

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
6439 SENATE LABOR & COMMERCE

893

1 financial institution.

2 \* Sec. 14. AS 44.88.172(a) is amended to read:

3 (a) The economic development account is established in the  
4 revolving fund. The economic development account consists of money or  
5 assets appropriated, loaned, or transferred to the authority for  
6 deposit in the account [,] and other money or assets deposited in the  
7 account by the authority. While money is on deposit in the economic  
8 development account, the money [THE ACCOUNT] may be used only to  
9 finance, acquire, manage, and operate development projects that the  
10 authority intends to own and operate. The term "operate" includes  
11 operation directly by the authority [,] or by an agent of the author-  
12 ity.

13 \* Sec. 15. AS 44.88.535(b) is amended to read:

14 (b) The authority may provide a guarantee from the fund for up  
15 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -  
16 44.88.599. The ratio of the guarantee to the outstanding principal of  
17 the loan may not increase over the term of the loan.

18 \* Sec.16. AS 44.88.545 is amended to read:

19 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-  
20 ROWERS. The authority may not provide a guarantee

21 (1) [A LOAN] of more than \$1,000,000;

22 (2) [LOANS] to an individual borrower that cumulatively  
23 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

24 \* Sec. 17. AS 44.88.560 is amended to read:

25 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

26 (1) adopt regulations to implement AS 44.88.500 - 44.88.-  
27 599;

28 (2) establish terms and conditions for loan guarantees and  
29 refinancing agreements subject to the requirements of AS 44.88.500 -

1 44.88.599;

2 (3) make and execute contracts and other instruments to  
3 implement AS 44.88.500 - 44.88.599;

4 (4) charge

5 (A) one percent of the amount guaranteed for the  
6 service it provides under AS 44.88.500 - 44.88.599; and

7 (B) any other reasonable fee that the authority may  
8 establish by regulation;

9 (5) acquire real or personal property by purchase, trans-  
10 fer, or foreclosure when the acquisition is necessary to protect an  
11 interest in the fund; and

12 (6) exercise any other power necessary to implement AS 44.-  
13 88.500 - 44.88.599;

14 (7) to the extent the authority considers it to be in its  
15 best interest to do so, use money in the business assistance fund to  
16 pay expenses relating to the liquidation of collateral securing loans  
17 guaranteed by the business assistance fund.

18 \* Sec. 18. AS 44.88.900(4) is repealed and reenacted to read:

19 (4) "development project" has the meaning given to "proj-  
20 ect" in (9)(A) of this section;

21 \* Sec. 19. AS 44.88.900(9) is amended to read:

22 (9) "project" means

23 (A) a plant or facility used or intended for use  
24 [(i)] in connection with making, processing, pre-  
25 paring, transporting, or producing in any manner, goods,  
26 products, or substances of any kind or nature or in connec-  
27 tion with developing or utilizing a natural resource, or  
28 extracting, smelting, transporting, converting, assembling,  
29 or producing in any manner, minerals, raw materials,

1 chemicals, compounds, alloys, fibers, commodities and mate-  
2 rials, products, or substances of any kind or nature;

3 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH  
4 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF  
5 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR  
6 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS  
7 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL  
8 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A  
9 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR  
10 FACILITY DESCRIBED IN THIS PARAGRAPH;]

11 (B) a plant or facility used or intended for use in  
12 connection with a business enterprise;

13 (C) commercial activity by a small enterprise;

14 \* Sec. 20. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),  
15 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),  
16 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

17 \* Sec. 21. AS 44.88.095(b) is repealed.

18 \* Sec. 22. Sections 7 and 21 of this Act take effect January 1, 1992.

19 \* Sec. 23. Sections 1 - 6 and 8 - 20 of this Act take effect immedi-  
20 ately under AS 01.10.070(c).

