC.	Financing	Homer	5-3-76	June 4, 1976	90,000		90,000	Can't meet debt servicing
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HOUSE DISTRICT 13

YEAR 1977

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BECKER, DAVE d/b/a/ HEADY HOTEL	Addition to Hotel	Homer	4-7-75	July 9, 1976	149,950		32,000	(Addition to 160,000 already loaned)

YEAR 1974

HOUSE DISTRICT 10
TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE REC'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
GARRY, JOHN B. d/b/a BRISTOL BAY LODGE	Construction & mortgage payoff	Dillingham	8-2-73	Oct. 10, 1973	130,000	105,000		

YEAR 1975

GARRY, JOHN B. d/b/a/ BRISTOL BAY LODGE	Improve property	Dillingham	3-19-75	Mar. 27, 1975	130,000	149,950		
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TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
BETHEL DEVELOPMENT CORP.	Const. hotel & restaurant	Bethel	1-20-75	June 3, 1975	1,000,000	1,000,000		

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
COLRUD, GERALD d/b/a/ KOA KAMPGROUND	Campground	Healey	5-2-72	Sept. 13, 1972	115,000	78,000		
COLRUD, GERALD d/b/a/ KOA KAMPGROUND	Campground	Healey	5-2-72	Nov: 16, 1972	37,000	37,000		
							YEAR 1974	
BEARWALK, INC.	Payoff mortgage	Clear	3-29-74	April 9, 1974	35,000		35,000	Can't meet debt service
BEARWALK, INC.	Payoff mortgage	Clear	3-29-74	May 6, 1974	35,000		35,000	Can't meet debt service
							YEAR 1975	
COLRUD, GERALD d/b/a/ POTPOURRI, INC.	Campground	Healey	5-2-74	Dec. 26, 1974	115,000		115,000	Extension disapproved

TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
SOURDOUGH TOURS, INC.	Pay off	Fairbanks	11-16-72	Dec. 28, 1972	80,000	80,000		
GAUDIANE, DANIEL d/b/a/ CHENA VIEW HOTEL, INC.	Construction	Fairbanks	4-10-73	May 2, 1973	400,000		400,000	Financial structure

FANNING, KENNETH JAMES	Equipment	Fairbanks	5-3-73	July 18, 1973	12,000		12,000	Inadequate collateral
FAIRBANKS MOTEL INVESTMENT CORPORATION	Construction	Fairbanks	6-16-73	July 25, 1973	1,000,000	1,000,000		Commitment expired
ALASKA LODGE, INC.	Construction	Fairbanks	5-15-73	July 25, 1973	1,000,000		1,000,000	Appraised value questioned
FAIRBANKS MOTEL INVESTMENT CORPORATION	Construction	Fairbanks	2-14-74	March 1, 1974	1,000,000	1,000,000		Commitment expired

NORTH STAR DEVELOPERS INC.	Build motel	North Pole	4-18-75	May 23, 1975	717,750	574,000		
NORTH STAR DEVELOPERS INC.	Build motel	North Pole	4-18-75	May 23, 1975	717,750	574,000		

TYPE OF LOAN TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
FAIRBANKS MOTEL CORP. (Don Gilbert)	Add to existing motel	Fairbanks	2-14-74	Sept. 22, 1975	244,000	244,000 (reinstatement)		

STEPHENS, STANLEY	Expand marine boat charter	Fairbanks	2-15-77	May 17, 1977	149,900		149,900	can't meet debt service
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TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
NUL-LUK-VEK	Hotel	Kotzebue	11-19-75	Oct. 3, 1975	1,000,000	1,000,000		

TYPE OF LOAN

TOURISM

<u>NAME</u>	<u>PURPOSE OF LOAN</u>	<u>LOCATION</u>	<u>DATE RECV'D</u>	<u>DATE ACTION TAKEN</u>	<u>AMOUNT REQUESTED</u>	<u>AMOUNT APPROVED</u>	<u>AMOUNT DISAPPROVED</u>	<u>REASON DISAPPROVED</u>
ALASKA TOUR & MARKETING SERVICES, INC.	Vehicles & equipment	Seattle	1-29-74	Mar. 12, 1974	85,000	85,000		

YEAR 1977

ALASKA TOUR & MARKETING	Busses, land & build	Seattle	4-29-77	May 10, 1977	311,040	311,000		
ALASKA TOUR & MARKETING	Busses, Land & Building	Seattle	4-29-77	June 16, 1977	311,040	136,000		

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

	URBAN				RURAL			
	APPROVED	#	DISAPPROVED	#	APPROVED	#	DISAPPROVED	#
SMALL BUSINESS	9,570,810	143	3,947,698	79	5,887,968	102	3,013,000	48
TOURISM	12,870,927	25	4,788,400	16	7,605,550	20	3,964,378	14
COMMERCIAL FISHING	2,802,782	76	1,636,642	34	14,509,286		2,412,994	68
CHILD CARE	14,250	2	20,000	2				
FISHERIES ENHANCEMENT HATCHERIES					1,615,000	4		
WATER RESOURCES					2,050,000	4		
*URBAN -- ALL TYPES	25,258,769	250	10,392,740	131	31,667,804	383	9,390,372	130
* URBAN DISTRICTS ARE AS FOLLOWS: 4 Juneau Area 7-12 Anchorage Area 20 Fairbanks Seattle								

Commercial Fishing

Small Business

Tourism

District	Granted	#	Denied	#	Granted	#	Denied	#	Granted	#	Denied	#
1	\$ 1,133,039	29	\$ 468,100	11	\$ 1,164,350	16	\$ 295,000	5	\$ 751,600	2	\$ 916,000	2
2	1,611,968	40	655,017	15	265,000	3	63,500	3	345,000	3		
3	1,250,261	27	36,000	2	886,000	16	141,000	6	1,752,000	3		
4	2,059,532	57	1,074,750	24	3,389,050	58	1,173,500	25	2,795,600	5	1,000,000	1
5	2,792,845	60	564,877	19	298,000	7	232,000	4	2,028,000	3	2,414,225	4
6					253,400	5	100,000	1	199,000	2		
7-12	732,000	18	417,745	8	3,952,060	54	2,333,448	46	6,071,327	11	2,226,500	11
13	4,873,618	50	296,400	11	2,261,718	34	1,749,500	21	160,000	1	449,153	5
14	2,072,750	29	265,100	6	326,500	8	105,000	3				
15	674,175	14	82,500	1	100,000	1	57,000	1				
16	100,900	4	45,000	3	75,000	1	100,000	1	254,950	2		
17					83,000	3	10,000	1	1,000,000	1		
18					10,000	1						
19					25,000	3	160,000	2	115,000	2	185,000	3
20	11,250	1	46,000	1	2,206,700	30	440,750	8	3,472,000	6	1,561,900	4
21					20,000	1			1,000,000	1		
22					120,000	2						
Seattle			98,147	1	23,000	1			532,000	3		
TOTAL	\$ 17,312,068	329	\$ 4,049,636	102	\$ 15,458,778	244	\$ 6,960,698	127	\$ 20,476,447	45	\$ 8,752,778	30

District	Fisheries Enhancement			Child Care			Water Resources				
	Granted	#	Denied	#	Granted	#	Denied	#	Granted	#	Denied
1									\$ 420,000	1	
2	\$ 15,000	1							1,210,000	2	
5	1,600,000	3									
7-12					\$ 14,250	2	\$ 20,000	2			
14									420,000	1	
TOTAL	\$1,615,000	4			\$ 14,250	2	\$ 20,000	2	\$ 2,050,000	4	

628 loans approved totalling \$ 56,926,543

261 loans denied totalling 19,783,112

889 total loan applicants \$ 76,709,655 total dollars requested*

* This figure is a rough estimate as some individuals actually requested a greater or lesser amount than was granted. All the above data was received from the Division of Loans, Department of Commerce and Economic Development on September 28, 1977.

COMMERCIAL FISHING

DISTRICT	YEAR	APPROVED	DISAPPROVED
1	1973	7,000	-
	1974	22,500	95,000
	1975	286,864	-
	1976	338,175	218,100
	1977	478,500	155,000
2	1974	305,600	72,212
	1975	450,800	178,000
	1976	260,500	186,600
	1977	594,798	218,205
3	1973	95,000	-
	1974	323,461	14,000
	1975	131,800	-
	1976	-	-
	1977	700,000	22,000
4	1974	199,000	30,000
	1975	265,000	379,250
	1976	459,950	432,000
	1977	1,135,582	233,500
5	1974	225,750	-
	1975	495,500	24,800
	1976	1,115,195	332,077
	1977	956,400	208,000
6	-	-	-
7 - 12	1973	311,000	222,145
	1974	100,000	-
	1975	45,000	-
	1976	15,000	135,000
	1977	261,000	60,600
13	1974	30,800	18,800
	1975	467,000	-
	1976	807,750	155,600
	1977	909,109	122,000
14	1975	457,000	-
	1976	457,950	105,500
	1977	1,157,800	159,600
15	1974	133,750	-
	1975	10,000	-
	1976	100,000	-
	1977	430,425	82,500
16	1974	35,000	8,000
	1975	30,000	10,000
	1976	-	-
	1977	35,900	27,000
20	1976	11,250	46,000
Seattle	1975	-	98,147

DISTRICT	YEAR	APPROVED	DISAPPROVED
CHILD CARE 7-12	1977	14,250	20,000
FISHERIES ENHANCEMENT			
2	1977	15,000	-
5	1977	1,600,000	-
WATER RESOURCES			
1	1977	420,000	-
2	1977	1,210,000	-
14	1977	420,000	-
SMALL BUSINESS			
1	1972	60,000	-
	1974	-	120,000
	1975	300,000	40,000
	1976	585,600	135,000
	1977	193,750	-
2	1975	100,000	25,000
	1976	-	38,500
	1977	165,000	-
3	1975	206,000	16,000
	1976	280,000	100,000
	1977	400,000	25,000
4	1973	188,425	140,000
	1974	312,500	25,000
	1975	1,215,625	294,600
	1976	665,000	464,000
	1977	1,007,500	249,900
5	1973	14,500	60,000
	1974	141,500	12,000
	1975	30,000	-
	1976	74,500	60,000
	1977	37,500	100,000
6	1973	60,000	-
	1975	86,000	-
	1977	107,400	100,000
7 - 12	1973	308,000	374,600
	1974	328,000	628,000
	1975	1,842,500	952,500
	1976	538,750	519,500
	1977	814,810	524,048

SMALL BUSINESS (CONT.)

13	1972	78,000	-
	1973	218,250	312,500
	1974	260,000	295,000
	1975	383,000	74,500
	1976	486,000	367,000
	1977	836,468	90,000
	14	1972	20,000
1973		60,000	20,000
1974		-	60,000
1975		-	-
1976		56,500	25,000
1977		190,000	-
15		1977	100,000
16	1975	75,000	100,000
17	1974	40,000	-
	1975	43,000	10,000
18	1976	10,000	-
	1977	-	-
19	1973	-	60,000
	1974	25,000	-
	1975	-	100,000
20	1973	60,000	-
	1974	199,000	214,000
	1975	504,500	80,000
	1976	1,026,500	146,750
	1977	416,700	-
21	1976	20,000	-
22	1975	20,000	-
	1977	100,000	-
Seattle	1977	23,000	-

TOURISM

1	1974	625,600	916,000
	1975	126,000	-
2	1974	150,000	-
	1975	195,000	-
3	1973	2,000	-
	1975	150,000	-
	1977	1,600,000	-
4	1973	2,024,000	-
	1974	-	1,000,000
	1975	600,000	-
	1976	171,600	-

DISTRICT	YEAR	APPROVED	DISAPPROVED
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TOURISM (CONT.)

5	1973	-	49,500
	1974	-	95,000
	1975	1,000,000	1,250,000
	1976	1,028,000	-
	1977	-	1,019,725
6	1974	199,000	-
7 - 12	1973	283,327	58,000
	1974	750,000	1,827,500
	1975	2,835,500	80,000
	1976	-	141,000
	1977	2,203,000	120,000
13	1974	-	327,153
	1975	160,000	-
	1976	-	90,000
	1977	-	32,000
16	1974	105,000	-
	1975	149,950	-
17	1975	1,000,000	-
19	1973	115,000	-
	1974	-	70,000
	1975	-	115,000
20	1973	80,000	400,000
	1974	2,000,000	1,012,000
	1975	1,148,000	-
	1976	244,000	-
	1977	-	149,900
21	1976	1,000,000	-
Seattle	1974	85,000	-
	1977	447,000	-

#170

A NARRATIVE ON SENATE BILL 429
AND SENATE BILL 510

by

The Senate Special Committee on the Permanent Fund

Dear Alaskan:

The following report explains the Senate proposed legislation regarding utilization and management of the Permanent Fund and the Renewable Resources Development Fund. Some key points of the Senate legislation are:

REDUCE BUREAUCRACY

PROVIDE GREATER CONTROL

MAXIMIZE BENEFITS TO ALASKANS

OPTIMAL PROGRAM ACCOUNTABILITY

LOWER HOUSING COSTS

CONTRIBUTE TO LOWER COST OF LIVING

FINANCIAL DEVELOPMENT FOR
RENEWABLE RESOURCES

SECURE PERMANENT FUND MONIES
WITH HIGH GRADE INVESTMENT

Please feel free to submit any comments you may have regarding the Senate proposal to:

Senator George Hohman, Chairman
Senate Special Committee on the Permanent Fund
Pouch V
Juneau, Alaska 99811

Sincerely,

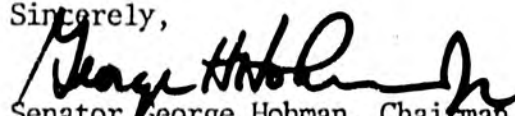

Senator George Hohman, Chairman
Senate Special Committee on the
Permanent Fund

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INTRODUCTION

In November of 1976, Alaskan voters approved a constitutional amendment which provides that at least 25% of certain non-renewable resource revenues be placed in a permanent fund. The amendment requires that the money be used for income-producing investments designated eligible by the legislature. Unless the legislature otherwise stipulates, earnings from the permanent fund will go to the state's general fund.

Because of the impact of the permanent fund on Alaskans, various opinion polls have been conducted to assess public sentiment about state needs and priorities, with emphasis placed on the structure, management and use of the permanent fund (Dittman for the Senate Committee on the Permanent Fund, Dec., 1977; Rowan Group Report for the Office of the Governor, July, 1977; and the Alaska Public Forum Report, March, 1977).

In addition to using data generated by public hearings and public opinion polls, the Senate Committee on the Permanent Fund sent questionnaires to individuals in rural Alaska and the Alaska State Chamber of Commerce members for their input regarding permanent fund usage. From the responses received from both the questionnaires and the poll tabulations, various priorities surfaced. Many individuals feel there is a shortage of capital available for lending to business venture and for purchase and construction of housing. Development of renewable resources (including agriculture, timber, and fishing) is a high priority. Community development also received support. At the same time, the respondents strongly urged that the permanent fund principal be invested in hi-grade guaranteed securities, thus maintaining the integrity of the fund for future generations.

The Senate Committee on the Permanent Fund, chaired by Senator George Hohman, has submitted legislation designed to address the expressed concerns of Alaskan citizens. The committee's legislation proposes to invest 100% of the permanent fund principal in hi-grade securities and use the earnings as a guarantee for issuing revenue bonds. The proceeds of the bonds will be used to fund the Alaska Loan Programs Fund, which would expand, consolidate and administer the activities of existing state loan programs. The legislation also develops a plan for usage of the Renewable Resources Development Fund. The following report will address the Alaska Loan Programs Fund, the investment and management of the permanent fund, and the Renewable Resources Development Fund. There is also a section dealing with the Senate proposed Reserve for Capital Outlay Account which would be used to finance non-recurring expenditures.

MANAGEMENT OF THE PERMANENT FUND

Lombard-Wall, Inc., a New York management consultant firm, was assigned the task of making recommendations concerning the management of investment assets of the permanent fund. Lombard-Wall's senior Vice President, Mr. Fred Branditz, came to Alaska specifically to review the structure, management and personnel of Treasury in order to evaluate the role that group might play in managing the permanent fund principal. In a report presented to the Senate Committee on the Permanent Fund, Lombard-Wall recommended the permanent fund be managed and invested by the Division of Treasury for the following reasons:

- 1) The expertise already exists within the infrastructure for most, if not all, the activities currently contemplated for the permanent fund. The Treasury Division administers \$1/2 billion of fixed income securities for the general fund and an additional \$1/2 billion for 7 segregated funds.

- 2) Employing an entirely new staff to manage the permanent fund would present many difficulties and risks.
- 3) The combined resources of the permanent fund, the general fund and the pension funds will create a pool of assets sufficient to employ specialized, sophisticated investment techniques to a degree none could afford individually. Thus all areas will benefit from combined management.
- 4) The revenues accruing to the permanent fund derive from taxes and belong to all of the citizens of Alaska. Therefore, no conflict of interest can result from their management by an existing state agency.
- 5) Accounting techniques currently exist for allocating cost among the various funds.

The Lombard-Wall report also includes an analysis of the capabilities of the Division of Treasury. The report concluded that there is efficiency in management of funds currently assigned to Treasury and that the staff, in particular, appears capable of assuming greater responsibility. Braditz also recommends that the Treasury be reorganized to include delegation of line and staff duties, creation of several new positions, and improvement of certain support functions in order to maximize earnings from the larger pool of assets anticipated.

In addition to the study undertaken by Lombard-Wall, letters received from the Treasury Divisions in other states indicate that placement of all state funds in the State Treasury is sound public policy.

In accordance with the above recommendations, the Senate Committee on the Permanent Fund has proposed a reorganization of Treasury to assure a program of sound investment policy, continuity and accountability to the legislative branch of government. A Division of Treasury would be created by statute, headed by a director subject to the merit system. The

director would be solely accountable for investment policy and management of the general fund, the permanent fund, and all other state funds. Additionally, he would be responsible for the organization and staffing of the Treasury Division.

The proposed legislation specifies those areas authorized for permanent fund investment. Primarily, it limits investment in corporate obligations to those with an 'A' or better rating, and allows only those securities which are federally insured. It may also be invested in bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska Law.

In order to keep the Executive and Legislative branches informed, the Legislative Budget and Audit Committee would provide a quarterly report regarding the investment activity of the Division of Treasury to the legislature. The legislature may exercise its law-making power to statutorily change the authorized investments allowable in Treasury should the Budget and Audit report reveal a need for such revision. Additionally, investment policy shall be proposed to the legislature during the first ten days of any regular session and only becomes effective 60 days after presentation unless disapproved by a resolution concurred in by a majority of the members of each house.

Upon recommendation of the Commissioner of Revenue, the Governor may disallow an investment strategy or policy of the Division. Budget and Audit must also receive notification and rationale for such actions and present them to the legislature.

RATIONALE FOR ESTABLISHMENT OF THE ALASKA LOAN PROGRAM

Since statehood, the Alaskan legislature has created ten loan programs and six independent corporations to meet the capital needs of various groups or to enhance development of certain industries within the State.

Generally, these target groups were unable to obtain adequate financing (either loan dollar amounts, interest rates, or loans of sufficient duration) from private financial institutions within or outside Alaska. The loan programs were not created to compete with private lenders, in fact, bank participation is a requirement of one loan program. Rather, as a matter of public policy the loan programs were conceived to provide funds for Alaskan ventures at terms banks could not (i.e. long term money) or would not (i.e. higher levels of risk) capitalize. Most of the loan programs are administered by the Department of Commerce and Economic Development, exceptions being the Agricultural Revolving Loan Fund (Dept. of Natural Resources); the Scholarship Revolving Loan Fund (Dept. of Education); and the Senior Citizens Housing Loan Fund (Dept. of Community and Regional Affairs). The independent corporations - Alaska Housing Finance Corporation, the Alaska Power Authority, the Alaska Development Corporation, the Small Business Development Corporation, the Municipal Bond Bank, and the Industrial Development Authority are not within the direct purview of any state agency.

The history of the loan programs and independent corporations is somewhat dismal. Once created, these programs often fail to (1) remain operational; (2) comply with legislative intent; (3) operate in an efficient manner; (4) be known to the general population; and (5) come under legislative scrutiny in a timely and regular manner. In addition, there is little standardization among the programs with regard to eligibility criteria, interest rates and terms, and maximum loan amounts.

Two of the independent corporations, the Alaska Development Corporation and the Small Business Development Corporation, are no longer engaged in lending activity. The Alaska Power Authority, created in 1976 is still in the organizational phase, and the Industrial

Development Authority, created in 1967, has become operational only as a result of amendments passed during the 1977 session expanding its authorized areas of activity.

Failure to comply with legislative intent is illustrated by the Alaska Housing Finance Corporation, established in 1971 to meet the mortgage needs of low and moderate income Alaskans in blighted or remote areas of the state where normal bank financing for home purchases is difficult to obtain. AHFC issues its own bonds for lending capital; there is a yearly legislative appropriation for the necessary reserve requirements that such an issue entails. However, AHFC does not come under the Executive Budget Act, and its operations come under legislative scrutiny only when performance audits are done by the Legislative Budget and Audit Committee at three year intervals (AS 24.20.271(2)). An investigation by the Office of Ombudsman conducted in July, 1977, while not a formal audit, brought to light the facts that AHFC has promulgated no administrative procedures and had made loan policy changes without benefit of required public hearings beforehand. These facts were also noted in an audit performed by the Division of Legislative Audit, dated November 11, 1977, and released in February, 1978. The Ombudsman also stated that information concerning the policy changes had been selectively distributed to the state's financial institutions.