STATE OF ALASKA  
THE LEGISLATURE

FOURTH STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 7, 1989

SUBJECT: Additional changes to SCS CSHB 123(L&C)

TO: Senator Dick Eliason  
Chair, Labor and Commerce Committee

FROM: Theresa L. Bannister *TB*  
Legislative Counsel

This memo accompanies the draft of the above-referenced bill that you requested. Your addition of a section would normally require renumbering the subsequent bill sections. However, your draft did not need the usual renumbering, since CSHB 123(Jud) am needed some technical adjustments due to the amendments made by the house. Your draft does not contain the section (former sec. 4) that was deleted on the floor of the house, although it appears in the CSHB 123 (Jud) am version. The effective date sections (secs. 23 and 24) have been adjusted to reflect the amendments and your new section.

If I may be of further assistance, please advise.

TB:kb  
wkk5/017

Enclosure

go0799hD  
Bannister  
5/7/89

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND  
COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development  
7 and Export Authority; and providing for an effective  
8 date."

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

10 \* Section 1. AS 44.88.010(a)(9) is amended to read:

11 (9) the achievement of the goal of full employment, and of  
12 establishment and continuing operation and development of industrial,  
13 manufacturing, export, small business, and business enterprises in the  
14 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,  
15 FACILITIES FOR POLLUTION CONTRCL AND WASTE DISPOSAL, FACILITIES FOR  
16 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR  
17 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-  
18 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING  
19 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and  
20 facilitated by the creation of an instrumentality of the state with  
21 powers to incur debt, to own and operate facilities, to make and  
22 insure loans to finance [,] and to assist private lenders to make  
23 loans to finance [,] the establishment, operation, and development of  
24 industrial, manufacturing, export, small business, and business enter-  
25 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTA-  
26 TION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES  
27 FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR  
28 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-  
29 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING

1 FACILITY RELATING TO A PLANT OR FACILITY];

2 \* Sec. 2. AS 44.88.010(c) is amended to read:

3 (c) It is further declared to be the policy of the state, in the  
4 interests of promoting the health, security, and general welfare of  
5 all the people of the state, and a public purpose of the state, to  
6 accomplish the objectives set out in (b) of this section through the  
7 provision of financial support to a [IN COOPERATION WITH] federal,  
8 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-  
9 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,  
10 AND SERVICES].

11 \* Sec. 3. AS 44.88.060 is amended to read:

12 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-  
13 THORITY REVOLVING FUND. The Alaska Industrial Development and Export  
14 Authority revolving fund is established in the authority. The revolv-  
15 ing fund consists of appropriations made to the revolving fund by the  
16 legislature, money or other assets transferred to the revolving fund  
17 by the authority, and unrestricted payments on loans made or purchased  
18 by the authority. Unless otherwise expressly stated, the accounts  
19 created in this chapter are accounts in the revolving fund. The  
20 authority may create additional accounts either in the revolving fund  
21 or outside the revolving fund. Subject to agreements made with the  
22 holders of the authority's bonds or with other persons, the authority  
23 may transfer amounts in an account in the revolving fund to another  
24 account in the revolving fund. Amounts deposited in the revolving  
25 fund may be pledged to the payment of bonds of the authority or ex-  
26 pended for the purposes of the authority under this chapter. The  
27 authority has the powers and responsibilities established in AS 37.-  
28 10.071 with respect to the investment of amounts held in the revolving  
29 fund.

1 \* Sec. 4. AS 44.88.080 is amended by adding a new paragraph to read:

2 (25) to make cooperative agreements with the Department of  
3 Transportation and Public Facilities, acting on behalf of the  
4 international airports revenue fund established under AS 37.15.430, to  
5 acquire, equip, operate, maintain, construct or install facilities  
6 that will enhance the competitiveness of the international airports,  
7 including a cooperative agreement to lend amounts from the  
8 international airport revenue fund to finance the development or  
9 improvement of utilities serving the airports.

10 \* Sec. 5. AS 44.88 is amended by adding a new section to read:

11 Sec. 44.88.082. JOINT OWNERSHIP PROHIBITED. The authority may  
12 not enter into an agreement for joint ownership of a project.