AHFC's current lending activity is distributed on a ratio of 90% urban, 10% rural counter to the corporation's statutory mandate that loan activity shall be concentrated in "remote, underdeveloped or blighted areas" (AS 18.56.010). Although, AHFC has developed a loan program for rural home improvements or building material loans, according to the November 15 audit (Division of Legislative Audit) the program has received no publicity.

Taken as a whole, internal operation of the various loan programs can be neither damned nor praised. There are instances of good management, very poor management, and the entire spectrum in between. Delinquency rates in the loan programs vary from 33% (Agricultural Revolving Loan Fund) to 2% (Veteran's Revolving Loan Fund). Characteristic of all loan programs is that loan granting, record keeping and collection functions occur within the same division. While an inherently sound practice for private financial institutions, whose goal is maximization of profit, within the bureaucracy of state government inattention to accounting and collection aspects have worked against the best interest of the state, both in loss of return on investment and diminished public confidence in the program. Recommendations issued by the Legislative Budget and Audit Committee after performance audits are almost exclusively in the areas of record keeping (accounting) and collection.

Currently, administrative costs for the state loan programs are in excess of \$2 million per year; both the Legislative Budget and Audit Committee and the Director of Business Loans have indicated that economies of scale, efficiencies of operation, and more equal opportunity for loan applicants would probably result were the state loan programs to be consolidated and/or streamlined in some manner.

The legislation proposed by the Senate Committee on the Permanent Fund would dissolve all the existing loan programs and independent corporations now in operation. In their place would be created the Alaska Loan Programs Fund, which would lend in all areas now served by these entities.

The lending arm of the Alaska Loan Programs Fund will be a division

in the Department of Commerce and Economic Development, with field offices initially established in Anchorage, Fairbanks and Juneau; others will be opened as volume dictates. These offices will provide, in addition to information about the Alaska Loan Program, information concerning state and federal grant programs, and federal and private sources of loans.

Provisions are made in the legislation for individuals and corporations to engage in borrowing through the Alaska Loan Program in cooperation or participation with the private financial institution of their choice.

The scope of activity includes; 1) educational loans of \$4,000 for undergraduates, and \$8,000 for graduate students; 2) commercial loans with a maximum of \$500,000 per individual and \$5 million maximum for no more than 10 individuals in a project, or a corporation where no more than 10 individuals owning stock assume a personal liability; 3) residential loans ranging from \$90,000 for a single residence to \$210,000 for a 4-plex; and 4) public purpose loans where the Alaska Loan Program will submit a bid for all GO and revenue bonds offered on a competitive basis by a home rule borough or city or general law borough or city under the laws of the state, loans to municipalities of less than 5,000 population through purchase of municipal bonds, industrial development projects conducting exempt activities under federal law, and revenue bonds issued on behalf of a non-profit corporation with approval of the municipality.

The interest rate charged for loans will be standardized, and depending on the cost of the revenue bonds issued, should be in the 7% range. In the event that a reduction in the basic interest rate is deemed desirable, as for veteran's or educational loans, the difference in interest rates charged to the borrower and that paid to the Alaska Loan Programs Fund would be paid on a yearly basis from the general fund.

The Senate legislation also addresses incentives for renewable resource loans. In 1974, the legislature passed a bill creating the Alaska Renewable Resources Development Fund. Not less than 5% of the receipts from revenues derived from certain renewable resources will be deposited in this fund. The proceeds of this fund are to be utilized to enhance and develop renewable resource programs.

The proposed legislation creates the Division of Renewable Resource Development, also within the Department of Commerce and Economic Development. This division will work hand in hand with the Alaska Loan Program by performing feasibility studies on renewable resource project loans and participating in one or more of three ways: 1) interest incentives; 2) equity participation; and 3) loan guarantees. They may also make grants for eligible projects with legislative approval.

Eligibility criteria will also be standardized, the main requirements for individuals being Alaska residency of five years duration and 18 years of age or older. For loans to corporate entities, more than 60% of its co-owner—shareholders must be Alaska residents for five years or more at the time of application, and the officers of the corporation must assume individual liability for the loan's repayment.

Length of experience will determine the maximum commercial loan amounts once basic eligibility criteria have been met. Percentages of the maximum amount available for borrowing will be reduced if the applicant has less than 5 years experience in the area of loan application.

Maximum loan amounts have, in most cases, been increased to more realistically reflect current costs of living, building, or doing business in the state. Additionally, a cost differential formula has been added to the maximum loan amounts to reflect higher costs incurred in rural areas.

Collateral requirements for commercial and real estate loans will be no less than 90% of the real property held as security, and no less than 80% of equipment held as security.

Should a loan become delinquent in excess of 30 days, a loan evaluation committee shall review the loan and consider reevaluation of its terms and conditions, provided the loan can be restructured in such a way as to protect the interests of the state.

Accounting for the Alaska Loan Programs Fund will be performed by the Dept. of Administration. Reports will be made by the Depts. of Commerce and Revenue to the Legislative Budget and Audit Committee on a monthly basis itemizing loans which are in excess of 30 days delinquent, and outlining the measures taken to insure compliance with conditions and terms of the loan.

Within the Dept. of Revenue, a division will be created to assume the collection function for all loans made by the Fund. Reports of collection efforts will be made to the Budget and Audit Committee.

The Budget and Audit Committee will do a quarterly review of the performance and status of the lending, accounting and collection procedures of the three agencies involved and will present their findings and recommendations to the legislature for review and action.

FUNDING OF THE ALASKA LOAN PROGRAMS FUND

Primary funding for the Alaska Loan Program will come from proceeds of revenue bonds. Revenue bonds are tax-exempt under Federal law, resulting in lower interest costs to the borrower. Loans from the Alaska Loan Program are limited to \$5,000,000 for any one project in a specific locality. There would, however, be no limit on the amount lendable for public purpose loans - those to local government units, public utilities, hospitals, etc. Due to the Federal restrictions, any violation of these

limits could result in the loss of the tax-exempt status of the bonds.

Because of the low bond interest to the Loan Program, loans can be made to Alaskans at an interest below market rate; the cost of money to the Loan Program plus a 1% service fee for administrative costs of loan processing. Additionally, this type of funding would place no budgetary limits on the amount of money available for lending in any of the loan categories. As the earnings of the permanent fund increase, additional bonds can be issued to meet the borrowing needs of Alaskans. Repayment of the bonds would come strictly from repayment of borrowers of the Alaska Loan Program. Following is a brief description of the Alaska Loan Programs Fund and organization of the reserve accounts to be established.

- 1) Alaska Loan Programs Fund - All bond proceeds except those designated in 2) of this section to be placed in this fund.
- 2) Debt Reserve Account - For the purpose of securing each issue of its obligations, the Alaska Loan Programs Fund will pay into this account the maximum amount permissible under Federal law and regulations for tax-exempt obligations. All money in this account may be used when required, when money is not available from the principal and interest account or the capital reserve account solely for the payment of the principal of obligations, the purchase or redemption of obligations, the payment of interest on obligations, or the payment of any redemption premium required to be paid when those obligations are redeemed before maturity. Any interest or income from this account and any amount remaining in the debt service reserve account when the issue secured by the account is fully retired shall be paid to the unallocated reserve account.
- 3) Unallocated Reserve Account - All earnings from the permanent fund will be placed in this account. The amounts necessary to fund the capital reserve account, the insurance reserve account, and the loss reserve account

will be furnished from this account. At such time as may be necessary, amounts in the unallocated reserve account will be transferred to the general fund.

4) Capital Reserve Account - the Commissioner of Revenue shall place an amount equal to 5% of all obligations issued and sold into this account. At the end of each fiscal year, the Commissioner will withdraw or add to the account that amount necessary to maintain the 5% of the obligations secured. Excess funds will be returned to the unallocated reserve account. All money in this account may be used as required for the payment of bond obligation principal, the purchase or redemption of obligations, the payment of interest on obligations, or the payment of any redemption premium required should obligations be redeemed before maturity.

5) Loss Reserve Account - A special account is established for the purpose of protecting the financial integrity of the fund. The Commissioner of Revenue shall pay into this account an amount equal to 5% of the estimated total amount of all loans to be made by the fund during the first fiscal year of operation. At the first of each succeeding fiscal year and thereafter, an amount necessary to bring the balance of the account up to 5% of the total amount of loans to be outstanding during the fiscal year shall be paid into the account. The 1% loan service fee will also be placed in this account and used to reimburse the unallocated reserve account.

6) Fire Insurance and Liability Reserve Account - The Alaska Loan Program may issue loans without requiring proof of insurance if an additional amount of .6% is made by the borrower. The account shall only be used for reimbursement to the Loan Programs Fund for losses of property having the insurance coverage.

RESERVE FOR CAPITAL OUTLAY ACCOUNT

The Senate proposal provides that 30% of the oil and gas receipts will be set aside in a reserve for capital outlay account within the general fund. Monies from this account will be used to finance non-recurring expenditures. Deducting the 25% for permanent fund, 5% renewable resources development fund, and 30% for the capital outlay account, the Governor will be required to prepare a balanced budget against the remaining 40% of current receipts (less until the Native Land Claims are paid off). The Governor will also be required to perform long-range capital programming and financial planning in conjunction with this program. A current inventory of all state facilities, including a projection of the serviceability of the facilities and projections of replacements and additions to facilities needed to provide the level of services programmed by the various user agencies, is also required in the Senate proposal.

Existing State Loan Programs and Independent Corporations

Lending Agency	Eligibility	Interest	Terms	Amount
Agricultural Loan Fund	AK resident farmer, homesteader or partner of same 2 - 3 years experience	6.0%	1 yr	\$ 25,000
Short Term		6.0%	30 yr	200,000
Farm Development		6.0%	7 yr	100,000
Chattel Irrigation		4.0%	10 yr	no max
AK State Development Corp (presently inactive)		legal rt	20 yr	750,000
Child Care Loan Fund	Certificate of need (CRA) required	6.0%	10 yr	10,000
Commercial Fishing Loan	5 yr AK resident; 3 yr license	7.0%	15 yr	150,000
Fisheries Enhancement	For non-profit hatchery permit holder For non-profit corporation	8.0% 8.0%	25 yr 25 yr	300,000 3,000,000
Small Business Dev. Corp.	Through Local Development Corp with/SBA	7.0%	25 yr	
Small Business Loan Fund	AK resident; less than 50 employees	8.0%	5-15 yr	300,000
Student Financial Aid	AK resident; full time graduate undergraduate	5.0% 5.0%	6-10 yr 6-10 yr	5,000 2,500
Tourism Loan Fund	Requires bank participation for loans exceeding \$150,000	8.0%	20 yr	3,000,000
Veterans Loan Fund	AK Veteran; Veteran residing 5 years in state; 6 yr Nat'l Guard	7.5%	20-30 yr	10,000
Personal		7.5%	same	125,000
Business		7.5%	same	83,250
Vet occupied duplex		7.5%	same	68,250
Single family Multiple dwelling		7.5%	same	110,000
Water Resources Loan Fund	Public utilities	5.0%	7 yr	
Senior Citizens Dev. Fund	Municipalities and corporations		None Specified	
AK Housing Finance Corp.	Owner occupants; home improvement loans only in rural Alaska			
Conventional				
Single family		7.75%	30 yr	65,000
Duplex		7.75%	same	90,000
FHA/VA Insured		7.50%	same	65,000
Single family Duplex		7.50%	same	90,000
Home Improvement		9.50%	15 yr	15,000
Historical Loan Fund	Person, firm, or municipality	6.5%		100,000
AK Industrial Dev. Authority	Industrial development projects with approval of local governmental unit		Through Bond Issue	
Municipal Bond Bank	Municipalities		Through Bond Issue	
AK Power Authority	Not yet operational			

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SENATE PROPOSED ALASKA LOAN PROGRAM

STANDARD ELIGIBILITY: Five year Alaskan resident
Eighteen years of age or older

STANDARD INTEREST: No more than 1% plus the cost of borrowing to the ALP

INTEREST INCENTIVES: Agricultural loans - standard interest less 1%

Veterans loans - standard interest less 1% (less additional 1/2% for twice qualifying veterans)

Renewable Resources loans - interest incentive to be determined by the Renewable Resources Development Division

TERMS: 30 yr. on loan secured by real property
15 yr. on life of equipment on loans secured by equipment
7 yr. or life of chattel on loans secured by chattel
1 yr. on a loan for working capital

<u>Category</u>	<u>Description</u>
Educational	1) Individual enrolled in full-time college, work study, or vocational program 2) \$4,000 per year for under-graduate; \$8,000 for graduate 3) \$16,000 maximum outstanding allowable
Residential	1) \$ 90,000 for single dwelling 130,000 for duplex 170,000 for tri-plex 210,000 for four-plex 2) Collateral requirements: 90% appraised value of real property 95% in areas lacking FHA mortgages
Commercial	1) \$500,000 maximum per individual \$5 million for group of no more than 10 individuals in project or corporation where 10 individuals owning stock assume liability 2) Collateral requirements: 80% appraised value of equipment 90% appraised value of real property
Public Purpose	1) ALP will submit bid for all G.O. and revenue bonds offered on a competitive basis by home rule or general law borough or city 2) Loans to municipalities with population under 5,000 through purchase of municipal bonds 3) Industrial development projects conducting exempt activities under federal law 4) Issue of revenue bonds on behalf of a non-profit corporation with the approval of the municipality in which it is located

ALASKA LOAN PROGRAM

ELIGIBILITY: 5 yr. Alaska resident, minimum 18 yrs. of age

INTEREST: Cost of borrowing to ALP plus 1% service fee

TERMS: 30 yr. on loan secured by real property
 15 yr. on life of equipment on loans secured by equipment
 7 yr. or life of chattel on loans secured by chattel
 1 yr. on a loan for working capital

COLLATERAL: 80% appraised value of equipment
 90% appraised value of real property
 95% for residential where FHA mortgage not available

EDUCATIONAL

RESIDENTIAL

PUBLIC PURPOSE

COMMERCIAL

\$4,000 per yr/undergraduate 8,000 per yr/graduate 16,000 maximum outstanding	\$ 90,000 single dwelling 130,000 duplex 170,000 triplex 210,000 fourplex	Eligible Entities Boroughs and cities Municipalities Industrial development projects Non-profit corporations	\$500,000 max per individual \$5 million max per group or corporation assuming individual liability
---	--	--	--

17

ORGANIZATIONAL CHARTS

The following Organizational Charts A through D have been prepared by the Senate Special Committee on the Permanent Fund.

Organizational Chart A

Per existing state agencies

Organizational Chart B

Per House Bill 298, the Governor's Bill

Organizational Chart C

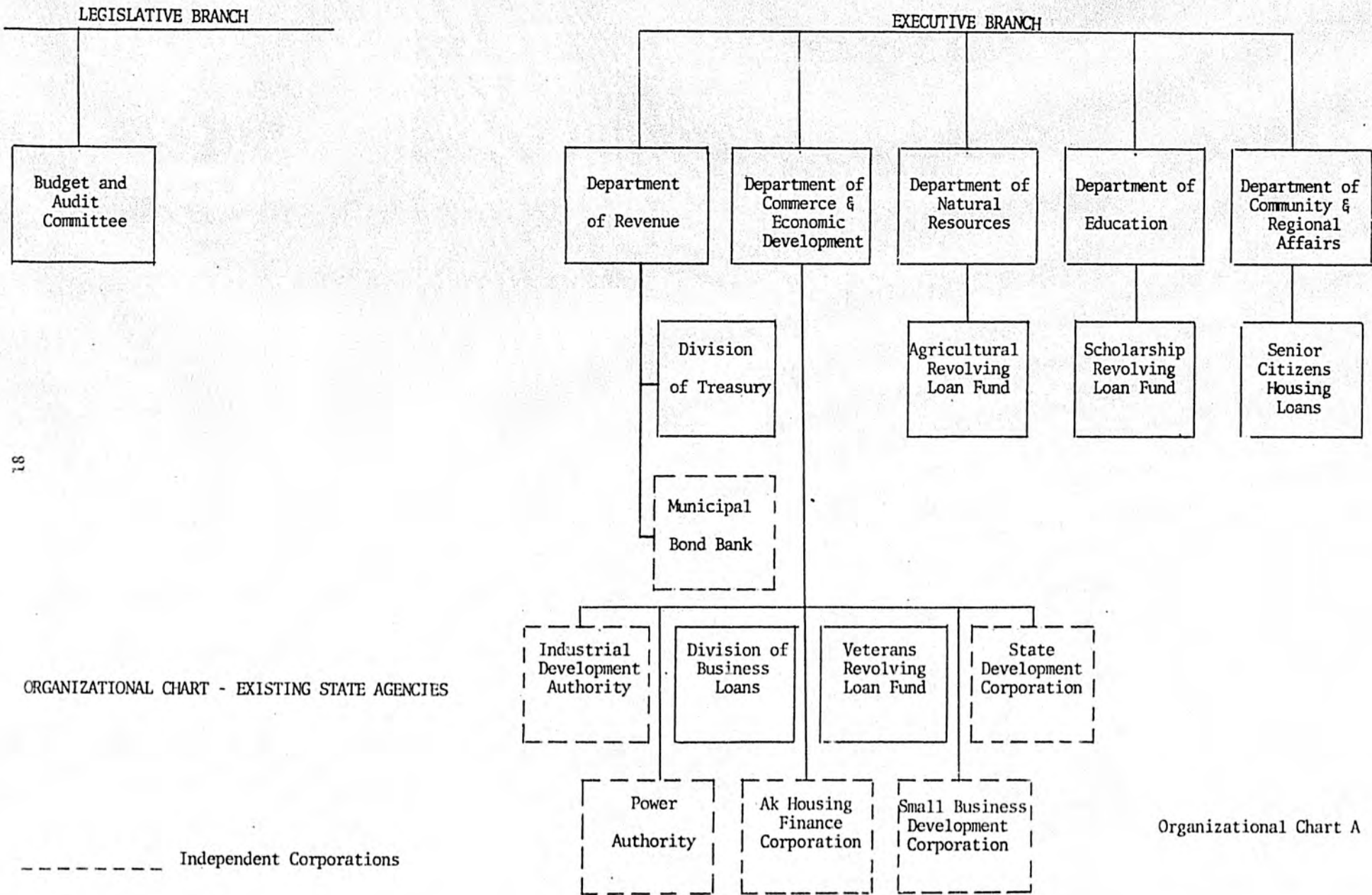
Per House Bills 596 and 682, by the House Special Committee on the Permanent Fund

Organizational Chart D

Per Senate Bill 429, by the Senate Special Committee on the Permanent Fund

Organizational Chart E

Organizational and flow chart of the permanent fund, renewable resources development fund and the general fund



18

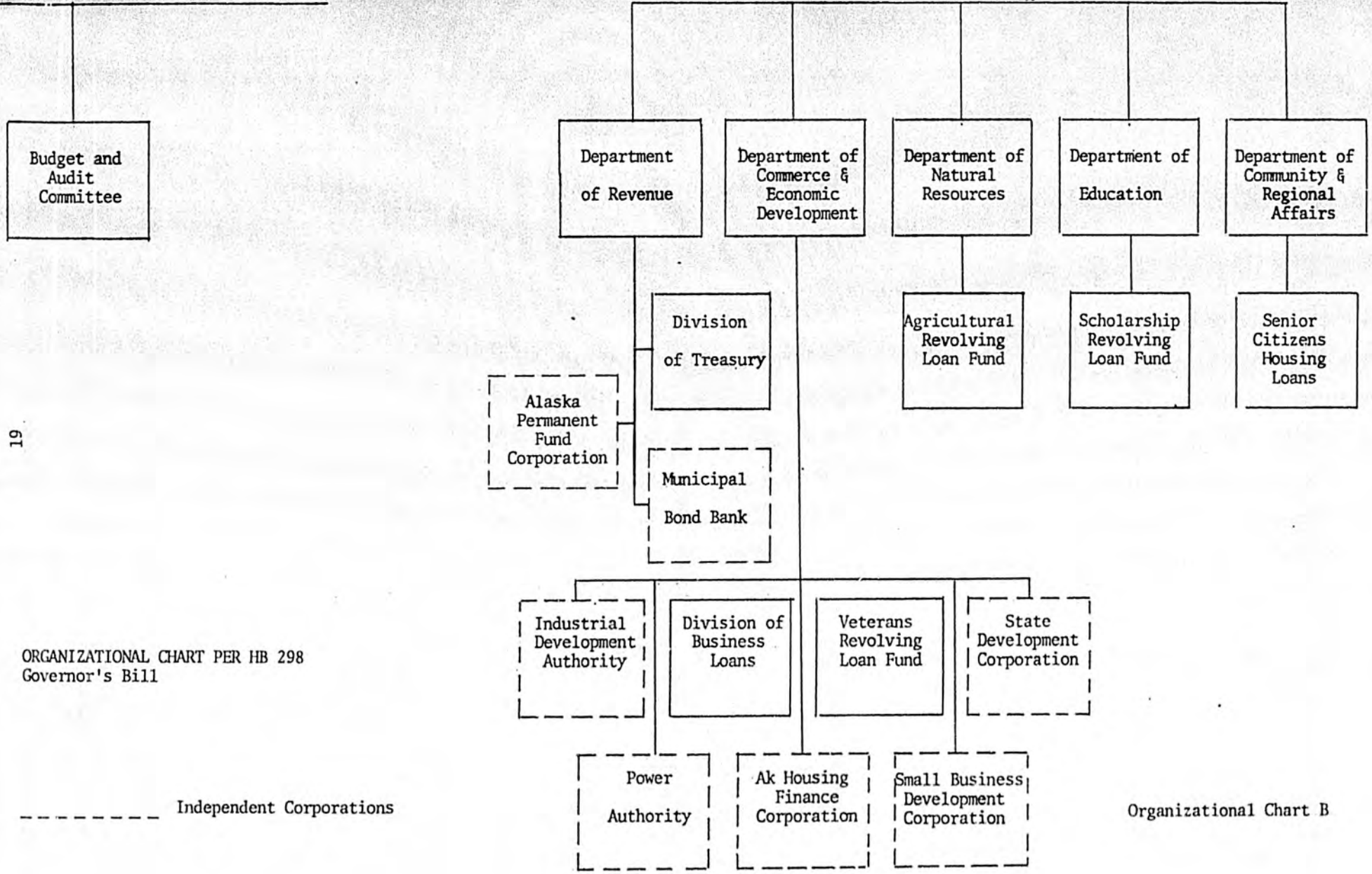
ORGANIZATIONAL CHART - EXISTING STATE AGENCIES