13 \* Sec. 6. AS 44.88.090(a) is amended to read:

14 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may  
15 borrow money and may issue bonds, including but not limited to bonds  
16 on which the principal and interest are payable

17 (1) exclusively from the income and receipts or other money  
18 derived from the project or development project financed with the  
19 proceeds of the bonds or derived from the exporter or exporting trans-  
20 action financed, guaranteed, or insured with the proceeds of the  
21 bonds;

22 (2) exclusively from the income and receipts or other money  
23 derived from designated projects or development projects or other  
24 sources whether or not they are financed, insured, or guaranteed in  
25 whole or in part with the proceeds of the bonds; or

26 (3) from its income and receipts or other assets generally,  
27 or a designated part or parts of them.

28 \* Sec. 7. AS 44.88 is amended by adding a new section to read:

29 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not

1 issue bonds in a 12-month period in an amount that exceeds  
2 \$400,000,000.

3 (b) The authority may not issue revenue bonds, other than re-  
4 funding bonds, to purchase a loan for a project under AS 44.88.155 -  
5 44.88.159, to acquire a development project under AS 44.88.172 -  
6 44.88.177 or to provide money to finance, guarantee, or insure an  
7 exporting transaction under AS 44.88.300 - 44.88.390 in an amount  
8 greater than \$50,000,000 during any 12-month period unless the issu-  
9 ance is included separately in the estimates required in the report of  
10 the authority under AS 44.88.210(b) and unless the legislature, by  
11 law, approves the issuance.

12 (c) Before entering into a lease or other agreement under  
13 AS 44.88.090(e) regarding a project for which the authority agrees to  
14 issue bonds in an amount in excess of \$6,000,000, there must be filed  
15 with the authority a certified copy of a resolution of the governing  
16 body of the political subdivision of the state, if any, in which the  
17 project is to be located, consenting to the location of the project.  
18 The consent need only refer to the general nature of the project  
19 ultimately to be acquired, as set out in a request of the proposed  
20 project applicant. Before entering into a lease or other agreement  
21 under AS 44.88.090(e) regarding a project, the authority shall find,  
22 on the basis of all information reasonably available to it, that

23 (1) the project and its development under this chapter will  
24 be economically advantageous to the state and the general public  
25 welfare and will contribute to the economic growth of the state;

26 (2) the project applicant is financially responsible;

27 (3) provision to meet increased demand upon public facili-  
28 ties that might result from the project is reasonably assured; and

29 (4) the project will provide, or retain, employment reason-

1 ably related to the amount of the financing by the authority, con-  
2 sidering the amount of investment per employee for comparable facil-  
3 ities and other relevant factors.

4 (d) Before adopting a resolution approving a project to be  
5 financed under AS 44.88.172 for which bonds must be issued, the au-  
6 thority shall, on the basis of all information reasonably available to  
7 it, make findings, with respect to the project, as described in  
8 (c)(1) - (4) of this section, and also find that

9 (1) the project is economically and financially feasible  
10 and able to produce revenue adequate to repay the bonds or loans with  
11 which it is financed;

12 (2) the project complies with applicable law; and

13 (3) issuance of the bonds is not expected to adversely  
14 affect the ability of the state or any political subdivision of the  
15 state to market other bonds.

16 (e) Before entering into an agreement to finance or to develop a  
17 proposed project financed under AS 44.88.172 for which bonds must be  
18 issued, the authority shall obtain the approval of each Regional  
19 Resource Advisory Council appointed under AS 44.88.174 or municipality  
20 in the area in which the proposed project is to be located. Approval  
21 under this subsection must be evidenced by a certified copy of a  
22 resolution of the council or of the governing body of the municipal-  
23 ity. Before considering a resolution regarding the approval or re-  
24 jection of the development or financing of a proposed project under  
25 this subsection, a Regional Resource Advisory Council shall conduct a  
26 public hearing in the region. If a proposed project is located in a  
27 municipality, the governing body of the municipality shall conduct a  
28 hearing on the proposed project.