Organizational Chart A

----- Independent Corporations

LEGISLATIVE BRANCH

EXECUTIVE BRANCH

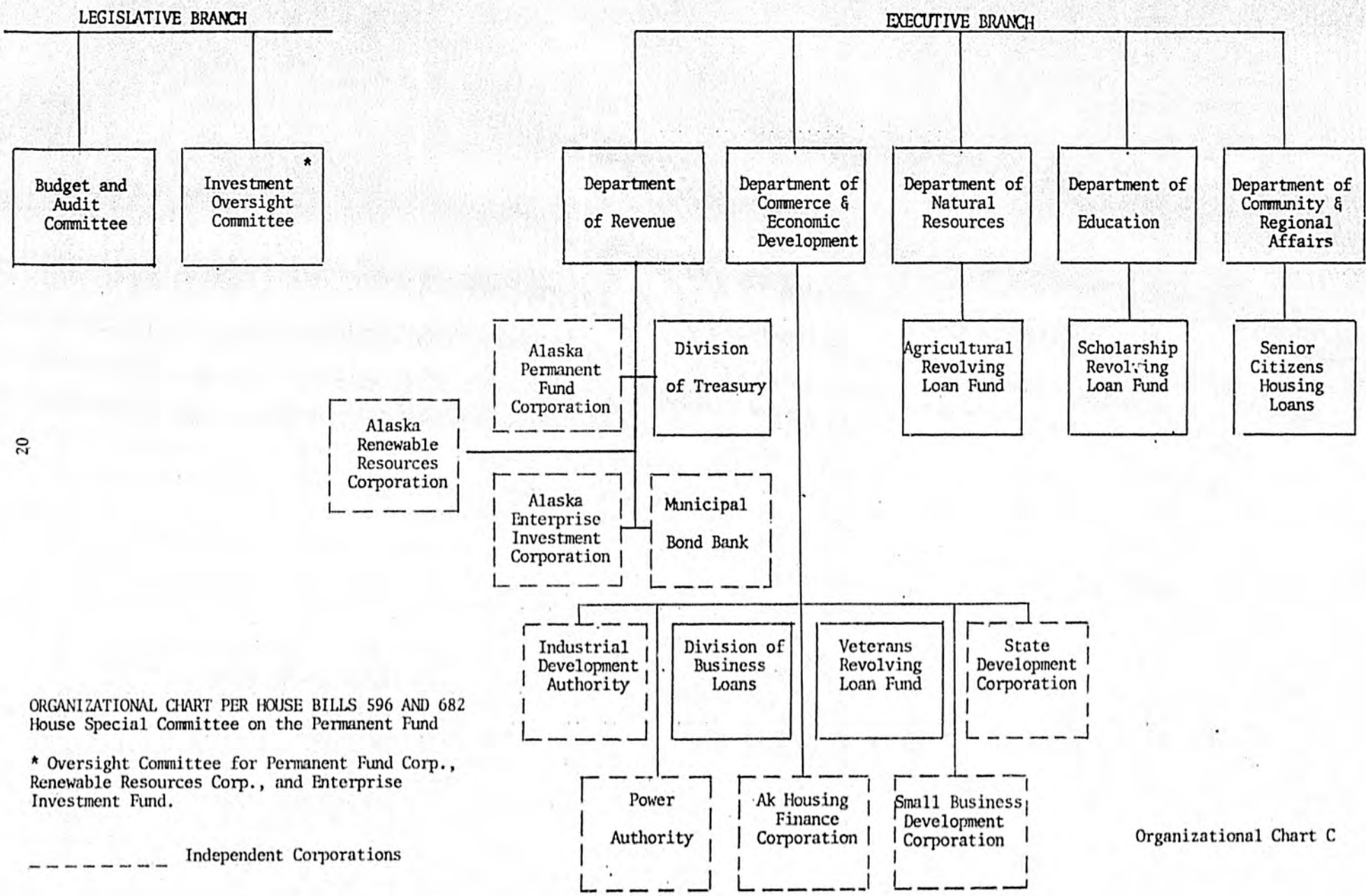


19

ORGANIZATIONAL CHART PER HB 298 Governor's Bill

----- Independent Corporations

Organizational Chart B



20

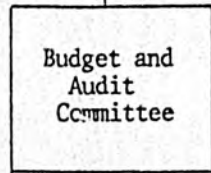
ORGANIZATIONAL CHART PER HOUSE BILLS 596 AND 682
House Special Committee on the Permanent Fund

* Oversight Committee for Permanent Fund Corp.,
Renewable Resources Corp., and Enterprise
Investment Fund.

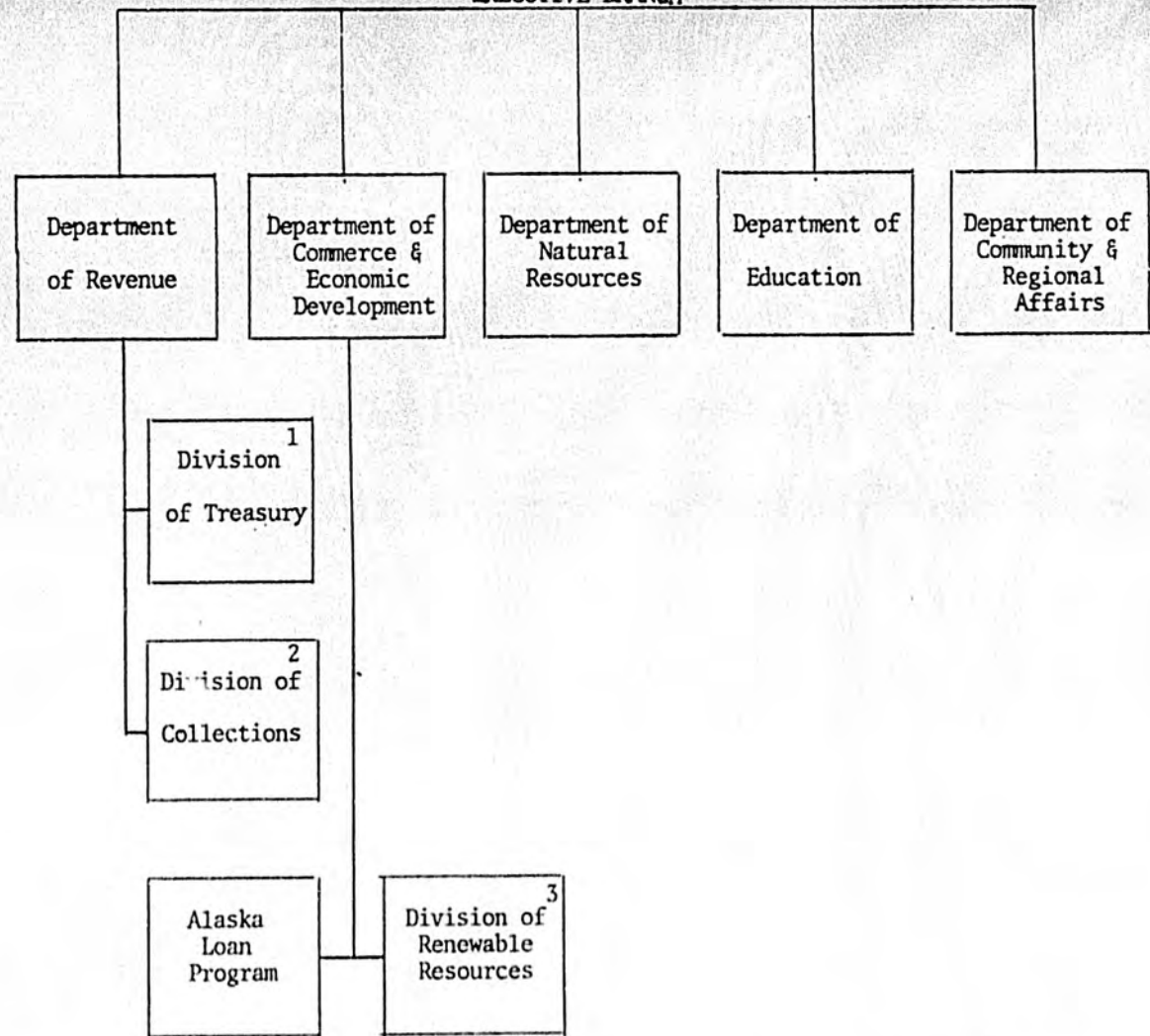
----- Independent Corporations

Organizational Chart C

LEGISLATIVE BRANCH



EXECUTIVE BRANCH



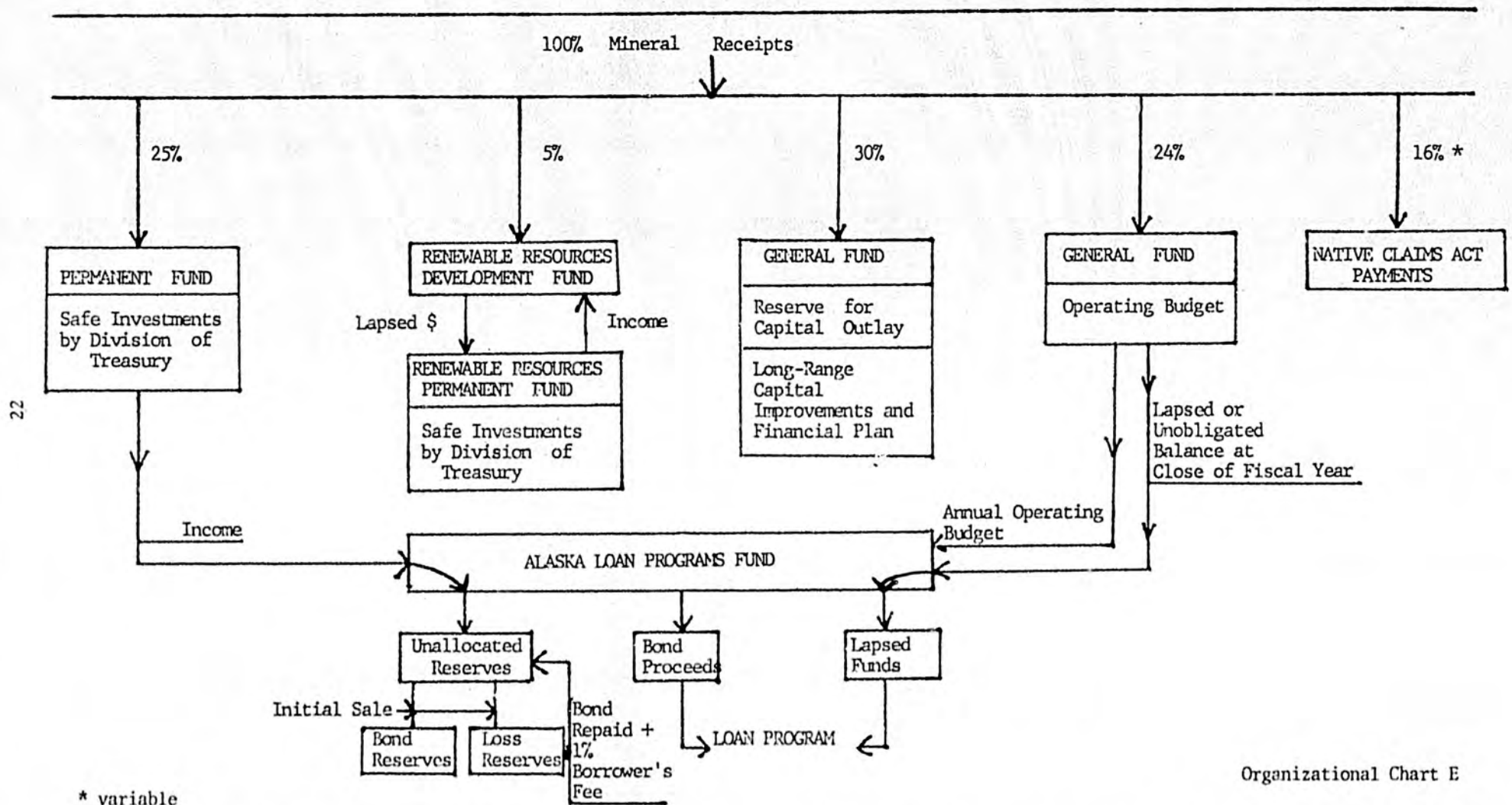
21

ORGANIZATIONAL CHART PER SENATE BILL 429
Senate Committee on the Permanent Fund

- 1 Manages all state funds including permanent fund
- 2 Collection agency for Alaska Loan Program
- 3 Provides equity participation or interest incentives through the Alaska Loan Program

Organizational Chart D

SENATE INTERIM COMMITTEE PROPOSED LEGISLATION



Organizational Chart E

Future needs of Alaska's citizens can be met from the savings accounts within the Alaska Loan Program, which are: all unallocated reserves (income from Permanent Fund), unallocated reserve subaccount (General Fund contribution account).

COMPARATIVE SAMPLES

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

Sample A

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

Sample B

A Comparative Sample of Available Residential Loans and the Senate Proposed Alaska Loan Program in Rural Alaska

Sample C

A Comparative Sample of Available Home Improvement Loans and the Senate Proposed Alaska Loan Program

Sample D

A Comparative Sample of Available Business Loans and the Senate Proposed Alaska Loan Program

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

TERM: 30 year loan

SAMPLE: \$50,000 home

Lending Agency	Downpayment ¹	Interest	Monthly Pymts	Insurance ²	Total Cost
Federal National Mortgage Association	\$ 5,000	9.5%	\$ 378.39	\$ 7,500.00	\$ 148,720.40
State Veterans Loan Program	5,000	7.5%	314.65	7,500.00	125,774.00
Federal Housing Authority	1,500	8.5%	372.93	7,500.00	143,254.80
Alaska Housing Finance Corporation	5,000	7.75%	322.39	7,500.00	128,560.40
State Banks ³ (not available; pro forma only)	5,000	9.2%	368.21	7,500.00	145,055.60
Alaska Loan Program	5,000	7.0%	299.39	6,699.60	119,480.00
Veteran Incentive	5,000	6.0%	269.80	6,192.00	108,320.00

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

² Insurance fees are computed at a .5% of the value of the home over a 30 year period and are approximate averages only. The Alaska Loan Program insurance fee is based on an optional .6% added to the 7% interest cost and covers the mortgage only.

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

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

TERM: 30 year loan

SAMPLE: \$50,000 home

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

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

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

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

A Comparative Sample of Available Home Improvement Loans
And the Senate Proposed Alaska Loan Program

TERM: 15 years

SAMPLE: \$10,000 Home Improvement Loan

Lending Agency	Interest	Monthly Payments	Total Cost
Farmer's Home (Rural AK only)	8.0%	\$ 95.57	\$ 17,202.60
AK Housing Finance Corporation (Rural AK only)	9.5%	104.43	18,717.40
State Bank ¹ (not readily available; pro forma only)	9.6%	105.04	18,907.20 (Rural)
	9.2%	102.63	13,473.40 (Urban)
Alaska Loan Program	7.0%	89.89	16,180.20
Veterans Incentive	6.0%	84.39	15,190.20

¹ Interest quoted is taken from bank questionnaire responses received by the Senate Committee on the Permanent Fund

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

TERM: 15 years

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

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

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

SBA guarantees	None given
Bank	Varies statewide
Small Business (state)	\$ 300,000
Alaska Loan Program	\$ 500,000 per individual \$ 5 million for group of 10 individuals per project

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

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

Loans Made in Conjunction with the Renewable Resources DivisionIllustration A

Bottom Fish Processing Plant

Illustration B

Fishing Boat

Attachment 1

Cumulative amounts in the Renewable Resources Development Fund

Commercial Loans Made through the Alaska Loan ProgramIllustration C

Retail Store and Housing Development Project

RENEWABLE RESOURCES DIVISION

Illustration A

PROJECT: Bottom Fish Processing Plant

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

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

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

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

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

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

RENEWABLE RESOURCES DIVISION

Illustration B

PROJECT: Fishing Boat

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

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

<u>YEAR END</u>	<u>YEARLY INCOME</u>	<u>CUMULATIVE AMOUNT RENEWABLE RESOURCES DEVELOPMENT FUND</u>	<u>PERMANENT FUND</u>	<u>COMBINED TOTAL</u>
1977	.7	.7	3.3	4.0
1978	10.3	11.0	54.8	65.8
1979	19.4	30.4	152.0	182.4
1980	29.5	59.9	299.6	359.5
1981	32.0	91.9	459.4	551.3
1982	34.5	126.4	632.1	758.5
1983	37.2	163.6	818.2	981.8
1984	48.9	212.5	1062.5	1275.0
1985	52.3	264.8	1323.8	1588.6
1986	55.8	320.6	1603.0	1923.6
1987	59.6	380.2	1901.2	2281.4
1988	56.3	436.5	2182.5	2619.0
1989	51.3	487.8	2438.7	2926.5
1990	52.9	540.7	2703.5	3244.2
1991	38.9	579.6	2898.0	3477.6
1992	29.9	609.5	3047.3	3656.8
1993	23.8	633.3	3166.5	3799.8
1994	22.9	656.2	3280.7	3936.9
1995	31.0	687.2	3436.2	4123.4
1996	32.3	719.5	3597.6	4317.1
1997	33.6	753.1	3765.6	4518.7
1998	24.4	777.5	3887.5	4665.0
1999	23.5	801.0	4004.8	4805.8
2000	22.1	832.1	4115.5	4938.6
2001	21.5	844.6	4222.7	5067.3
2002	22.1	866.7	4330.3	5197.0
2003	22.1	888.8	4444.2	5333.0
2004	23.8	912.6	4562.8	5475.4
2005	24.9	937.5	4687.2	5624.7

Prepared by the Senate Special Committee on the Permanent Fund
Based on revenue projections from Milt Barker, Division of Legislative Finance

ALASKA LOAN PROGRAM
COMMERCIAL LOANS

Illustration C

PROJECT: Retail Store

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

PROJECT: Housing Development *

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

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

G R A P H S

The following Graphs A through D have been prepared by the Senate Special Committee on the Permanent Fund and are based on revenue projections prepared by Milt Barker, Division of Legislative Finance.

Graph A

Charts 30% Permanent Fund (includes the 5% for the renewable resources development fund) and the General Fund (minus the Native Claims).

Graph B

Same illustration as Graph A with a different set of assumptions.

Graph C

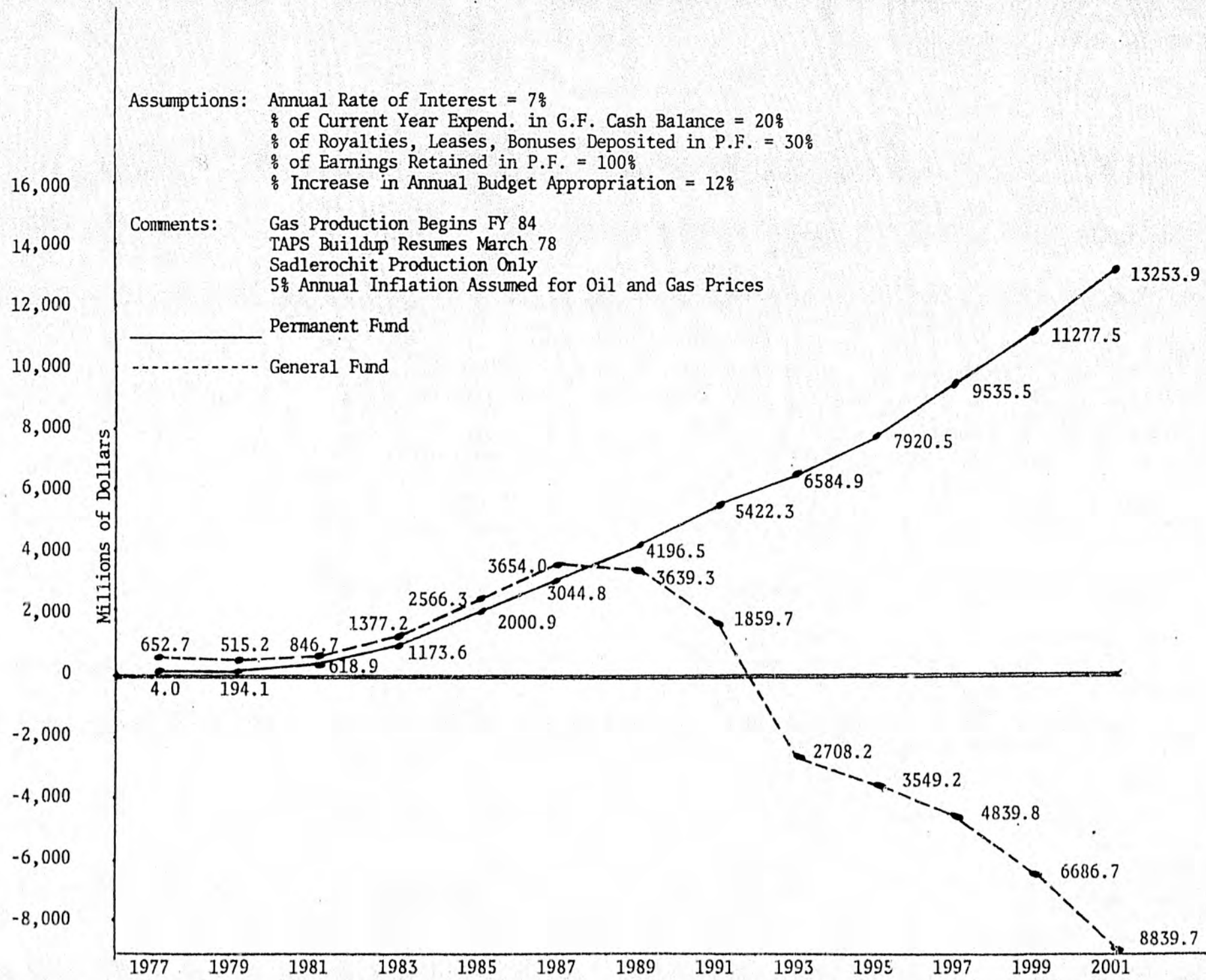
The Senate Permanent Fund legislation proposes that 30% of the oil and gas receipts will be set aside in a reserve for capital outlay within the General Fund and used to finance non-recurring expenditures. This graph illustrates projected growth of the capital outlay reserve and the General Fund (minus the Native Claims). Permanent Fund projections have not been included.

Graph D

Same illustration as Graph C with a different set of assumptions.

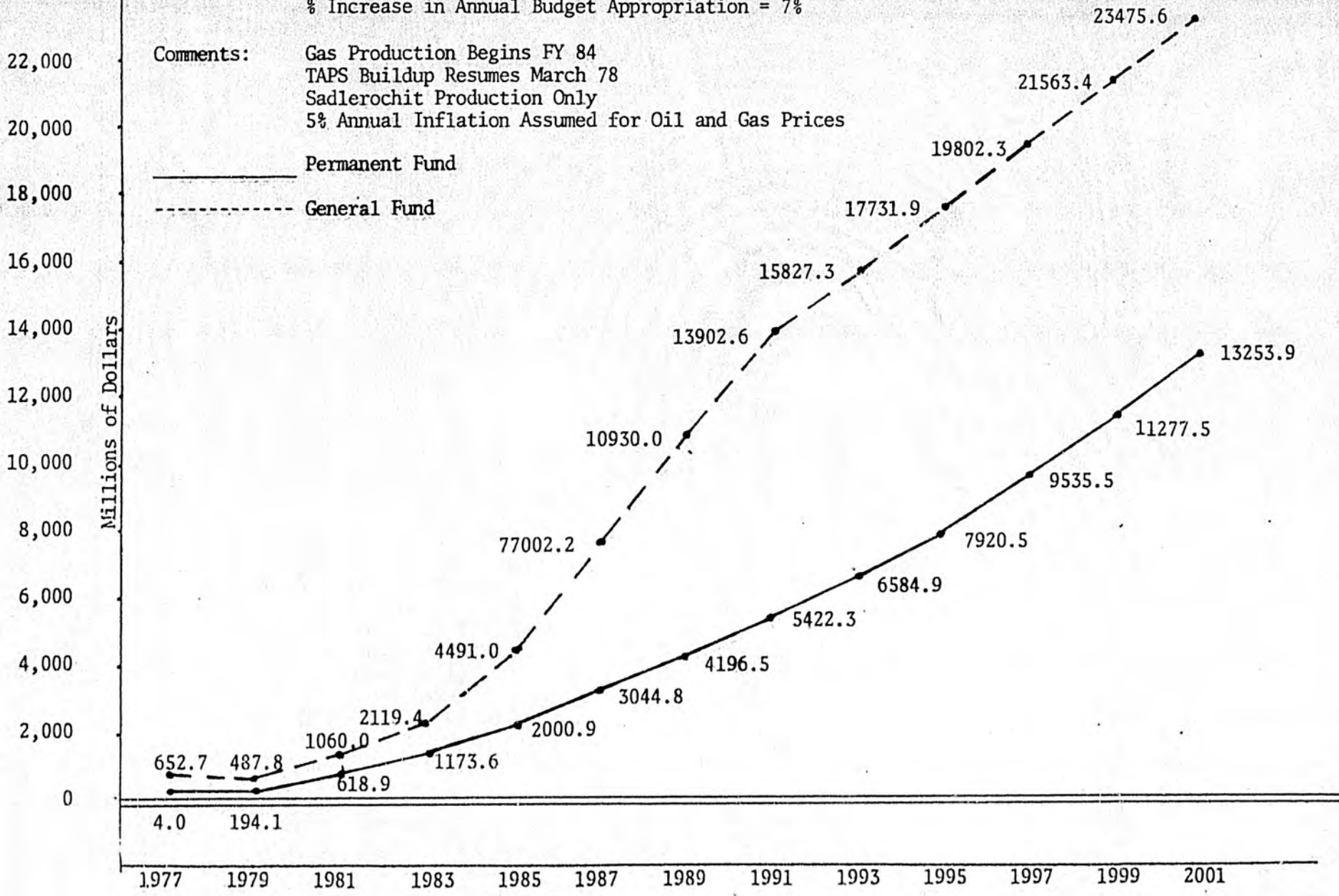
Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties, Leases, Bonuses Deposited in P.F. = 30%
 % of Earnings Retained in P.F. = 100%
 % Increase in Annual Budget Appropriation = 12%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices



Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties, Leases, Bonuses Deposited in P.F. = 30%
 % of Earnings Retained in P.F. = 100%
 % Increase in Annual Budget Appropriation = 7%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices



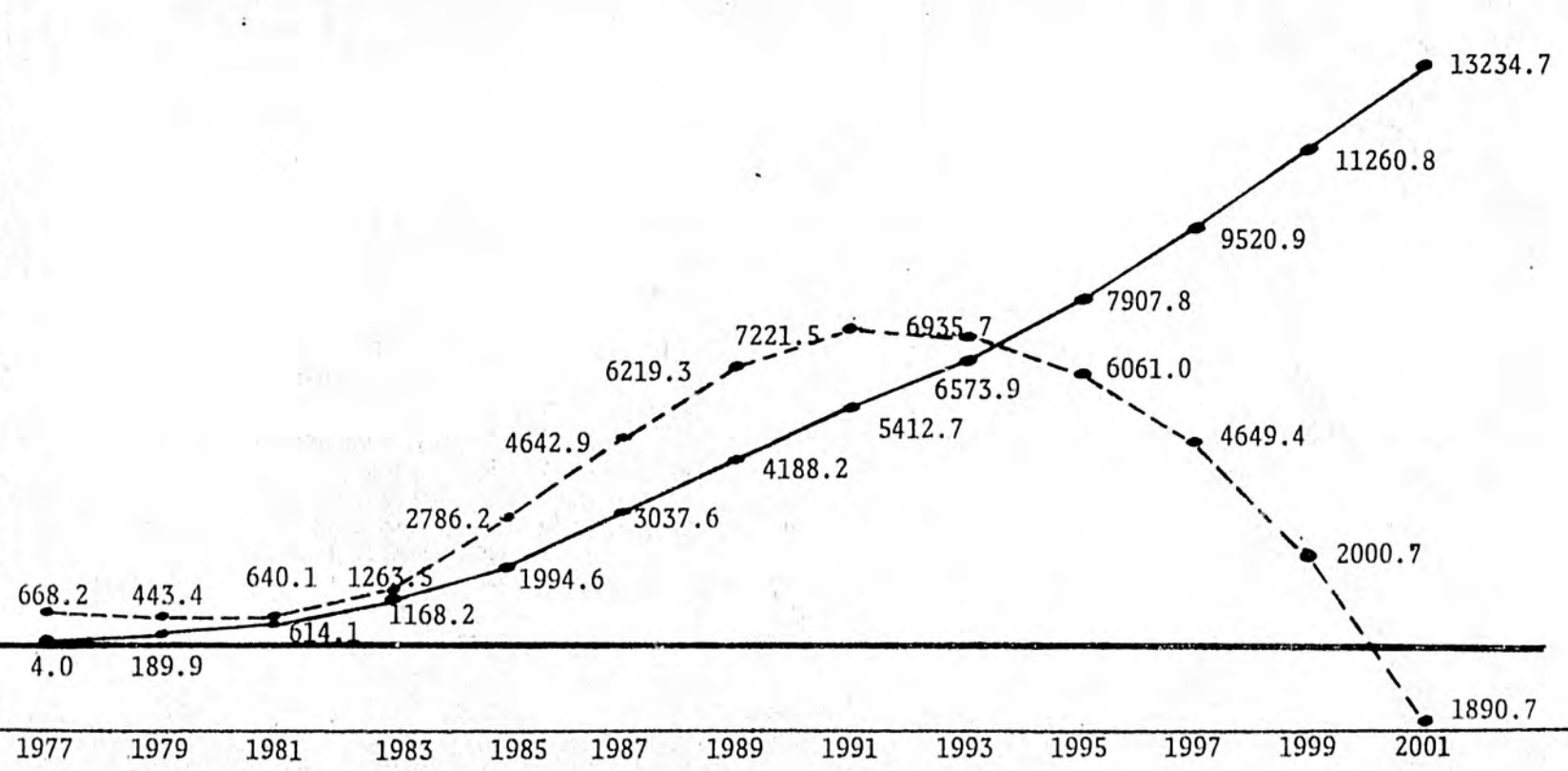
Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties Leases and Bonuses Deposited
 in Capital Outlay Account = 30%
 Annual % Increase in Budget Approp. = 7%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices
 ICC Proposed Tariff and No Field Costs
 No Lease Bonus Revenue
 Native Claims Deducted from General Fund

22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0

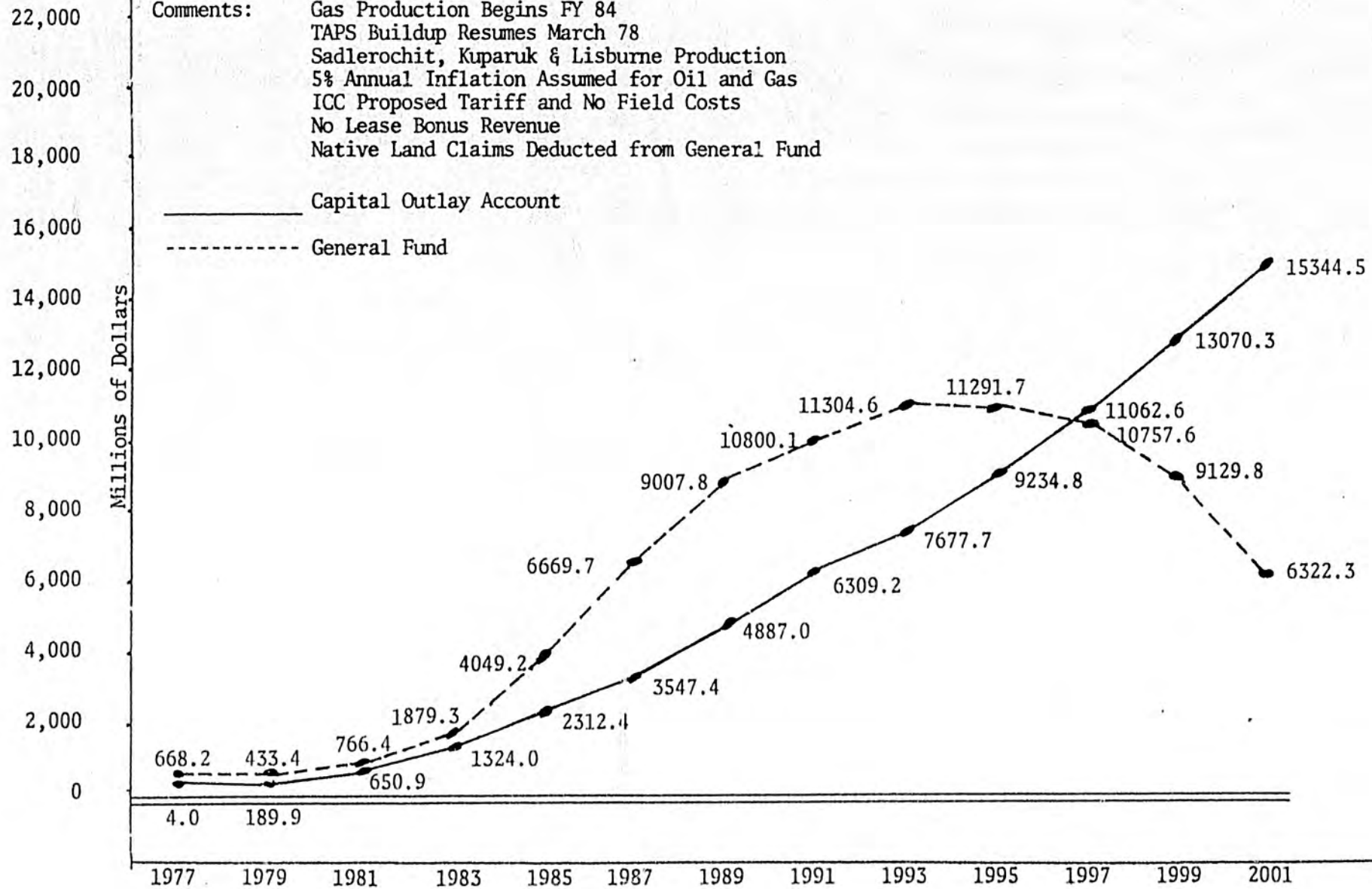
Millions of Dollars

————— Capital Outlay Account
 - - - - - General Fund



Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Bal = 20%
 % of Royalties Leases and Bonuses Deposited
 Capital Outlay Account = 30%
 Annual % Increase in Budget Appropriation = 7%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit, Kuparuk & Lisburne Production
 5% Annual Inflation Assumed for Oil and Gas
 ICC Proposed Tariff and No Field Costs
 No Lease Bonus Revenue
 Native Land Claims Deducted from General Fund



charts -

2. Shows ^{existing} structure of all Ln programs -
→ reduced to one see pgs. 18-22

3. Shows Senate plan design -
- it is a graphically cleaner design

4. AK Ln Program P. 16

Will allow easier entry into Ln program by indirect Aka.

Capitalization -

Leveraging -

interest held in reserve to pump \$ to Ln Program

fund for Ln program = 1/3 from interest

SJR 37 - Passed

Extend Fed guarantees on Fisk bts.

does not help Aka. → funds any U.S. Fisk. (no Aka. officials)

→ AK Ln. Program provides for fishing loans better
provides residents w/ advantage

One Stop Shopping Center.

Critique using PF \$ to expand Ln programs.

• There is a backlog of Ln apps. in On Bus. In

• not a proper use of funds -

"easy money theory" Arch Times

but - VA loans have ⁵⁰⁰⁰ ~~1000~~ lns @ 1.9% default rate
we wd. do the same.

SB only 7 delinquent

~~500~~ 10,000:1 loss rate → not easy money

Control:

Audit rept.

INSTANT plan

April 26, 1978

ALL LEGISLATORS,
STATE OF ALASKA

Honorable Sirs:

In reference to Senate Bill #429.

As a veteran of longstanding I am opposed to only one section of the bill, and that is the Veteran's Loan Program, which, as you are aware, is sponsored by the The Permanent Fund Interim Committee.

If this part of the bill is passed, you may readily see the irreparable and permanent injury it can do the Veteran's Loan Fund, which has been in effect since the beginning of 1946.

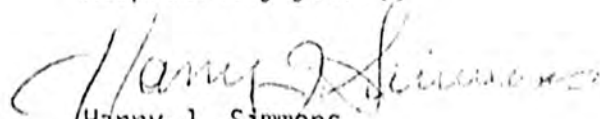
We earnestly hope that the fund remain as it is, with a stipulation that the rate of interest be at least 1% lower than presently. Also, that the Alaska State Senate and House of Representatives oppose the bill adamantly and unequivocally any movement that would, or may abolish The State Division of Veteran's Affairs.

I write this as an individual, and I am sure that many members of our Post will write individual requests to our legislators, as well as other veterans throughout the State of Alaska.

I hope that letters of this type may have some influence over the Senate and House of Representatives, and that the part in the bill referring to the Veteran's Loan Fund be omitted.

Thanking you in advance for your courtesy and consideration, I wish to remain,

Respectfully yours,



Harry J. Simmons,
Senior Vice Commander
Taku Post V.F.W. #5559
212 No. Franklin
Juneau, Alaska 99801

March 24, 1978

To: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

FR: Clark Gruening
House of Representatives

RE: SB 429

SB 429 has not passed as of 3/24/78 but the House bill - HB 596 has passed. I expect the Senate will substitute their version, SB 429 for HB 596 sometime next week. This means HB 596 is headed for a free conference committee. Since SB 429 proposed the repeal of a number of loan programs, the House is not going to approve any compromise version until all affected parties have an opportunity to be heard and I doubt whether any such repeal will even then be approved. Contact your favorite Senators and complain.

Clark

CG

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

JAY S. HAMMOND, GOVERNOR

907-465-2855

Pouch F — State Office Building
Juneau 99811

*Send memo
as written and
attached to,*

M E M O R A N D U M

TO: The Honorable Clark Gruening
Alaska House of Representatives

FROM: Kerry D. Romesburg, Executive Director
Alaska Commission on Postsecondary Education

RE: SB 429

DATE: March 24, 1978

The Senate has passed SB 429 creating the Alaska loan programs fund utilizing Permanent Fund resources. I do not know if it has been assigned to your subcommittee yet, but I am assuming it will. In any case, Section 45.96.350 deals with educational loans for attendance of postsecondary educational institutions. Unfortunately, I was not informed of the hearings being held on this bill on the Senate side, so I had no opportunity to offer inputs on this section of the bill.

Since this bill would repeal the present state student loan program and replace it with a new and slightly different program, I would greatly appreciate discussing some of the details with you and your committee (or the entire Finance Committee, if that is now it is to be handled). Please let me know if you are handling SB 429 or if there is to be a hearing.

[Handwritten signature]

Alaska State Legislature

Representative
CLARK GRUENING
940 Tyonek Drive
Anchorage, Alaska
99501

907-274-2446



Chairman
SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
Chairman
WAYS and MEANS SUBCOMMITTEE
Member
FINANCE COMMITTEE
LEGISLATIVE COUNCIL

House of Representatives

POUCH V JUNEAU 99811

April 4, 1978

Mr. Wallace E. Utley
Department Commander
The American Legion -
Department of Alaska
P. O. Box 250
Juneau, Alaska 99802

Dear Mr. Utley:

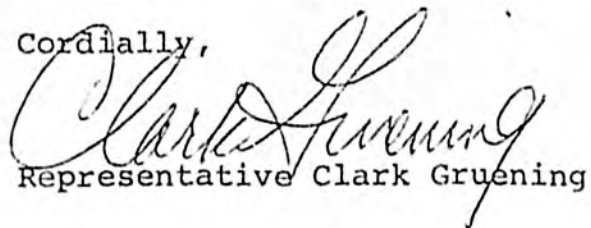
I appreciate the Legion having taken a stand on the Senate Permanent Fund bill, SB 429, and think that massive reorganization such as this provides for would prove upsetting to all loan functions under State administration, not just the Veteran's Loan Program.

The House and Senate versions have a long way to go before emerging this session and I am fairly certain that the issue will go to a Free Conference Committee where differences such as this may be worked out.

Please be sure to send this resolution to Senator Hohman of the Senate Permanent Fund Committee.

Thank you for sending this resolution to me. Please contact me if you or the Legion have any questions about the House version of the permanent fund enabling legislation, HB 596 or any other legislative concerns.

Cordially,


Representative Clark Gruening

CG:jl

THE AMERICAN LEGION - DEPARTMENT OF ALASKA

P. O. BOX 250

JUNEAU, ALASKA 99802

March 11, 1978

Resolution passed by the Department Executive Committee
at Anchorage, Alaska

RESOLUTION NO. 78-14

WHEREAS, Senate Bill 429, a proposal to merge the existing Veterans Loan Program with other similar programs, is pending; and

WHEREAS, This act would eliminate an agency which is dedicated to veterans' programs and benefits; and

WHEREAS, Funds which are dedicated to the use of the veteran could be depleted by non-veteran related programs; and

WHEREAS, Such an act would seem, in effect, to put the State in a position of non-recognition of a debt to its veterans; now, therefore, be it

RESOLVED, That the American Legion, Department of Alaska, in Executive Committee Meeting assembled in Anchorage, Alaska on March 11, 1978, opposes passage of Senate Bill 429 unless amended to remove all reference to the Veterans Revolving Loan Fund; and be it further

RESOLVED, That The American Legion, Department of Alaska, opposes any act or movement to abolish, merge or incorporate the State Division of Veterans Affairs with any other agency of the State; and be it further

RESOLVED, That a copy of this resolution be sent to each member of the Alaska Legislature and to the Governor of Alaska.