29 (f) Before entering into an agreement to finance or to develop a

1 proposed project financed under AS 44.88.172 for which bonds must be  
2 issued, the authority shall compile and make available to the public a  
3 document that summarizes the projected economic, social, and environ-  
4 mental effects of the project; and, in conjunction with the Department  
5 of Fish and Game, the Department of Natural Resources, the Department  
6 of Environmental Conservation, and the Department of Labor, the au-  
7 thority shall conduct a public hearing on the projected effects of the  
8 project.

9 (g) Without prior legislative approval, the authority may not  
10 issue bonds in an amount greater than \$10,000,000 to assist in the  
11 financing of a development project under AS 44.88.172 - 44.88.177.

12 \* Sec. 8. AS 44.88.095(g) is repealed and reenacted to read:

13 (g) The authority may not issue bonds, other than refunding  
14 bonds, without securing the prior approval of the legislature.

15 \* Sec. 9. AS 44.88.105(a) is amended to read:

16 (a) For the purpose of securing one or more issues of its bonds,  
17 the authority may establish one or more special funds, called "capital  
18 reserve funds", and shall pay into those capital reserve funds the  
19 proceeds of the sale of its bonds and other money which may be made  
20 available to the authority from other sources for the purposes of the  
21 capital reserve funds. A capital reserve fund may be established only  
22 if the authority determines that the establishment of the fund would  
23 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A  
24 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE  
25 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital  
26 reserve fund, except as provided in this section, may be used as  
27 required only for (1) the payment of the principal of, and interest  
28 on, bonds or of the sinking fund payments with respect to those bonds;  
29 (2) the purchase or redemption of the bonds; or (3) the payment of a

1 redemption premium required to be paid when the bonds are redeemed  
2 before maturity. However, money in a capital reserve fund may not be  
3 withdrawn if the withdrawal would reduce the amount in the capital  
4 reserve fund to less than the capital reserve fund requirement, except  
5 for the purpose of making payment, when due, of principal, interest,  
6 redemption premiums on the bonds, and sinking fund payments when other  
7 money of the authority is not available for the payments. Income or  
8 interest earned by, or increment to, a capital reserve fund, from the  
9 investment of all or part of the fund, may be transferred by the  
10 authority to other funds or accounts of the authority if the transfer  
11 does not reduce the amount of the capital reserve fund below the  
12 capital reserve fund requirement.

13 \* Sec. 10. AS 44.88.105(d) is amended to read:

14 (d) With respect to a capital reserve fund created under this  
15 section on or before January 1, 1989, the [THE] chairman of the au-  
16 thority shall annually, no later than January 2, certify in writing to  
17 the governor and the legislature the amount, if any, required to  
18 restore the [A] capital reserve fund to the capital reserve fund  
19 requirement. The legislature may appropriate to the authority the  
20 amount certified by the chairman of the authority. The authority  
21 shall deposit the amounts appropriated under this subsection during a  
22 fiscal year in the proper capital reserve fund. Nothing in this  
23 section creates a debt or liability of the state.

24 \* Sec. 11. AS 44.88.155(b) is amended to read:

25 (b) The authority may establish in the enterprise development  
26 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-  
27 COUNT, AND OTHER] accounts it considers appropriate.

28 \* Sec. 12. AS 44.88.155(c) is amended to read:

29 (c) Money and other assets of the enterprise development account

1 may be used to secure bonds of the authority issued to finance the  
2 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE  
3 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-  
4 chase loans for projects.

5 \* Sec. 13. AS 44.88.155(d) is amended to read:

6 (d) A loan purchased in whole or in part by the authority with  
7 assets of the enterprise development account or with proceeds of bonds  
8 secured by assets of the enterprise development account, other than a  
9 loan which is financed with the proceeds of bonds of the authority and  
10 secured only by a project applicant or a project,

11 (1) may not exceed

12 [(A)] \$10,000,000; [OR

13 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-  
14 158;]

15 (2) may not exceed the cost of the project or 75 percent of  
16 the appraised value of the project, whichever is less, unless the  
17 amount of the loan in excess of this limit is federally insured or  
18 guaranteed or is insured by a qualified mortgage insurance company;

19 (3) may not be for a term longer than three-quarters of the  
20 authority's estimate of the life of the project or 25 years from the  
21 date the loan is made, whichever is earlier;

22 (4) shall contain complete amortization provisions satis-  
23 factory to the authority requiring periodic payments by the borrower;

24 (5) shall be in the form and contain the terms and provi-  
25 sions with respect to insurance, repairs, alterations, payment of  
26 taxes and assessments, default reserves, delinquency charges, default  
27 remedies, acceleration of maturity, secondary liens, and other matters  
28 the authority prescribes;

29 (6) shall be secured as to repayment by a mortgage or other

1 security instrument in the manner the authority determines is feasible  
2 to assure timely repayment under a loan agreement entered into with  
3 the borrower;

4 (7) may not be made unless

5 (A) at least 20 [10] percent of the principal amount  
6 of the loan is retained by the originator of the loan as long as  
7 the loan is outstanding; or

8 (B) 100 percent of the principal amount of the loan is  
9 guaranteed by the United States or an agency or instrumentality  
10 of the United States;

11 (8) must be

12 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED  
13 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,  
14 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

15 (B)] financed from the proceeds of bonds; or

16 (B) [(C)] expected by the authority to be financed  
17 from the proceeds of bonds.

18 \* Sec. 14. AS 44.88.165 is repealed and reenacted to read:

19 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt  
20 regulations to describe the circumstances under which it will discon-  
21 tinue purchasing loans from a financial institution because of exces-  
22 sive delinquencies among the loans previously purchased by the author-  
23 ity from the financial institution. In adopting the regulations, the  
24 authority must consider the authority's delinquency experience with  
25 loans it purchased from all financial institutions. The authority may  
26 include in the regulations other remedies it considers appropriate as  
27 alternatives to the discontinuance of purchasing loans from the finan-  
28 cial institution.

29 \* Sec. 15. AS 44.88.172(a) is amended to read:

1 (a) The economic development account is established in the  
2 revolving fund. The economic development account consists of money or  
3 assets appropriated, loaned, or transferred to the authority for  
4 deposit in the account [,] and other money or assets deposited in the  
5 account by the authority. While money is on deposit in the economic  
6 development account, the money [THE ACCOUNT] may be used only to  
7 finance, acquire, manage, and operate development projects that the  
8 authority intends to own and operate. The term "operate" includes  
9 operation directly by the authority [,] or by an agent of the author-  
10 ity.

11 \* Sec. 16. AS 44.88.585(b) is amended to read:

12 (b) The authority may provide a guarantee from the fund for up  
13 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -  
14 44.88.599. The ratio of the guarantee to the outstanding principal of  
15 the loan may not increase over the term of the loan.

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17 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-  
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19 (1) [A LOAN] of more than \$1,000,000;

20 (2) [LOANS] to an individual borrower that cumulatively  
21 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

22 \* Sec. 18. AS 44.88.560 is amended to read:

23 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

24 (1) adopt regulations to implement AS 44.88.500 - 44.88.-  
25 599;

26 (2) establish terms and conditions for loan guarantees and  
27 refinancing agreements subject to the requirements of AS 44.88.500 -  
28 44.88.599;

29 (3) make and execute contracts and other instruments to

1 implement AS 44.88.500 - 44.88.599;

2 (4) charge

3 (A) [(i)] one percent of the amount guaranteed for the  
4 service it provides under AS 44.88.500 - 44.88.599; and

5 (B) [(ii)] any other reasonable fee that the authority  
6 may establish by regulation;

7 (5) acquire real or personal property by purchase, trans-  
8 fer, or foreclosure when the acquisition is necessary to protect an  
9 interest in the fund; and

10 (6) exercise any other power necessary to implement AS 44.-  
11 88.500 - 44.88.599;

12 (7) to the extent the authority considers it to be in its  
13 best interest to do so, use money in the business assistance fund to  
14 pay expenses relating to the liquidation of collateral securing loans  
15 guaranteed by the business assistance fund.