/s/ Wallace E. Utley
WALLACE E. UTLEY
Department Commander

ATTEST:

William C. Kelms

WILLIAM C. KELM
Department Adjutant

Alaska State Legislature

Representative
CLARK GRUENING
94 Tyonek Drive
Anchorage, Alaska
99501
907-274-2446



Chairman
SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
Chairman
WAYS and MEANS SUBCOMMITTEE
Member
FINANCE COMMITTEE
LEGISLATIVE COUNCIL

House of Representatives

POUCH V JUNEAU 99811

April 4, 1978

Mr. Louis F. Fiorella
Department Adjutant
Veterans of Foreign Wars of the U. S.
Department of Alaska
P. O. 670
Juneau, Alaska 99801

Dear Mr. Fiorella:

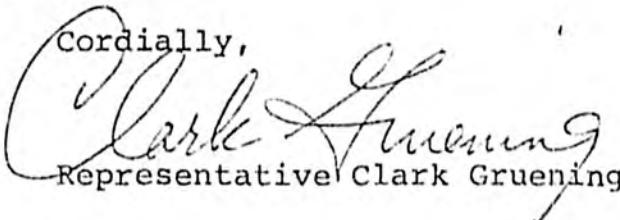
I appreciate the Veterans of Foreign Wars having taken a stand on the Senate Permanent Fund bill, SB 429, and think that massive reorganization such as this provides for would prove upsetting to all loan functions under State administration, not just the Veteran's Loan Program.

The House and Senate versions have a long way to go before emerging this session and I am fairly certain that the issue will go to a Free Conference Committee where differences such as this may be worked out.

Please be sure to send this resolution to Senator Hohman of the Senate Permanent Fund Committee.

Thank you for sending the resolution to me. Please contact me if you or your organization have any questions about the House version of permanent fund enabling legislation, HB 596 or any other legislative concerns.

Cordially,


Representative Clark Gruening

CG:jl

RESOLUTION NO. 78-1

WHEREAS, money for the Veterans Revolving Loan Fund was raised from citizens of the Territory of Alaska by means of a cigarette tax, and

WHEREAS, the Veterans Loan Program has worked successfully and has benefitted thousands of veterans in the Territory and State since its inception in 1946 by providing farm, home and business loans, and

WHEREAS, there has been proposed and presently pending before the State Legislature S.B. 429, which, if approved, would do irreparable damage and permanent injury to the integrity of the concept of veterans rights and benefits, and

WHEREAS, if implemented, S.B. 429 would, through the creation of the Alaska Loan Program Fund, eventually eliminate the Veterans Revolving Loan Fund and in effect, the State Division of Veterans Affairs, and

WHEREAS, the Division of Veterans Affairs has been the sole agency, since 1946, dedicated to carrying out veterans programs and benefits approved by the State Legislature, and


WHEREAS, the establishing of the Division of Veterans Affairs and subsequent enactment of hard fought for rights and benefits represents the State's recognition of its debt to her veterans,

BE IT RESOLVED, by the Department of Alaska, Veterans of Foreign Wars of the United States, that we actively and vigorously strive to attain the following objectives by administrative changes, legislation or other means:

1. Urge our Legislators to delete from S.B. 429 that portion of the bill which refers to the Veterans Revolving Loan Fund.
2. Maintain the Veterans Revolving Loan Fund as is - but with the rate of interest to be at least 1% lower than that charged by the proposed Alaska Loan Programs Fund.
3. Oppose adamantly and unequivocally any movement that would, or may, abolish the State Division of Veterans Affairs.
4. Urge the members of the Veterans of Foreign Wars to notify their Senators and Representatives of our total opposition to any and all proposals which could be construed as dismembering, dismantling, or in any way diminishing the integrity of the programs of veterans rights and benefits administered by the State Division of Veterans Affairs.

This resolution passed by the Council of Administration, Department of Alaska, Veterans of Foreign Wars of the United States, Juneau, February 25, 1978.

ATTEST:


Louis F. Fiorella
Department Adjutant

M E M O R A N D U M

To: Clark Gruening
From: JoAnn Lesh
Date: 3/2/78
Re: Senate Finance Hearings on SB 429

The Senate Finance Committee met 3/1/78 to consider SB 429. Mr. Bob Dupere highlighted "A Narrative on SB 429" for the Committee.

Discussion resumed on 3/2/78 with Deputy Commissioner of Revenue presenting HE 298 to the Committee. This is the bill the Administration supports. He mentioned that amendments had been presented to the House Permanent Fund Comm. that would make HB 596 also acceptable to the Administration. One important amendment was the creation of the Investment Oversight Committee which the House accepted. (Ed. note: This was suggested by the House Comm. and adopted as an amendment to HB 298.)

Paraphrased notes on the discussion of SB 429 that followed:

Sen. Sackett: Could you comment about the simplicity vs. complexity of two versions.

Edenso: I disagree that 429 is simple, 298 is simple and direct. SB 429 is: complex; presents sweeping changes for State's liability and asset balance sheet; it disrupts many departments; at present the State is authorized to bond \$839.5 mill. and is bonded for 709.1 mill. therefore it would be disruptive to change method of issuance. I applaud concept of using PF in Alaska. I have a problem with reorganizing investment management in the State.

Sen. Orsini: Could you comment about establishing a Division of Collections - is it disruptive or detrimental?

Mr. Edenso: It is a good practice not to remove the person who makes loans from collection. It tends to reduce care of lender and separates him from thorough responsibility to examine loans. In response to further questions the possibility of giving the loan officer administrative responsibility and collections taking managerial/collection responsibility was considered. The State currently does use private collection agencies.

Sen. Sackett questioned the constitutionality of selling bonds and then lending money at an interest rate higher than the cost of the bonds (arbitrage). Eric Wohlforth's memo of 2-6 was distributed to the Committee (copy on file in House PF Comm. files).

Senator Sackett asked Mr. Edenso to be prepared to comment section by section on SB 429. Mr. Edenso will: get AG's opinion on bonds; suggest technical changes; and bring the Arthur D. Little sectoral study to the Committee next Thursday, March 9.

Representative Gruening will be invited to appear Wednesday March 8 to present HB 596 (accepted).

SB 510 and SB 511 were discussed.

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to Sen Finance 3-2-78

#170

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M E M O R A N D U M

TO: Commissioner Sterling Gallagher
Department of Revenue

Alaska Housing Finance Corporation

Alaska Municipal Bond Bank Authority

FROM: Wohlforth & Flint

DATE: February 6, 1978

SUBJECT: Senate Bill 429 "An Act Relating to the Alaska Bond Programs Fund, the Alaska Permanent Fund, the Renewable Resources Development Fund, and Other State Revenues; and Providing for an Effective Date".

Pursuant to a request related to us by R. D. Stevenson and Deputy Commissioner Edenso, we submit herewith our analysis of the above bill.

Senate Bill 429 which was introduced in the Senate on January 19, 1978 and referred to the Finance Committee, is an extremely broad ranging bill which, among other things, sets up a new Alaska Loan Programs Fund, sets the deposit rate to the Permanent Fund at 25% of the receipts from the delineated sources, outlines the criteria for investment of Permanent Fund monies and creates various new State classified positions. In establishing the Alaska Loan Programs Fund, SB 429 also effectively wipes out a major portion of the present State loan programs without regard as to whether such programs are being financed directly by the General Fund or through the issuance of tax exempt bonds on the public market. For example, it wipes out or curtails the activities of the Alaska Housing Finance Corporation, the Alaska Municipal Bond Bank Authority, the Alaska Industrial Development Authority and the Veteran's Loan Program among others. It also prohibits municipalities from issuing any revenue bond which would be an industrial development bond under Section 103 of the Internal Revenue Code. This provision, for example, would have prohibited issuance by the

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City of Valdez of the \$1.263 billion Marine Terminal Revenue Bonds issued during 1977, a program which added \$12,630,000 to the City's treasury last year. Further, the bill requires deposit of State funds in Alaska banks which offer the highest bid for State funds and sets some extremely stringent residency requirements on loan eligibility and on hire of residents on projects funded by these loans.

Given the broad scope of the bill, the following is an attempt to review in brief form each section.

AS 45.96.010. PURPOSE: The purpose clause recites that a single loan fund of the State will provide a strong reassurance of repayment of loans and thereby lower the costs of borrowing to the State.

AS 45.96.020. CREATION OF FUND: This section creates the Alaska Loan Programs Fund within the Department of Commerce and Economic Development. Further, within that department there is created a division of Alaska loan programs.

AS 45.96.030. REVENUE BONDING AUTHORITY: This section provides that the State Bond Committee may issue bonds and bond anticipation notes in order to carry out the fund's purposes. The details of the bond provisions which extend through Section 45.96.110 will be left for closer examination if it is anticipated that this concept shows signs of legislative acceptance.

AS 45.96.120. UNALLOCATED RESERVE ACCOUNT: This section creates a special account called the "unallocated reserve account" to secure obligations of the fund. This section provides that the income from the permanent fund shall be paid to the Commissioner of Revenue for the purposes of the account. This section further states that amounts necessary to fund the capital reserve account established under Section 140 of this chapter, the fire insurance and liability reserve account established under Section 160 of this chapter, and the loss reserve account under Section 150 of this chapter, are allocated to those accounts in the amounts certified as necessary for those allocations by the Commissioner of Revenue and are hereby

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appropriated to these accounts. Subparagraph (b) of this section establishes a subaccount called the "general fund contribution account" which consists of the lesser of all revenue from the General Fund from mineral lease rentals, royalty, etc., or any amounts remaining in the General Fund which have not been obligated or for which the appropriation has not lapsed at the end of the fiscal year. The subaccount would be used for any purpose for which the unallocated reserve account may be used subject to legislative appropriation. It should also be noted that subsection (b) is made retroactive to June 30, 1977, pursuant to Section 28 of this Act. The allocation of amounts remaining in the General Fund which have not lapsed at the end of the fiscal year is an unusual form of appropriation which seems hardly consistent with State budgeting procedures and would at best be an uncertain amount depending on lapsed appropriations at the end of the last fiscal year.

AS 45.96.130. DEBT SERVICE RESERVE ACCOUNT: This section mandates that the fund capitalize in each bond issue the maximum permitted reserve fund, currently approximately 15% of the total bond issue under IRS regulations, to secure payment of the obligations being issued. This section is representative of a statutory mandate in connection with the configuration of a financing which should be left to determination at the time of financing within legislative limitations.

AS 45.96.140. CAPITAL RESERVE ACCOUNT; AS 45.-96.150. LOSS RESERVE ACCOUNT; AS 45.96.160. FIRE INSURANCE AND LIABILITY RESERVE ACCOUNT. The capital reserve account is created at the time of each issue of obligations in an amount equal to 5% of the obligations issued. The amount is paid into the capital reserve account from the unallocated reserve account. The 5% paid in reserve which is established here is an obvious assumption by someone that this amount would be sufficient to cause bonds of the fund to be marketable. The same 5% reserve is allocated from the unallocated reserve account to the loss reserve account established under AS 45.96.150. I would question what loan loss or bond reserve experience gives rise to the legislative suggestion of the 5% loss reserve account.

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The Commissioner of Revenue is required to replenish the loss reserve from the 1% spread between the rate of interest paid by the borrower and the lending rate. Such a spread except in the case of certain specified "governmental programs" would violate the Internal Revenue Code and Regulations.

AS 45.96.160. The fire insurance and liability reserve account simply provides that the fund may insure loans without requiring proof of insurance against fire and liability if an additional charge of 6/10 of one percent per year is made. I do not see where any amount is allocated to this account, despite the language in Section 120(a).

AS 45.96.170. INVESTMENT OF RESERVE ACCOUNTS: This section provides for investment of the reserve accounts by the Director of the Division of Treasury in certain stated securities and permits investment of the general fund contribution account in obligations of the Loan Programs Fund.

AS 45.96.190. BUDGET; AS 45.96.200. ACCOUNTING. These sections provide for an operating budget from the General Fund and accounting for the fund by the Department of Administration with reporting from the Legislative Budget and Audit Committee to the legislature quarterly.

AS 45.96.210. LOAN PROCEDURES: This section states that the Division of Alaska Loan Programs must establish offices in Juneau, Fairbanks and Anchorage, and provides for loan approval of loans under \$350,000 by the District Director with a committee of two loan officers, while loans over \$350,000 must be approved by a State-level committee.

AS 45.96.220. ALASKA LOAN PROGRAMS EVALUATION COMMITTEE; AS 45.96.230. RENEWABLE RESOURCES LOANS EVALUATION COMMITTEE: These sections set up committees charged with the responsibility for evaluating loans delinquent for a period in excess of 30 days with a view toward renegotiating the loans with alternative terms and conditions where possible, while at the same time protecting the interests of the State. The Director of the Division of Collections in the Department of Revenue and the Director of the Alaska Loan Programs Division sit on both committees;

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the Director of the Division of Economic Enterprises in the Department of Commerce and Economic Development is on the Alaska Loan Programs Evaluation Committee; while the Director of the Division of Renewable Resources Development in the Department of Commerce and Economic Development sits on the Renewable Resources Loans Evaluation Committee. Neither section sets up any guidelines or criteria for renegotiating loans under the respective sections.

AS 45.96.240. COLLECTIONS; DIVISION OF COLLECTIONS: This section sets up a division within the Department of Revenue to be headed by a classified employee, range 27. For whatever reason, it is provided that the Director be an attorney licensed to practice in Alaska with at least four years of practice in "business law and business practices". Upon a finding that a delinquent loan should not be renegotiated, and the loan is not brought current within 30 days, the loan is transferred to the loss reserve account and transmitted to the Division of Collections for collection.

AS 45.96.250. LOAN PURPOSES: This section contains the general statement that the fund may make loans for residential housing, commercial purposes, public purposes and education.

AS 45.96.260. RESIDENTIAL HOUSING: This section seems to be an extrapolation of the primary purposes of the Alaska Housing Finance Corporation with special permission to sell loans to the Teachers Retirement Fund or Public Employees Retirement Fund if the borrower is a teacher or public employee.

AS 45.96.270. COMMERCIAL LOANS: This section provides for a wide variety of commercial or other public purpose loans of one type or another. Specifically mentioned are farmers, commercial fishermen, local development companies, child care facilities, loggers, etc. One provision in subsection (2) requires a commercial fisherman to have had a commercial fishing license for three years in order to obtain a loan for the upgrading of his equipment. Also worthy of particular attention is subsection (6) which, along with subsection (9) on small businesses, are broad

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enough to fit in virtually any activity. Finally, under subsection (8) you may note that loans are available to investor-owned public utilities for hydroelectric generation and for water utilities. It is unclear as to whether an investor-owned electric utility generating power by oil, natural gas or coal would be eligible for a loan of this type, and it is unclear whether a sewer utility if investor-owned would be eligible for an Alaska Loan Programs Fund loan. (But the answer is probably no.) Note that the definitions in AS 42.05.701(2)(A) and (C) include all electric utilities and also include sewer utilities. Also noteworthy is the deliberate omission of investor-owned natural gas distribution utilities and telephone utilities from this subsection.

AS 45.96.280. CERTIFICATE OF NEED FOR CHILD CARE FACILITIES; AS 45.96.290. VOLUNTARY ASSESSMENT ON SALE OF SALMON. These sections provide respectively for certificates of need for child care facilities and assessment of members of an association of licensed fishermen to be benefited by hatchery programs. These sections are interrelated with the loan permissions provided under AS 45.96.270.

AS 45.96.300. PUBLIC PURPOSES: This section is apparently designed to replace the Alaska Municipal Bond Bank Authority. This section provides that the Director of the Division of Alaska Loan Programs shall lend money to municipalities with populations of less than 5,000 and to corporations eligible under subparagraph (d) of this section. These are non-profit corporations either designated as tax exempt under 501(c)(3) and (4) of the Internal Revenue Code or a public corporation or other municipal instrumentality created under AS 29.59.010. This section provides that loans to municipalities should be made through the purchase by the fund of municipal bonds and that loans to non-profit corporations shall be made through revenue bonds issued on behalf of the corporation by the municipality in which the project is constructed. I believe there is a reversal in terms here and that it is intended that the revenue bonds be issued on behalf of the municipality by the corporation. Under this section, loans to municipalities of 5,000 or less population could be made if certified to their legality

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by the borough or city attorney or if made outside the municipality by the Department of Law and that the loans be payable within 30 years on an even annual debt service basis. This section further provides that the Director of the Division of Alaska Loan Programs submit a bid for all general obligation bonds offered on a competitive basis by any municipality if the municipality provides its bid form to the Director at least 10 days before opening a bid. This section goes on to provide that the bid be determined on the basis of the Daily Bond Buyer 20-bond average with provisions for various maturities above or below the average depending on the rating of bonds. Bids for revenue bonds under subsection (c) issued on behalf of a non-profit corporation are also required to be submitted by the Director of the Division of Alaska Loan Programs again on a bid basis determined on the Daily Bond Buyer average. This section is objectionable in its design to internalize borrowing by municipalities instead of encouraging borrowing on the ordinary tax exempt market and because there is no apparent rationale for the bid scheme set forth in the statute particularly for revenue bonds. Revenue bonds vary substantially in quality according to the project being financed and no generally applicable bid scheme can be arbitrarily set as is attempted in this section.

AS 45.96.310. DEFAULT ON MUNICIPAL BONDS: This section provides for a default provision for payment of State monies owing to municipalities directly to the fund similar to that contained in the existing Alaska Municipal Bond Bank Authority Act.

AS 45.96.320. MUNICIPAL BOND CAPITAL RESERVE ACCOUNT: This section sets up a reserve from the unallocated reserve account equal to five percent of the obligations issued and sold after July 1, 1978. Again, there is no rationale for the fixing of the percentage necessary to secure the bonds or any flexibility in establishing a different or other percentage depending on bond market conditions.

AS 45.96.330. INDUSTRIAL DEVELOPMENT BONDS: Under this section the fund is to make loans to businesses conducting exempt activities under Section 103(b)(4) and (5) of the Internal Revenue Code either directly or through purchase by the fund of the industrial development bonds

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issued by the State Bond Committee, this section is apparently intended to replace the Alaska Industrial Development Authority.

AS 45.96.350. EDUCATION: This section effectively replaces the present Alaska Scholarship Loan Program, leaving that program with only a grant function. Curiously, it adds the five-year residency requirement of Section 370 as a criteria for grant of a student loan, meaning an Alaska high school graduate would necessarily have to have been a State resident since entering the eighth grade. The former statute simply required residency. Even more curious is the fact that subsection (f) allows a forty percent forgiveness if repayment of the initial sixty percent is made with no delinquency. The former program required five years residency upon completion of the course of study in order to be eligible for the maximum forty percent forgiveness - this program requires no residency for forgiveness purposes.

AS 45.96.360. TOURISM, HISTORICAL AND OPEN SPACE LOANS: This section provides, in addition to Section 270, loans to businesses involved in the tourist industry. It also provides loans under certain conditions for historical structures, but fails to mention open space loans specifically.

AS 45.96.370. ELIGIBILITY: This section bears careful reading as it proposes a five-year residency requirement in order to be eligible to apply for a loan. In addition, one must be 18 years of age, apparently eliminating even applications from 17 year old students. A corporation must have 60 percent of its shareholders with five-year Alaska residency and must have a board of directors and chief executive officer each of whom have been residents of the State for at least five years. Should any of these criteria as to a corporation fail (e.g., board of director member moves outside the State while he continues to serve) the loan becomes immediately due and payable. In addition, the chief executive officer and board of director members must assume full individual liability for repayment of any loans to the corporation. This section would appear to be extremely onerous, and may very well be unconstitutional as in derogation of the right to travel, etc.

AS 45.96.380. MAXIMUM LOAN AMOUNTS: This section sets up various loan limits including those for residential

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housing and under subsection (b) for commercial loans which may be increased under subsection (c) by bringing more eligible individuals into the project. Perhaps worthy of particular note is subsection (e) which provides that no more than three loans may be made to any person or to any of his "associates". Under this subsection it would appear that the partners in a firm would be limited to three loans between them, while each of their employees might have an additional three loans each. The section also provides for an automatic escalation in loan limits in response to increases in the consumer price index for Anchorage.

AS 45.96.390. AREA COST DIFFERENTIAL. Here a formula based upon both the cost of living and the cost of construction as determined annually by the Department of Transportation and Public Facilities is used to increase the Section 380 limits, which it turns out are intended for the lowest cost areas in the State.

AS 45.96.400. ADDITIONAL LOAN LIMITATIONS: This section provides for the limits previously established to be decreased as much as 50% for those with less than five years experience in the activity for which the loan is made. There appear to be no exceptions. Clearly, this would be difficult to administer and the criteria, of course, may not bear a rational relationship to probable success in a particular business.

AS 45.96.410. VALUE LIMITATION: In this section the loans are further limited to 90% of the appraised value of real property pledged as security for the loan. However, if the loan is for residential housing and is made in an area where FHA mortgage insurance is not available, the loan may be for 95% of the appraised value. Presumably, in areas where FHA mortgage insurance is available the limit reverts to 90%. When equipment is pledged as security the limit is 80% of loan to value.

AS 45.96.420. MAXIMUM TERMS OF LOANS: Loan terms are limited to the useful life of the property. Specific limitations are set at 30 years on a loan secured by real property, 15 years or the life of the equipment on a loan secured by equipment used for production of income and 7

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years or the life of the chattel on a loan secured by other chattels. Working capital loans are for one year.

AS 45.96.430. RATE OF INTEREST: For borrowers other than municipalities the interest rate is set at one percent over the anticipated cost to the fund plus the amount required for necessary insurance. In the case of loans to veterans or loans for agricultural purposes, the rate of interest is reduced by one percent with the difference made up by the veterans or agricultural revolving loan funds. Except for certain specific "governmental programs" the Internal Revenue Code and Regulations prohibit any spread between borrowing and tax exempt lending rates.

AS 45.96.440. ELIGIBILITY FOR VETERANS' INCENTIVE: This section sets out the criteria for the special interest rates allowed veterans under 430(b) and appears to be similar to those found in AS 26.15, the Alaska World War II Veterans' Act.