16 \* Sec. 19. AS 44.88.900(4) is repealed and reenacted to read:

17 (4) "development project" has the meaning given to "proj-  
18 ect" in (9)(A) of this section;

19 \* Sec. 20. AS 44.88.900(9) is amended to read:

20 (9) "project" means

21 (A) a plant or facility used or intended for use  
22 [(i)] in connection with making, processing, pre-  
23 paring, transporting, or producing in any manner, goods,  
24 products, or substances of any kind or nature or in connec-  
25 tion with developing or utilizing a natural resource, or  
26 extracting, smelting, transporting, converting, assembling,  
27 or producing in any manner, minerals, raw materials, chemi-  
28 cals, compounds, alloys, fibers, commodities and materials,  
29 products, or substances of any kind or nature;

1 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH  
2 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF  
3 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR  
4 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS  
5 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL  
6 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A  
7 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR  
8 FACILITY DESCRIBED IN THIS PARAGRAPH;]

9 (B) a plant or facility used or intended for use in  
10 connection with a business enterprise;

11 (C) commercial activity by a small enterprise;

12 \* Sec. 21. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),  
13 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),  
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15 \* Sec. 22. AS 44.88.095(b) is repealed.

16 \* Sec. 23. Sections 8 and 22 of this Act take effect January 1, 1991.

17 \* Sec. 24. Sections 1 - 7 and 9 - 21 of this Act take effect immedi-  
18 ately under AS 01.10.070(c).

CS FOR  
HOUSE BILL  
123

"An Act Relating to the Alaska Industrial  
Development and Export Authority; and providing for  
an effective date."



ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT  
AUTHORITY

# The Alaska Industrial Development and Export Authority

## PROMOTES EMPLOYMENT THROUGH FINANCING

Since 1981, Authority Financing has resulted in an estimated 13,582 jobs and 804 projects with a value of \$871,932,230.

	Employment per Region	Projects per Region	Dollar Value per Region
Northern	437	27	30,535,250
Interior	1,480	91	99,875,250
Southwest	788	41	52,095,250
Anchorage	7,178	422	458,710,805
Southcentral	1,804	135	97,815,500
Southeast	1,895	85	135,100,000
Total	13,582	804	871,932,230

*HOW WILL CS FOR HOUSE  
BILL 123, SPONSORED BY  
THE GOVERNOR, FURTHER  
THE AUTHORITY'S EFFORTS  
IN PROMOTING RESOURCE  
DEVELOPMENT ?*

The Authority will be able to own, operate, or construct facilities

*solely,  
by partnership,  
by joint venture,  
or through other agreements with persons for shared  
ownership.*

Example:

To enhance development of the Beluga coal fields, a common transportation system accessible by all lease holders could provide a stimulus for further movement of this project. Financing and/or partial ownership with the lease holders in this common system could reduce the costs of moving the coal to tidewater.

The Authority will be able to provide financial support in the form of

*loans,  
guarantees,  
equity investments.*

Example:

In reference to the Beluga Coal Fields, the Authority could function as a lender for the project, or could have an equity interest in the coal transportation system in conjunction with others and be repaid by charging fees on the amount of coal transported. Flexibility and a menu of options are necessary as each project will be different and present unique problems to overcome.

In addition to these current statutory bonding limitations:

The Authority cannot issue bonds in a total amount over \$400 million during a 12 month period.

The Authority cannot issue bonds for a particular project within a 12 month period over \$50 million.

Project bonds over \$6 million require location approval from the city or borough where the project will be located.

Project bonds over \$10 million require a public hearing as well as municipal approval.

In all cases, the Authority must find that;

The project is economically advantageous to the State and public welfare.

The project applicant is financially responsible.

Increased demand on public utilities will be satisfied.

The project will provide or retain employment reasonably related to the amount of Authority financing.

The project is feasible enough to repay the bonds or loans.

The bond issuance will not adversely affect the marketability of other state bonds.

House Bill 123 proposes the following:

The Authority can issue bonds up to \$25 million to assist in the acquisition of a development project without prior legislative approval, as opposed to \$10 million currently.