AS 45.96.450. EMPLOYMENT PRACTICES: This section provides that in the case of any contracts let by a recipient of a loan from the fund, that the employees on those contracts be 95% residents where they are available and qualified. While not a durational residency requirement as we found in Section 370, this provision may be subject to challenge. See the comments under Section 370.

AS 45.96.460. COOPERATION WITH OTHER AGENCIES: This requires that other State agencies provide information, services and facilities to the fund on request. Presumably, the requirement here is limited to non-confidential data.

AS 45.96.470. BANK PARTICIPATION: Provision is made here for participation in a loan with a financial institution, and for the financial institution to act as an agent for the loan program in the initial processing of applications. Subsection (c), however, appears to allow the participating financial institution to fix the interest charged by it up to the legal limit prescribed by law. It is unclear to us precisely how this would operate.

AS 45.96.480. ASSURANCE REQUIRED: The prohibition set out in this section is that no person who provides services to the borrower in the preliminary phases of a

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project may participate in the implementation stage of the project. While the policy behind this is again unclear to us, it would appear to prevent a consulting engineer or architect who helped to design a project from supervising construction and, likewise, would appear to prevent an attorney from continuing his representation through all stages of a project.

AS 45.96.490. DEFINITIONS: Defines the "fund" and "the loan programs fund" to mean the Alaska Loans Program Fund created by AS 44.96.

Section 2 of SB 429

Section 2 of SB 429 adds a new chapter (AS 37.13) entitled ALASKA PERMANENT FUND. The initial section sets up the Permanent Fund to consist of 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal revenue sharing payments and bonuses received by the State. In AS 37.13.020 the investment criteria are set out in detail. See pages 28 and 39 of SB 429.

Section 3 of SB 429

Section 3, beginning on page 40 of SB 429, adds a new Article 4, Alaska Renewable Resources Development Financial Assistance Program, to AS 37.11. The legislation contains an extensive declaration of policy and legislative findings, creates a Division of Renewable Resources within the Department of Commerce and Economic Development, and sets out the purposes of that division. AS 37.11.150 provides that the receipts of the renewable resources development fund (AS 37.11.020) are appropriated to the new division. The fund receives by statute five percent of mineral lease rentals, bonuses and royalties. Section 160 sets forth the qualifications for the Director, including eight years of administrative or management experience in resource planning or development, etc., and Section 170 sets the compensation, salary range 27. The powers and duties of the Director found in Section 190 include consideration of investment proposals and approval of applications for financial assistance. Eligibility requirements for financial assistance set out in Section 200 include the provision that the

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applicant meet the eligibility requirements for the Alaska Loan Programs Fund.

The new division in Section 200(b) is limited in its investment in a single project without legislative approval to a "combination of equity purchases and interest incentives" of no more than 5% of the annual receipts of the renewable resource development fund or \$1.5 million, whichever is less.

Section 210, Financial Assistance, limits the division's financial assistance to investment in not more than 50% of the capital stock or other ownership interest in a project, provided that the applicant has borrowed the maximum amount allowed by the Alaska Loan Programs Fund first. This provision seems inconsistent with the limitation in Section 200(b). The division may also offer an interest incentive by paying part or all of the interest on loans from the Alaska Loan Programs Fund, but may only give grants for public purposes when the amount of the grant has been included in the "general budget" of the State for the next fiscal year.

Section 220 provides that the division guarantee all loans made to a renewable resource project from the Alaska Loan Programs Fund. Section 230 provides for payment of interest incentives with repayment to begin after net profit is generated by the company. Section 240 sets up a loss reserve account equal to 10% of the estimated total amount of all loans guaranteed by the renewable resources development fund. Investment and accounting provisions are similar to those set up for the Alaska Loan Programs Fund.

Section 4 of SB 429

This section amends the present AS 37.11.060, Fund Principal, by providing that balances remaining in the Alaska Renewable Resources Development Fund at the close of each fiscal year be deposited in the "Alaska Renewable Resources Fund", rather than in the Permanent Fund as in existing law. However, it would appear that this should read "the Alaska Renewable Resources Permanent Fund"; the word "Permanent" found in the present text having been omitted from the bill.

Section 5 to 29 of SB 429

Many of the remaining sections of SB 429 are devoted to altering existing State loan programs so that they continue only to administer existing loans. In some cases, programs are also left with a grant function.

Special note should, however, be made of:

SECTION 13 which adds a new section to Title 29 (29.58.290) which would prevent any municipality from issuing a revenue bond which is an industrial development bond under Section 103 of the Internal Revenue Code.

SECTION 15 which now would allow investment of some treasury surplus in loans made under the Alaska Loan Programs Fund.

SECTION 16 places responsibility for formulating investment policy on the Director of the Division of Treasury and eliminates the present Advisory Committee which had legislative input. The Director must, however, present his policy to the legislature at the beginning of every regular session.

SECTION 20 requires deposit of State funds not being used for specified purposes in Alaskan financial institutions which offer the highest bid for the State funds.

SECTION 21 insures that all four of the new positions set up are in the classified service, and the Governor may not designate them as partially exempt.

SECTION 25 sets up by statute a division of the Treasury in the Department of Revenue, headed by a Director whose qualifications and duties are set out - including investment and management of State funds, etc.

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SECTION 26 confirms that administration of the Alaska Loan Programs Fund and the Renewable Resources Development Fund is by the Department of Commerce and Economic Development.

SECTION 27 is a far reaching section which repeals:

1. Most of AS 03.10 (Alaska Agricultural Loan Act).
2. Parts of AS 14.40.751-806 (Relating to loans under Art. 9 of AS 14.40 - Scholarship Loans and Tuition Grants).
3. Most of AS 16.10.300-370 (Commercial Fishing Loan Act).
4. Major portions of AS 16.10.500-620 (Fisheries Enhancement Loan Program).
5. Most of AS 18.56.010, et seq. (Alaska Housing Finance Corporation).
6. Most of AS 18.100.030, et seq. (Housing Development Revolving Loan Fund).
7. Most of AS 18.100.070 (Senior Citizens Housing Development Fund).
8. Major portions of AS 26.15 (Alaska World War II Veterans Act).
9. AS 37.10.065 (Investment of Alaska Permanent Fund) [replaced by AS 37.13].
10. AS 37.10.075(b)-(d) (deposit of State funds) [subsection (a) was expanded by Section 20 of SB 429 to require bids, but limits to financial institutions within State].
11. AS 37.10.079 (purchase of bonds).
12. AS 37.11.030 (fund utilization) [this refers to the Alaska Renewable Resources Development Fund which is now covered adequately by the new sections in AS 37.11].

13. Most of AS 41.22.10, et seq. (Outdoor Recreation, Open Space, and Historical Properties Development Fund).
14. All of AS 40.30 (area redevelopment).
15. Most of AS 44.33.240, et seq. (Child Care Facility Revolving Loan Fund).
16. Most of AS 44.58 (Alaska Municipal Bond Bank Authority).
17. Major portions of AS 44.59 (Alaska State Development Corporation).
18. Major portions of AS 44.60 (Small Business Development Corporation of Alaska).
19. All of AS 44.61 (Alaska Industrial Development Authority).
20. Almost all of AS 45.86 (Water Resources Revolving Loan Fund).
21. Almost all of AS 45.90 (Tourism Revolving Fund).
22. Major portions of AS 45.95 (Small Business Loans).
23. Most of AS 45.98 (Historical District Revolving Loan Fund).

SECTION 28 of the bill makes AS 45.96.120(b) retroactive to June 30, 1977. This is the funding for the subaccount "General Fund Contribution Account". See the discussion above under Section 1.

SECTION 29, the final section, makes Senate Bill 429 effective immediately. The bill will create a complete disruption in the activity of existing loan funds which are operating now on a regular basis as well as the cessation of bond financing activities by the Alaska Housing Finance Corporation which now has outstanding in excess of \$300 million in bonds and notes and other important agencies such as the Alaska Municipal Bond Bank Authority with ongoing

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programs. The findings of the bill do not support a simplistic conclusion that elimination of all bond financing for loans by State agencies and combination of those activities with State general fund lending activities is in the public interest. The bill completely ruptures the pattern of municipal bond financing in the State limiting local powers to finance in the interest of centralization in the State.

From an administrative if not a legal standpoint, it would seem far better to set an effective date of at least 90 days after passage. Ideally, January 1, 1979 or even July 1, 1979, would seem to make more sense for those portions of the Act which will require establishment of a totally new structure. However, it is submitted that the wholesale repealer and transplanting of functions mandated by the bill is not indicated. Rather, any legislative effort should be preceded by careful study of those State lending programs which have succeeded and those which need improvement.

EEW: jr

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COPY

A NARRATIVE ON SENATE BILL 429
AND SENATE BILL 510

by

The Senate Special Committee on the Permanent Fund

Dear Alaskan:

The following report explains the Senate proposed legislation regarding utilization and management of the Permanent Fund and the Renewable Resources Development Fund. Some key points of the Senate legislation are:

REDUCE BUREAUCRACY

PROVIDE GREATER CONTROL

MAXIMIZE BENEFITS TO ALASKANS

OPTIMAL PROGRAM ACCOUNTABILITY

LOWER HOUSING COSTS

CONTRIBUTE TO LOWER COST OF LIVING

FINANCIAL DEVELOPMENT FOR
RENEWABLE RESOURCES

SECURE PERMANENT FUND MONIES
WITH HIGH GRADE INVESTMENT

Please feel free to submit any comments you may have regarding the Senate proposal to:

Senator George Hohman, Chairman
Senate Special Committee on the Permanent Fund
Pouch V
Juneau, Alaska 99811

Sincerely,

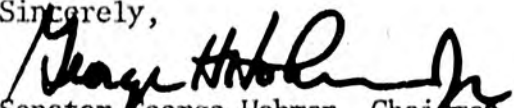

Senator George Hohman, Chairman
Senate Special Committee on the
Permanent Fund

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INTRODUCTION

In November of 1976, Alaskan voters approved a constitutional amendment which provides that at least 25% of certain non-renewable resource revenues be placed in a permanent fund. The amendment requires that the money be used for income-producing investments designated eligible by the legislature. Unless the legislature otherwise stipulates, earnings from the permanent fund will go to the state's general fund.

Because of the impact of the permanent fund on Alaskans, various opinion polls have been conducted to assess public sentiment about state needs and priorities, with emphasis placed on the structure, management and use of the permanent fund (Dittman for the Senate Committee on the Permanent Fund, Dec., 1977; Rowan Group Report for the Office of the Governor, July, 1977; and the Alaska Public Forum Report, March, 1977).

In addition to using data generated by public hearings and public opinion polls, the Senate Committee on the Permanent Fund sent questionnaires to individuals in rural Alaska and the Alaska State Chamber of Commerce members for their input regarding permanent fund usage. From the responses received from both the questionnaires and the poll tabulations, various priorities surfaced. Many individuals feel there is a shortage of capital available for lending to business venture and for purchase and construction of housing. Development of renewable resources (including agriculture, timber, and fishing) is a high priority. Community development also received support. At the same time, the respondents strongly urged that the permanent fund principal be invested in hi-grade guaranteed securities, thus maintaining the integrity of the fund for future generations.

The Senate Committee on the Permanent Fund, chaired by Senator George Hohman, has submitted legislation designed to address the expressed concerns of Alaskan citizens. The committee's legislation proposes to invest 100% of the permanent fund principal in hi-grade securities and use the earnings as a guarantee for issuing revenue bonds. The proceeds of the bonds will be used to fund the Alaska Loan Programs Fund, which would expand, consolidate and administer the activities of existing state loan programs. The legislation also develops a plan for usage of the Renewable Resources Development Fund. The following report will address the Alaska Loan Programs Fund, the investment and management of the permanent fund, and the Renewable Resources Development Fund. There is also a section dealing with the Senate proposed Reserve for Capital Outlay Account which would be used to finance non-recurring expenditures.

MANAGEMENT OF THE PERMANENT FUND

Lombard-Wall, Inc., a New York management consultant firm, was assigned the task of making recommendations concerning the management of investment assets of the permanent fund. Lombard-Wall's senior Vice President, Mr. Fred Branditz, came to Alaska specifically to review the structure, management and personnel of Treasury in order to evaluate the role that group might play in managing the permanent fund principal. In a report presented to the Senate Committee on the Permanent Fund, Lombard-Wall recommended the permanent fund be managed and invested by the Division of Treasury for the following reasons:

- 1) The expertise already exists within the infrastructure for most, if not all, the activities currently contemplated for the permanent fund. The Treasury Division administers \$1/2 billion of fixed income securities for the general fund an an additional \$1/2 billion for 7 segregated funds.

- 2) Employing an entirely new staff to manage the permanent fund would present many difficulties and risks.
- 3) The combined resources of the permanent fund, the general fund and the pension funds will create a pool of assets sufficient to employ specialized, sophisticated investment techniques to a degree none could afford individually. Thus all areas will benefit from combined management.
- 4) The revenues accruing to the permanent fund derive from taxes and belong to all of the citizens of Alaska. Therefore, no conflict of interest can result from their management by an existing state agency.
- 5) Accounting techniques currently exist for allocating cost among the various funds.

The Lombard-Wall report also includes an analysis of the capabilities of the Division of Treasury. The report concluded that there is efficiency in management of funds currently assigned to Treasury and that the staff, in particular, appears capable of assuming greater responsibility. Braditz also recommends that the Treasury be reorganized to include delegation of line and staff duties, creation of several new positions, and improvement of certain support functions in order to maximize earnings from the larger pool of assets anticipated.

In addition to the study undertaken by Lombard-Wall, letters received from the Treasury Divisions in other states indicate that placement of all state funds in the State Treasury is sound public policy.

In accordance with the above recommendations, the Senate Committee on the Permanent Fund has proposed a reorganization of Treasury to assure a program of sound investment policy, continuity and accountability to the legislative branch of government. A Division of Treasury would be created by statute, headed by a director subject to the merit system. The

director would be solely accountable for investment policy and management of the general fund, the permanent fund, and all other state funds. Additionally, he would be responsible for the organization and staffing of the Treasury Division.

The proposed legislation specifies those areas authorized for permanent fund investment. Primarily, it limits investment in corporate obligations to those with an 'A' or better rating, and allows only those securities which are federally insured. It may also be invested in bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska Law.

In order to keep the Executive and Legislative branches informed, the Legislative Budget and Audit Committee would provide a quarterly report regarding the investment activity of the Division of Treasury to the legislature. The legislature may exercise its law-making power to statutorily change the authorized investments allowable in Treasury should the Budget and Audit report reveal a need for such revision. Additionally, investment policy shall be proposed to the legislature during the first ten days of any regular session and only becomes effective 60 days after presentation unless disapproved by a resolution concurred in by a majority of the members of each house.

Upon recommendation of the Commissioner of Revenue, the Governor may disallow an investment strategy or policy of the Division. Budget and Audit must also receive notification and rationale for such actions and present them to the legislature.

RATIONALE FOR ESTABLISHMENT OF THE ALASKA LOAN PROGRAM

Since statehood, the Alaskan legislature has created ten loan programs and six independent corporations to meet the capital needs of various groups or to enhance development of certain industries within the State.

Generally, these target groups were unable to obtain adequate financing (either loan dollar amounts, interest rates, or loans of sufficient duration) from private financial institutions within or outside Alaska. The loan programs were not created to compete with private lenders, in fact, bank participation is a requirement of one loan program. Rather, as a matter of public policy the loan programs were conceived to provide funds for Alaskan ventures at terms banks could not (i.e. long term money) or would not (i.e. higher levels of risk) capitalize. Most of the loan programs are administered by the Department of Commerce and Economic Development, exceptions being the Agricultural Revolving Loan Fund (Dept. of Natural Resources); the Scholarship Revolving Loan Fund (Dept. of Education); and the Senior Citizens Housing Loan Fund (Dept. of Community and Regional Affairs). The independent corporations - Alaska Housing Finance Corporation, the Alaska Power Authority, the Alaska Development Corporation, the Small Business Development Corporation, the Municipal Bond Bank, and the Industrial Development Authority are not within the direct purview of any state agency.

The history of the loan programs and independent corporations is somewhat dismal. Once created, these programs often fail to (1) remain operational; (2) comply with legislative intent; (3) operate in an efficient manner; (4) be known to the general population; and (5) come under legislative scrutiny in a timely and regular manner. In addition, there is little standardization among the programs with regard to eligibility criteria, interest rates and terms, and maximum loan amounts.

Two of the independent corporations, the Alaska Development Corporation and the Small Business Development Corporation, are no longer engaged in lending activity. The Alaska Power Authority, created in 1976 is still in the organizational phase, and the Industrial

Development Authority, created in 1967, has become operational only as a result of amendments passed during the 1977 session expanding its authorized areas of activity.

Failure to comply with legislative intent is illustrated by the Alaska Housing Finance Corporation, established in 1971 to meet the mortgage needs of low and moderate income Alaskans in blighted or remote areas of the state where normal bank financing for home purchases is difficult to obtain. AHFC issues its own bonds for lending capital; there is a yearly legislative appropriation for the necessary reserve requirements that such an issue entails. However, AHFC does not come under the Executive Budget Act, and its operations come under legislative scrutiny only when performance audits are done by the Legislative Budget and Audit Committee at three year intervals (AS 24.20.271(2)). An investigation by the Office of Ombudsman conducted in July, 1977, while not a formal audit, brought to light the facts that AHFC has promulgated no administrative procedures and had made loan policy changes without benefit of required public hearings beforehand. These facts were also noted in an audit performed by the Division of Legislative Audit, dated November 11, 1977, and released in February, 1978. The Ombudsman also stated that information concerning the policy changes had been selectively distributed to the state's financial institutions.

AHFC's current lending activity is distributed on a ratio of 90% urban, 10% rural counter to the corporation's statutory mandate that loan activity shall be concentrated in "remote, underdeveloped or blighted areas" (AS 18.56.010). Although, AHFC has developed a loan program for rural home improvements or building material loans, according to the November 15 audit (Division of Legislative Audit) the program has received no publicity.

Taken as a whole, internal operation of the various loan programs can be neither damned nor praised. There are instances of good management, very poor management, and the entire spectrum in between. Delinquency rates in the loan programs vary from 33% (Agricultural Revolving Loan Fund) to 2% (Veteran's Revolving Loan Fund). Characteristic of all loan programs is that loan granting, record keeping and collection functions occur within the same division. While an inherently sound practice for private financial institutions, whose goal is maximization of profit, within the bureaucracy of state government inattention to accounting and collection aspects have worked against the best interest of the state, both in loss of return on investment and diminished public confidence in the program. Recommendations issued by the Legislative Budget and Audit Committee after performance audits are almost exclusively in the areas of record keeping (accounting) and collection.

Currently, administrative costs for the state loan programs are in excess of \$2 million per year; both the Legislative Budget and Audit Committee and the Director of Business Loans have indicated that economies of scale, efficiencies of operation, and more equal opportunity for loan applicants would probably result were the state loan programs to be consolidated and/or streamlined in some manner.

The legislation proposed by the Senate Committee on the Permanent Fund would dissolve all the existing loan programs and independent corporations now in operation. In their place would be created the Alaska Loan Programs Fund, which would lend in all areas now served by these entities.

The lending arm of the Alaska Loan Programs Fund will be a division

in the Department of Commerce and Economic Development, with field offices initially established in Anchorage, Fairbanks and Juneau; others will be opened as volume dictates. These offices will provide, in addition to information about the Alaska Loan Program, information concerning state and federal grant programs, and federal and private sources of loans.

Provisions are made in the legislation for individuals and corporations to engage in borrowing through the Alaska Loan Program in cooperation or participation with the private financial institution of their choice.

The scope of activity includes; 1) educational loans of \$4,000 for undergraduates, and \$8,000 for graduate students; 2) commercial loans with a maximum of \$500,000 per individual and \$5 million maximum for no more than 10 individuals in a project, or a corporation where no more than 10 individuals owning stock assume a personal liability; 3) residential loans ranging from \$90,000 for a single residence to \$210,000 for a 4-plex; and 4) public purpose loans where the Alaska Loan Program will submit a bid for all GO and revenue bonds offered on a competitive basis by a home rule borough or city or general law borough or city under the laws of the state, loans to municipalities of less than 5,000 population through purchase of municipal bonds, industrial development projects conducting exempt activities under federal law, and revenue bonds issued on behalf of a non-profit corporation with approval of the municipality.

The interest rate charged for loans will be standardized, and depending on the cost of the revenue bonds issued, should be in the 7% range. In the event that a reduction in the basic interest rate is deemed desirable, as for veteran's or educational loans, the difference in interest rates charged to the borrower and that paid to the Alaska Loan Programs Fund would be paid on a yearly basis from the general fund.

The Senate legislation also addresses incentives for renewable resource loans. In 1974, the legislature passed a bill creating the Alaska Renewable Resources Development Fund. Not less than 5% of the receipts from revenues derived from certain renewable resources will be deposited in this fund. The proceeds of this fund are to be utilized to enhance and develop renewable resource programs.

The proposed legislation creates the Division of Renewable Resource Development, also within the Department of Commerce and Economic Development. This division will work hand in hand with the Alaska Loan Program by performing feasibility studies on renewable resource project loans and participating in one or more of three ways: 1) interest incentives; 2) equity participation; and 3) loan guarantees. They may also make grants for eligible projects with legislative approval.

Eligibility criteria will also be standardized, the main requirements for individuals being Alaska residency of five years duration and 18 years of age or older. For loans to corporate entities, more than 60% of its co-owner—shareholders must be Alaska residents for five years or more at the time of application, and the officers of the corporation must assume individual liability for the loan's repayment.

Length of experience will determine the maximum commercial loan amounts once basic eligibility criteria have been met. Percentages of the maximum amount available for borrowing will be reduced if the applicant has less than 5 years experience in the area of loan application.

Maximum loan amounts have, in most cases, been increased to more realistically reflect current costs of living, building, or doing business in the state. Additionally, a cost differential formula has been added to the maximum loan amounts to reflect higher costs incurred in rural areas.

Collateral requirements for commercial and real estate loans will be no less than 90% of the real property held as security, and no less than 80% of equipment held as security.

Should a loan become delinquent in excess of 30 days, a loan evaluation committee shall review the loan and consider reevaluation of its terms and conditions, provided the loan can be restructured in such a way as to protect the interests of the state.

Accounting for the Alaska Loan Programs Fund will be performed by the Dept. of Administration. Reports will be made by the Depts. of Commerce and Revenue to the Legislative Budget and Audit Committee on a monthly basis itemizing loans which are in excess of 30 days delinquent, and outlining the measures taken to insure compliance with conditions and terms of the loan.

Within the Dept. of Revenue, a division will be created to assume the collection function for all loans made by the Fund. Reports of collection efforts will be made to the Budget and Audit Committee.

The Budget and Audit Committee will do a quarterly review of the performance and status of the lending, accounting and collection procedures of the three agencies involved and will present their findings and recommendations to the legislature for review and action.

FUNDING OF THE ALASKA LOAN PROGRAMS FUND

Primary funding for the Alaska Loan Program will come from proceeds of revenue bonds. Revenue bonds are tax-exempt under Federal law, resulting in lower interest costs to the borrower. Loans from the Alaska Loan Program are limited to \$5,000,000 for any one project in a specific locality. There would, however, be no limit on the amount lendable for public purpose loans - those to local government units, public utilities, hospitals, etc. Due to the Federal restrictions, any violation of these

limits could result in the loss of the tax-exempt status of the bonds.

Because of the low bond interest to the Loan Program, loans can be made to Alaskans at an interest below market rate; the cost of money to the Loan Program plus a 1% service fee for administrative costs of loan processing. Additionally, this type of funding would place no budgetary limits on the amount of money available for lending in any of the loan categories. As the earnings of the permanent fund increase, additional bonds can be issued to meet the borrowing needs of Alaskans. Repayment of the bonds would come strictly from repayment of borrowers of the Alaska Loan Program. Following is a brief description of the Alaska Loan Programs Fund and organization of the reserve accounts to be established.

- 1) Alaska Loan Programs Fund - All bond proceeds except those designated in 2) of this section to be placed in this fund.
- 2) Debt Reserve Account - For the purpose of securing each issue of its obligations, the Alaska Loan Programs Fund will pay into this account the maximum amount permissible under Federal law and regulations for tax-exempt obligations. All money in this account may be used when required, when money is not available from the principal and interest account or the capital reserve account solely for the payment of the principal of obligations, the purchase or redemption of obligations, the payment of interest on obligations, or the payment of any redemption premium required to be paid when those obligations are redeemed before maturity. Any interest or income from this account and any amount remaining in the debt service reserve account when the issue secured by the account is fully retired shall be paid to the unallocated reserve account.
- 3) Unallocated Reserve Account - All earnings from the permanent fund will be placed in this account. The amounts necessary to fund the capital reserve account, the insurance reserve account, and the loss reserve account

will be furnished from this account. At such time as may be necessary, amounts in the unallocated reserve account will be transferred to the general fund.

4) Capital Reserve Account - the Commissioner of Revenue shall place an amount equal to 5% of all obligations issued and sold into this account. At the end of each fiscal year, the Commissioner will withdraw or add to the account that amount necessary to maintain the 5% of the obligations secured. Excess funds will be returned to the unallocated reserve account. All money in this account may be used as required for the payment of bond obligation principal, the purchase or redemption of obligations, the payment of interest on obligations, or the payment of any redemption premium required should obligations be redeemed before maturity.

5) Loss Reserve Account - A special account is established for the purpose of protecting the financial integrity of the fund. The Commissioner of Revenue shall pay into this account an amount equal to 5% of the estimated total amount of all loans to be made by the fund during the first fiscal year of operation. At the first of each succeeding fiscal year and thereafter, an amount necessary to bring the balance of the account up to 5% of the total amount of loans to be outstanding during the fiscal year shall be paid into the account. The 1% loan service fee will also be placed in this account and used to reimburse the unallocated reserve account.

6) Fire Insurance and Liability Reserve Account - The Alaska Loan Program may issue loans without requiring proof of insurance if an additional amount of .6% is made by the borrower. The account shall only be used for reimbursement to the Loan Programs Fund for losses of property having the insurance coverage.

RESERVE FOR CAPITAL OUTLAY ACCOUNT

The Senate proposal provides that 30% of the oil and gas receipts will be set aside in a reserve for capital outlay account within the general fund. Monies from this account will be used to finance non-recurring expenditures. Deducting the 25% for permanent fund, 5% renewable resources development fund, and 30% for the capital outlay account, the Governor will be required to prepare a balanced budget against the remaining 40% of current receipts (less until the Native Land Claims are paid off). The Governor will also be required to perform long-range capital programming and financial planning in conjunction with this program. A current inventory of all state facilities, including a projection of the serviceability of the facilities and projections of replacements and additions to facilities needed to provide the level of services programmed by the various user agencies, is also required in the Senate proposal.

Existing State Loan Programs and Independent Corporations

Lending Agency	Eligibility	Interest	Terms	Amount
Agricultural Loan Fund	AK resident farmer, homesteader or partner of same	6.0%	1 yr	\$ 25,000
Short Term		6.0%	30 yr	200,000
Farm Development	2 - 3 years experience	6.0%	7 yr	100,000
Chattel		4.0%	10 yr	no max
Irrigation				
AK State Development Corp (presently inactive)		legal rt	20 yr	750,000
Child Care Loan Fund	Certificate of need (CRA) required	6.0%	10 yr	10,000
Commercial Fishing Loan	5 yr AK resident; 3 yr license	7.0%	15 yr	150,000
Fisheries Enhancement	For non-profit hatchery permit holder	8.0%	25 yr	300,000
	For non-profit corporation	8.0%	25 yr	3,000,000
Small Business Dev. Corp.	Through Local Development Corp with/SBA	7.0%	25 yr	
Small Business Loan Fund	AK resident; less than 50 employees	8.0%	5-15 yr	300,000
Student Financial Aid	AK resident; full time graduate	5.0%	6-10 yr	5,000
	undergraduate	5.0%	6-10 yr	2,500
Tourism Loan Fund	Requires bank participation for loans exceeding \$150,000	8.0%	20 yr	3,000,000
Veterans Loan Fund	AK Veteran; Veteran residing 5 years in state; 6 yr Nat'l Guard	7.5%	20-30 yr	10,000
Personal		7.5%	same	125,000
Business		7.5%	same	83,250
Vet occupied duplex		7.5%	same	68,250
Single family		7.5%	same	110,000
Multiple dwelling		7.5%	same	
Water Resources Loan Fund	Public utilities	5.0%	7 yr	
Senior Citizens Dev. Fund	Municipalities and corporations		None Specified	
AK Housing Finance Corp.				
Conventional				
Single family	Owner occupants; home improvement loans only in rural Alaska	7.75%	30 yr	65,000
Duplex		7.75%	same	90,000
FHA/VA Insured				
Single family		7.50%	same	65,000
Duplex		7.50%	same	90,000
Home Improvement		9.50%	15 yr	15,000
Historical Loan Fund	Person, firm, or municipality	6.5%		100,000
AK Industrial Dev. Authority	Industrial development projects with approval of local governmental unit		Through Bond Issue	
Municipal Bond Bank	Municipalities		Through Bond Issue	
AK Power Authority	Not yet operational			

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SENATE PROPOSED ALASKA LOAN PROGRAM

STANDARD ELIGIBILITY: Five year Alaskan resident
Eighteen years of age or older

STANDARD INTEREST: No more than 1% plus the cost of borrowing to the ALP

INTEREST INCENTIVES: Agricultural loans - standard interest less 1%

Veterans loans - standard interest less 1% (less additional 1/2% for twice qualifying veterans)

Renewable Resources loans - interest incentive to be determined by the Renewable Resources Development Division

TERMS: 30 yr. on loan secured by real property
15 yr. on life of equipment on loans secured by equipment
7 yr. or life of chattel on loans secured by chattel
1 yr. on a loan for working capital

<u>Category</u>	<u>Description</u>
Educational	1) Individual enrolled in full-time college, work study, or vocational program 2) \$4,000 per year for under-graduate; \$8,000 for graduate 3) \$16,000 maximum outstanding allowable
Residential	1) \$ 90,000 for single dwelling 130,000 for duplex 170,000 for tri-plex 210,000 for four-plex 2) Collateral requirements: 90% appraised value of real property 95% in areas lacking FHA mortgages
Commercial	1) \$500,000 maximum per individual \$5 million for group of no more than 10 individuals in project or corporation where 10 individuals owning stock assume liability 2) Collateral requirements: 80% appraised value of equipment 90% appraised value of real property
Public Purpose	1) ALP will submit bid for all G.O. and revenue bonds offered on a competitive basis by home rule or general law borough or city 2) Loans to municipalities with population under 5,000 through purchase of municipal bonds 3) Industrial development projects conducting exempt activities under federal law 4) Issue of revenue bonds on behalf of a non-profit corporation with the approval of the municipality in which it is located

ALASKA LOAN PROGRAM

ELIGIBILITY: 5 yr. Alaska resident, minimum 18 yrs. of age

INTEREST: Cost of borrowing to ALP plus 1% service fee

TERMS: 30 yr. on loan secured by real property
 15 yr. on life of equipment on loans secured by equipment
 7 yr. or life of chattel on loans secured by chattel
 1 yr. on a loan for working capital

COLLATERAL: 80% appraised value of equipment
 90% appraised value of real property
 95% for residential where FHA mortgage not available

EDUCATIONAL

RESIDENTIAL

PUBLIC PURPOSE

COMMERCIAL

\$4,000 per yr/undergraduate 8,000 per yr/graduate 16,000 maximum outstanding	\$ 90,000 single dwelling 130,000 duplex 170,000 triplex 210,000 fourplex	Eligible Entities Boroughs and cities Municipalities Industrial development projects Non-profit corporations	\$500,000 max per individual \$5 million max per group or corporation assuming individual liability
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ORGANIZATIONAL CHARTS

The following Organizational Charts A through D have been prepared by the Senate Special Committee on the Permanent Fund.

Organizational Chart A

Per existing state agencies

Organizational Chart B

Per House Bill 298, the Governor's Bill

Organizational Chart C

Per House Bills 596 and 682, by the House Special Committee on the Permanent Fund

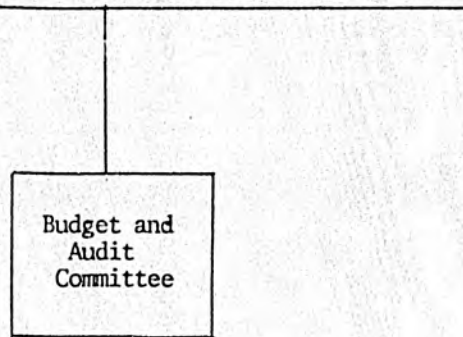
Organizational Chart D

Per Senate Bill 429, by the Senate Special Committee on the Permanent Fund

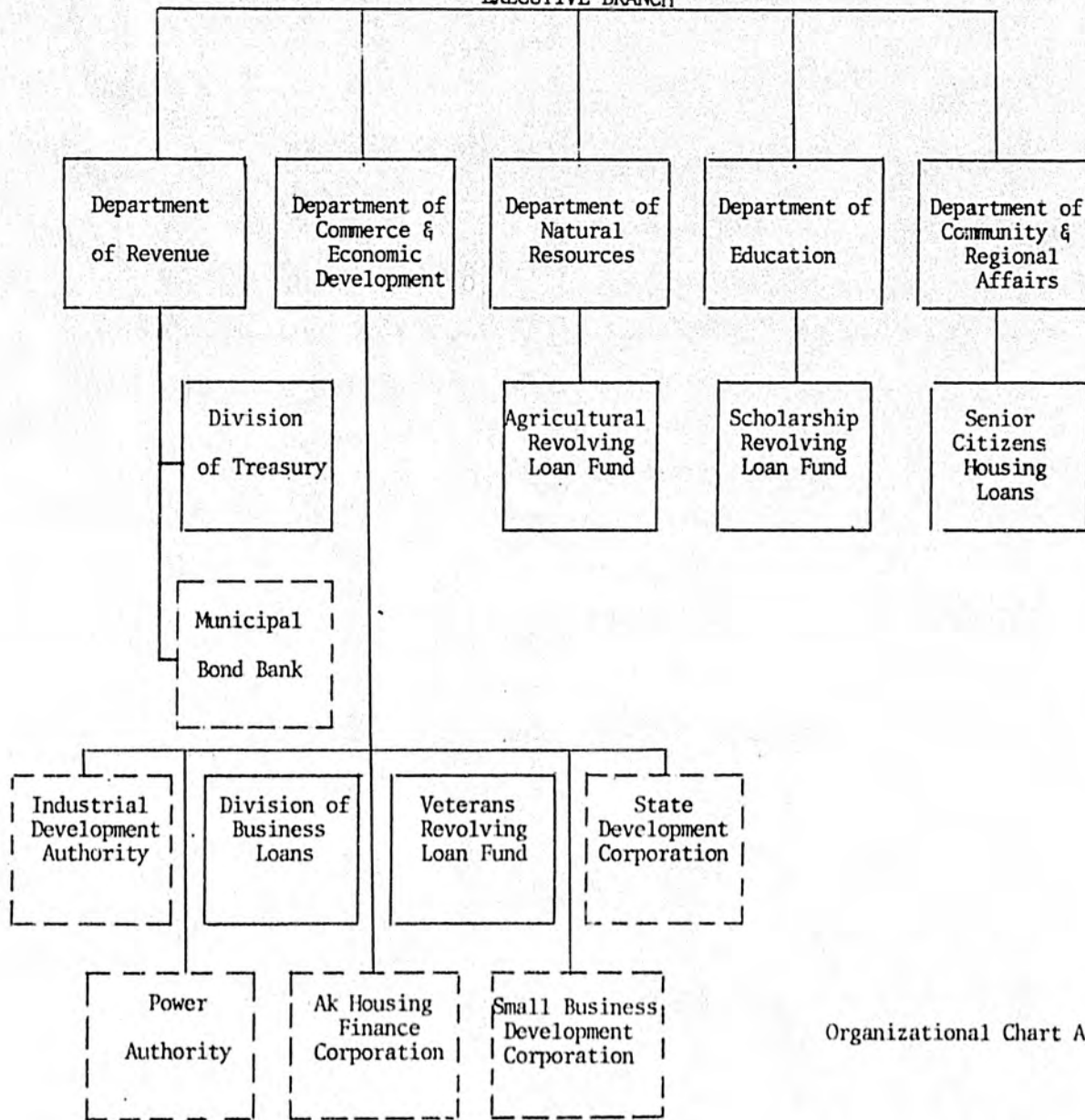
Organizational Chart E

Organizational and flow chart of the permanent fund, renewable resources development fund and the general fund

LEGISLATIVE BRANCH



EXECUTIVE BRANCH



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ORGANIZATIONAL CHART - EXISTING STATE AGENCIES

----- Independent Corporations

Organizational Chart A

LEGISLATIVE BRANCH

EXECUTIVE BRANCH

Budget and
Audit
Committee

Department
of Revenue

Department of
Commerce &
Economic
Development

Department of
Natural
Resources

Department of
Education

Department of
Community &
Regional
Affairs

Division
of Treasury

Agricultural
Revolving
Loan Fund

Scholarship
Revolving
Loan Fund

Senior
Citizens
Housing
Loans

Alaska
Permanent
Fund
Corporation

Municipal
Bond Bank

Industrial
Development
Authority

Division of
Business
Loans

Veterans
Revolving
Loan Fund

State
Development
Corporation

Power
Authority

Ak Housing
Finance
Corporation

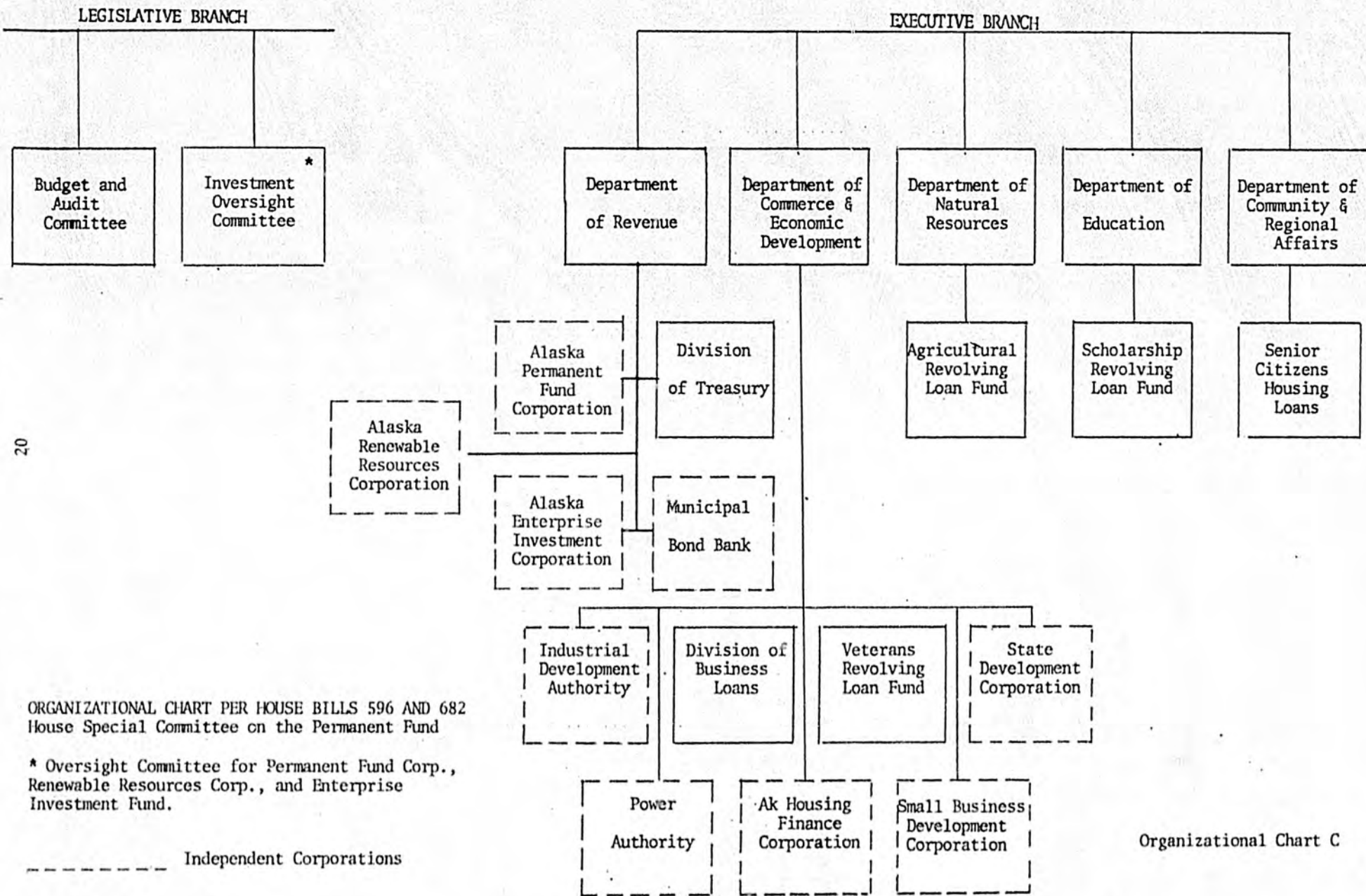
Small Business
Development
Corporation

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ORGANIZATIONAL CHART PER HB 298
Governor's Bill

----- Independent Corporations

Organizational Chart B



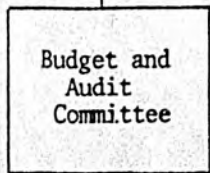
20

ORGANIZATIONAL CHART PER HOUSE BILLS 596 AND 682
House Special Committee on the Permanent Fund

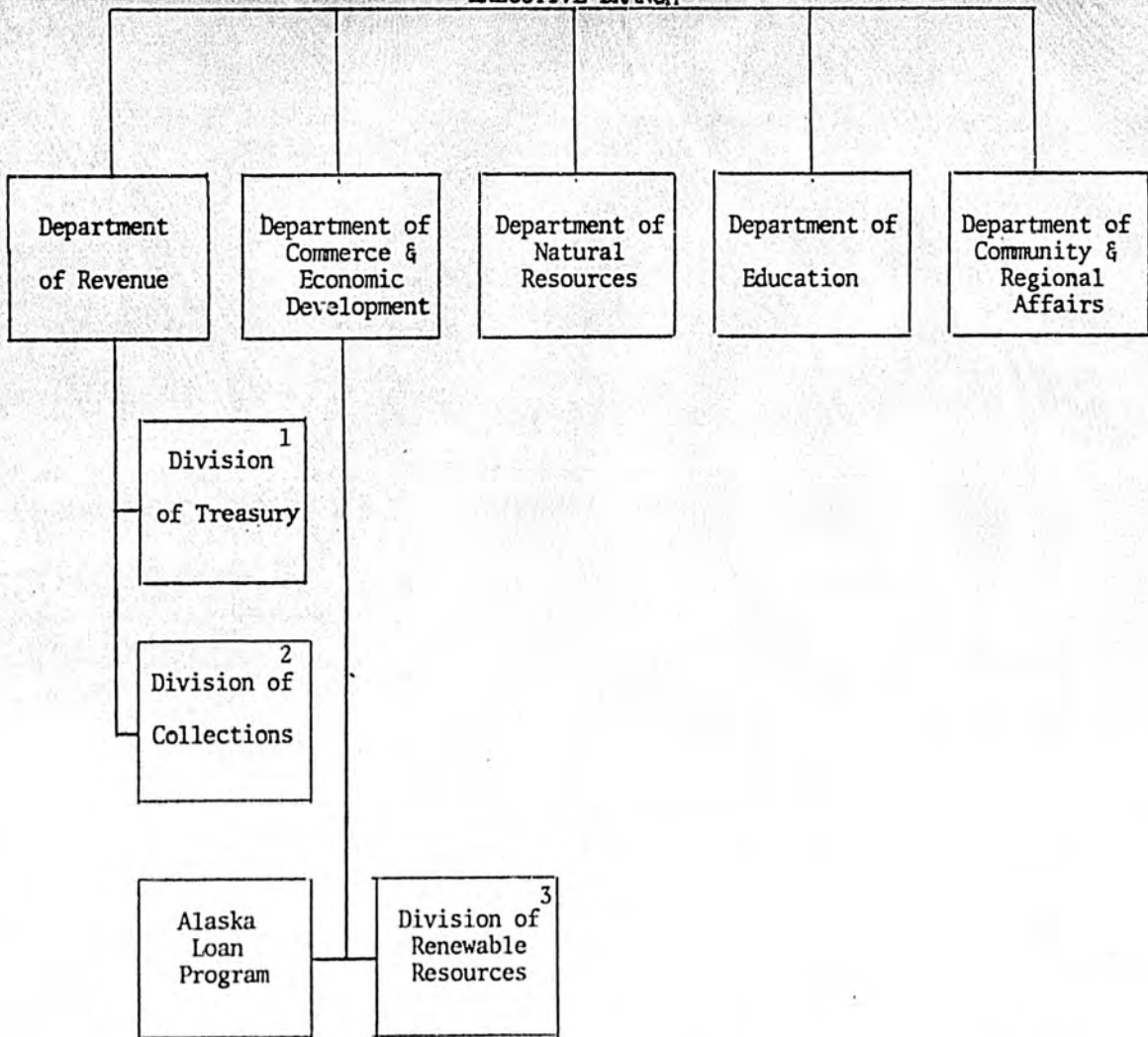
* Oversight Committee for Permanent Fund Corp.,
Renewable Resources Corp., and Enterprise
Investment Fund.

Organizational Chart C

LEGISLATIVE BRANCH



EXECUTIVE BRANCH



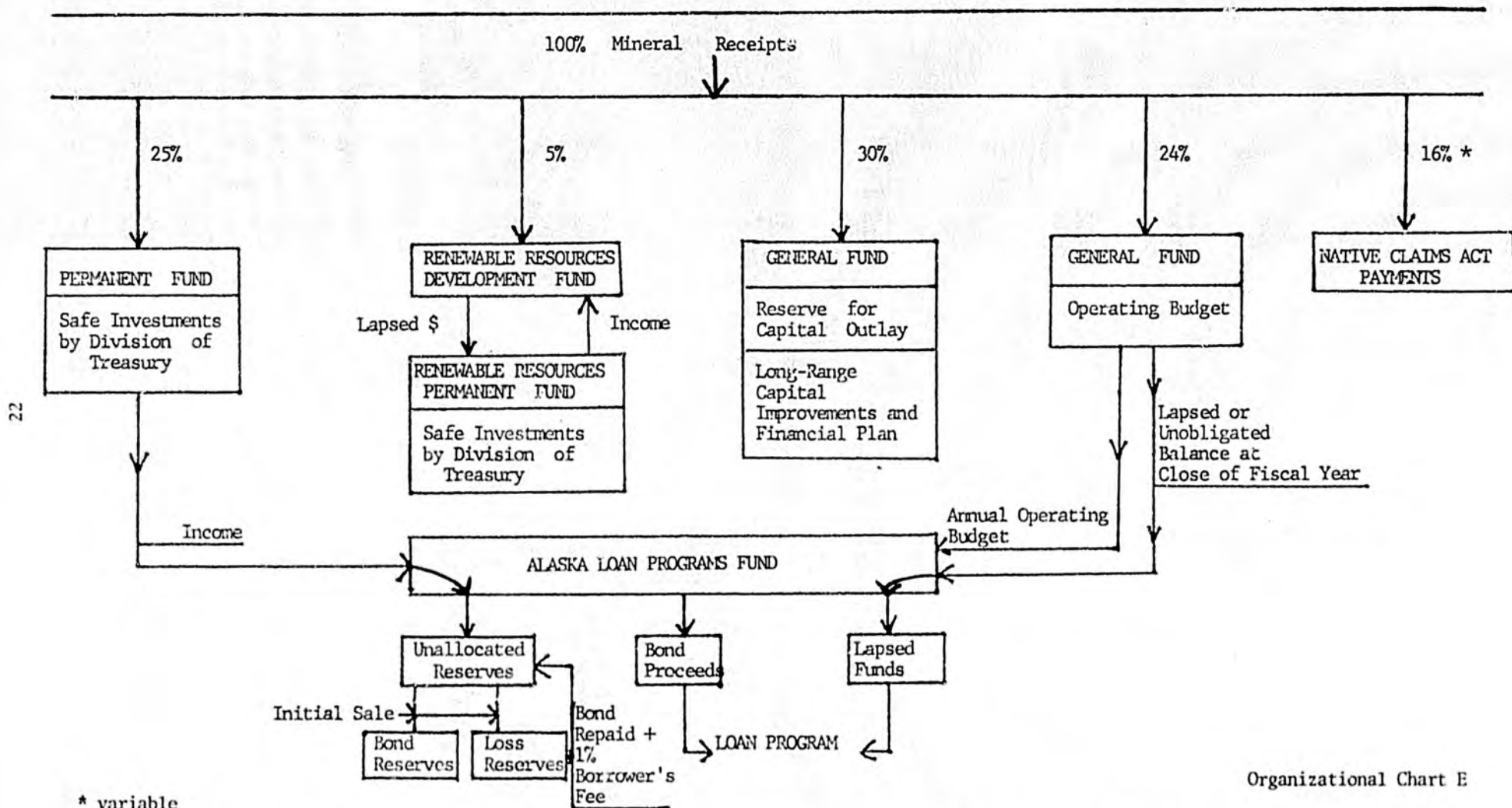
21

ORGANIZATIONAL CHART PER SENATE BILL 429
Senate Committee on the Permanent Fund

- 1 Manages all state funds including permanent fund
- 2 Collection agency for Alaska Loan Program
- 3 Provides equity participation or interest incentives through the Alaska Loan Program

Organizational Chart D

SENATE INTERIM COMMITTEE PROPOSED LEGISLATION



Organizational Chart E

* variable

Future needs of Alaska's citizens can be met from the savings accounts within the Alaska Loan Program, which are: all unallocated reserves (income from Permanent Fund), unallocated reserve subaccount (General Fund contribution account).

COMPARATIVE SAMPLES

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

Sample A

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

Sample B

A Comparative Sample of Available Residential Loans and the Senate Proposed Alaska Loan Program in Rural Alaska

Sample C

A Comparative Sample of Available Home Improvement Loans and the Senate Proposed Alaska Loan Program

Sample D

A Comparative Sample of Available Business Loans and the Senate Proposed Alaska Loan Program

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

TERM: 30 year loan

SAMPLE: \$50,000 home

Lending Agency	Downpayment ¹	Interest	Monthly Pymts	Insurance ²	Total Cost
Federal National Mortgage Association	\$ 5,000	9.5%	\$ 378.39	\$ 7,500.00	\$ 148,720.40
State Veterans Loan Program	5,000	7.5%	314.65	7,500.00	125,774.00
Federal Housing Authority	1,500	8.5%	372.93	7,500.00	143,254.80
Alaska Housing Finance Corporation	5,000	7.75%	322.39	7,500.00	128,560.40
State Banks ³ (not available; pro forma only)	5,000	9.2%	368.21	7,500.00	145,055.60
Alaska Loan Program	5,000	7.0%	299.39	6,699.60	119,480.00
Veteran Incentive	5,000	6.0%	269.80	6,192.00	108,320.00

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

² Insurance fees are computed at a .5% of the value of the home over a 30 year period and are approximate averages only. The Alaska Loan Program insurance fee is based on an optional .6% added to the 7% interest cost and covers the mortgage only.

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

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

TERM: 30 year loan

SAMPLE: \$50,000 home

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

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

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

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

A Comparative Sample of Available Home Improvement Loans
And the Senate Proposed Alaska Loan Program

TERM: 15 years

SAMPLE: \$10,000 Home Improvement Loan

Lending Agency	Interest	Monthly Payments	Total Cost
Farmer's Home (Rural AK only)	8.0%	\$ 95.57	\$ 17,202.60
AK Housing Finance Corporation (Rural AK only)	9.5%	104.43	18,717.40
State Bank ¹ (not readily available; pro forma only)	9.6%	105.04	18,907.20 (Rural)
	9.2%	102.63	18,473.40 (Urban)
Alaska Loan Program	7.0%	89.89	16,180.20
Veterans Incentive	6.0%	84.39	15,190.20

¹ Interest quoted is taken from bank questionnaire responses received by the Senate Committee on the Permanent Fund

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

TERM: 15 years

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

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

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

SBA guarantees	None given
Bank	Varies statewide
Small Business (state)	\$ 300,000
Alaska Loan Program	\$ 500,000 per individual
	\$ 5 million for group of 10 individuals per project

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

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

Loans Made in Conjunction with the Renewable Resources DivisionIllustration A

Bottom Fish Processing Plant

Illustration B

Fishing Boat

Attachment 1

Cumulative amounts in the Renewable Resources Development Fund

Commercial Loans Made through the Alaska Loan ProgramIllustration C

Retail Store and Housing Development Project

RENEWABLE RESOURCES DIVISION

Illustration A

PROJECT: Bottom Fish Processing Plant

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

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

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

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

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

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

RENEWABLE RESOURCES DIVISION

Illustration B

PROJECT: Fishing Boat

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

Division of Renewable Resources may:

- 1) supply an interest incentive
- 2) hold 50% equity position equal to \$ 10,500.

<u>YEAR END</u>	<u>YEARLY INCOME</u>	<u>CUMULATIVE AMOUNT RENEWABLE RESOURCES DEVELOPMENT FUND</u>	<u>PERMANENT FUND</u>	<u>COMBINED TOTAL</u>
1977	.7	.7	3.3	4.0
1978	10.3	11.0	54.8	65.8
1979	19.4	30.4	152.0	182.4
1980	29.5	59.9	299.6	359.5
1981	32.0	91.9	459.4	551.3
1982	34.5	126.4	632.1	758.5
1983	37.2	163.6	818.2	981.8
1984	48.9	212.5	1062.5	1275.0
1985	52.3	264.8	1323.8	1588.6
1986	55.8	320.6	1603.0	1923.6
1987	59.6	380.2	1901.2	2281.4
1988	56.3	436.5	2182.5	2619.0
1989	51.3	487.8	2438.7	2926.5
1990	52.9	540.7	2703.5	3244.2
1991	38.9	579.6	2898.0	3477.6
1992	29.9	609.5	3047.3	3656.8
1993	23.8	633.3	3166.5	3799.8
1994	22.9	656.2	3280.7	3936.9
1995	31.0	687.2	3436.2	4123.4
1996	32.3	719.5	3597.6	4317.1
1997	33.6	753.1	3765.6	4518.7
1998	24.4	777.5	3887.5	4665.0
1999	23.5	801.0	4004.8	4805.8
2000	22.1	832.1	4115.5	4938.6
2001	21.5	844.6	4222.7	5067.3
2002	22.1	866.7	4330.3	5197.0
2003	22.1	888.8	4444.2	5333.0
2004	23.8	912.6	4562.8	5475.4
2005	24.9	937.5	4687.2	5624.7

Prepared by the Senate Special Committee on the Permanent Fund
Based on revenue projections from Milt Barker, Division of Legislative Finance

ALASKA LOAN PROGRAM
COMMERCIAL LOANS

Illustration C

PROJECT: Retail Store

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

PROJECT: Housing Development *

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

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

GRAPHS

The following Graphs A through D have been prepared by the Senate Special Committee on the Permanent Fund and are based on revenue projections prepared by Milt Barker, Division of Legislative Finance.

Graph A

Charts 30% Permanent Fund (includes the 5% for the renewable resources development fund) and the General Fund (minus the Native Claims).

Graph B

Same illustration as Graph A with a different set of assumptions.

Graph C

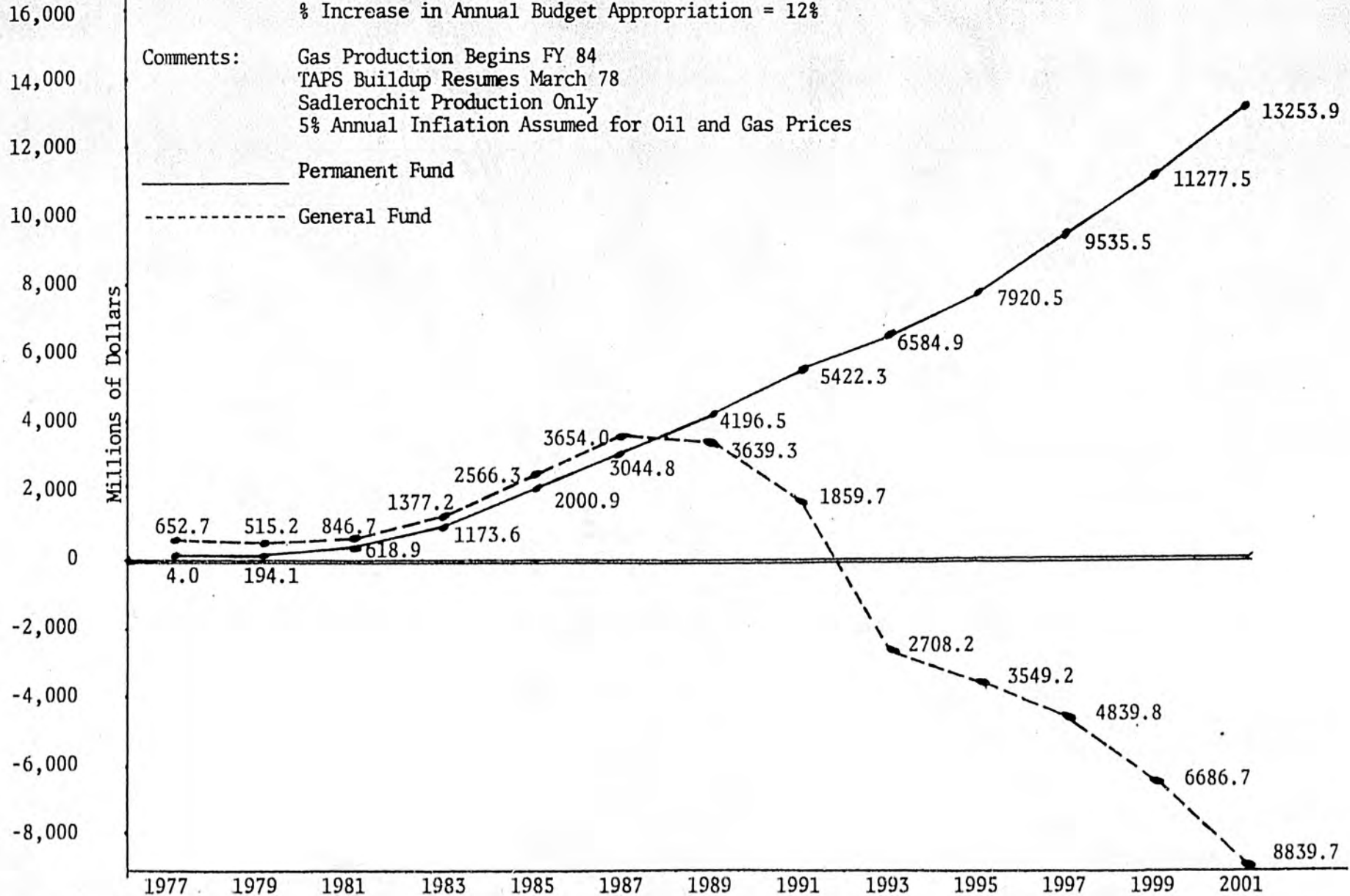
The Senate Permanent Fund legislation proposes that 30% of the oil and gas receipts will be set aside in a reserve for capital outlay within the General Fund and used to finance non-recurring expenditures. This graph illustrates projected growth of the capital outlay reserve and the General Fund (minus the Native Claims). Permanent Fund projections have not been included.

Graph D

Same illustration as Graph C with a different set of assumptions.

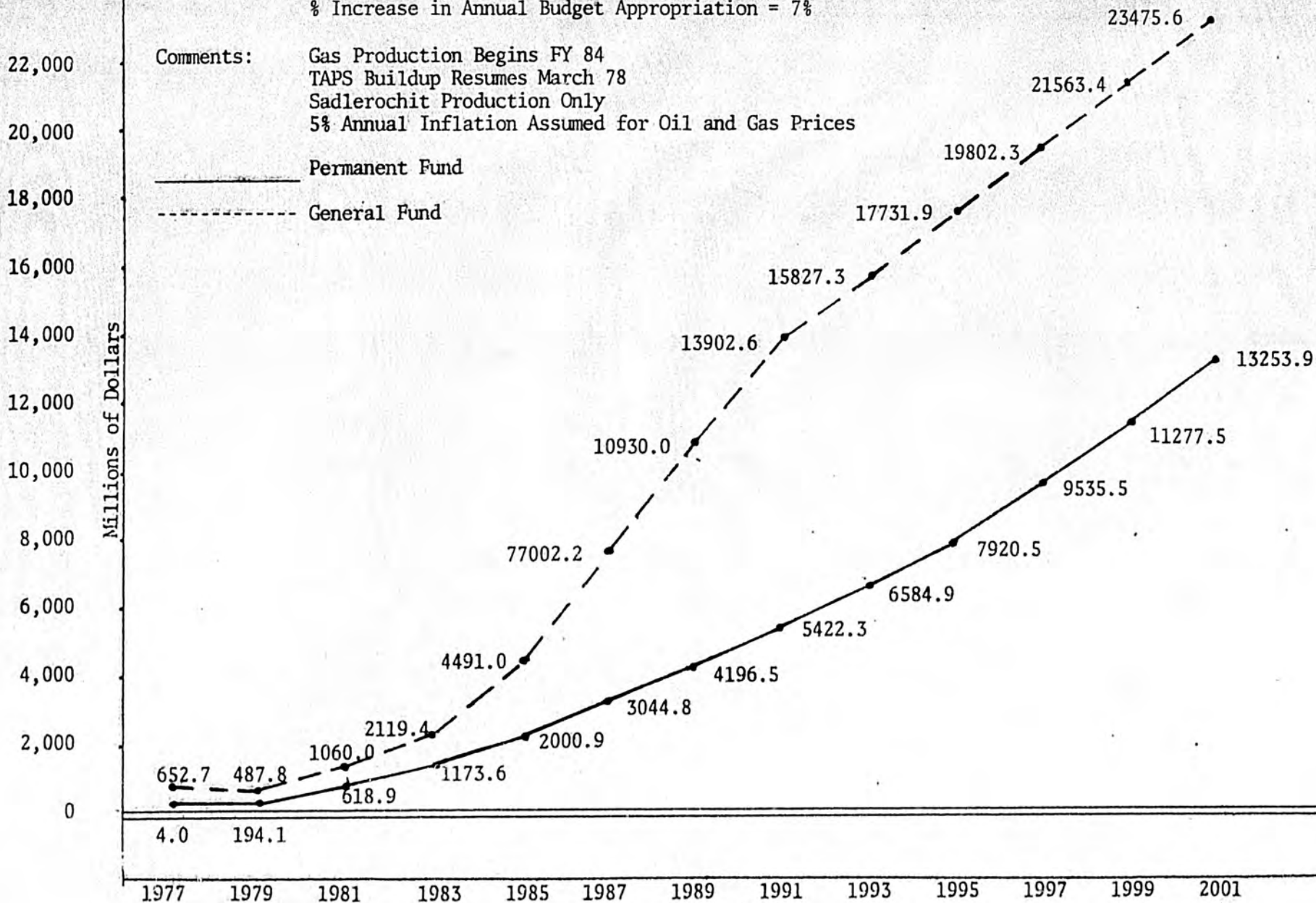
Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties, Leases, Bonuses Deposited in P.F. = 30%
 % of Earnings Retained in P.F. = 100%
 % Increase in Annual Budget Appropriation = 12%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices



Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties, Leases, Bonuses Deposited in P.F. = 30%
 % of Earnings Retained in P.F. = 100%
 % Increase in Annual Budget Appropriation = 7%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices



Assumptions: Annual Rate of Interest = 7%
 % of Current Year Expend. in G.F. Cash Balance = 20%
 % of Royalties Leases and Bonuses Deposited
 in Capital Outlay Account = .30%
 Annual % Increase in Budget Approp. = 7%

Comments: Gas Production Begins FY 84
 TAPS Buildup Resumes March 78
 Sadlerochit Production Only
 5% Annual Inflation Assumed for Oil and Gas Prices
 ICC Proposed Tariff and No Field Costs
 No Lease Bonus Revenue
 Native Claims Deducted from General Fund