The State's moral obligation on any future bonds issued by the Authority is eliminated.

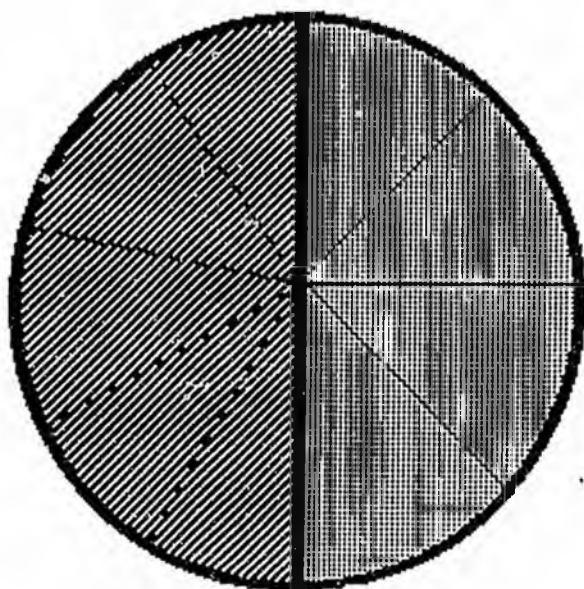
The principle amount of a loan retained by the originator is increased from 10% to 20%.

The Authority can regulate conditions where it will no longer purchase loan participations from a financial institution as a result of excessive delinquencies.

The Authority will be able to utilize assets in pursuing the promotion of resource development projects by revising the scope of the Revolving Fund.

The revolving fund is comprised of two primary accounts: the *Enterprise Development Account* and the *Economic Development Account*. The Enterprise Development account is utilized for daily operations and obligations of the Authority and the Economic Development Account is utilized for major development projects like Red Dog. All accounts are independent and monies cannot be transferred between accounts.

### THE REVOLVING FUND



-  **Economic Development Account**
  - Capital Reserve Account
  - Sustaining Capital Account
  - Operation & Maintenance Account
  - Construction Revenue Account
  - Project Economic Development Account
  
-  **Enterprise Development Account**
  - Capital Reserve Account
  - Business Assistance Account
  - Loan Collection Account
  - Investment Account

Proposed:

"Pool" all the non-promised monies of both major accounts together to function as a general fund.

House Bill 123 proposes the following changes to the Authority's Commercial Business Loan Program to effectively market the program to banking institutions.

The guaranteed portion of the loan is increased from 70% to 80%.

The guaranty will cover \$1 million or less, as opposed to guarantying a loan of \$1 million or less.

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program as deemed necessary.

*The changes proposed in this legislation will not require additional funding.*

## SECTIONAL ANALYSIS

CS for House Bill 123

"An Act Relating to the Alaska Industrial Development and Export Authority; and providing for an effective date"

### DISCUSSION:

The purpose of this legislation is to further the Alaska Industrial Development and Export Authority's efforts in promoting employment through resource development projects. The Authority has historically functioned as a correspondent to Alaskan banks, financing real estate mortgages in the service sector of the economy. This legislation is an attempt to redirect the Authority's efforts to achieve the goal of increased employment through primary sector industrial development. This redirection is an attempt to create new jobs and promote population growth within the State. This in turn will provide assistance to the service sector which currently is suffering from a lack of demand.

The congressional changes to the tax code in 1986 significantly altered the type of projects that can be financed with the proceeds of tax-exempt bonds. The only projects currently eligible are manufacturing plants (through December 31, 1989) and certain facilities referred to as "exempt facilities." Financing for airports, docks, and wharves is still available if the project is owned by a governmental entity. This change in the tax law has reduced the attractiveness and demand for Authority tax-exempt financing.

The definition of a development project in AS 44.88.900(9)(A) limits Authority ownership. The current definition stresses the primary resource industries, and accentuates transportation and infrastructure associated with those projects.

This legislation does not eliminate the essential framework whereby the Authority acts as a correspondent to Alaskan banks. The current banking situation has curtailed many of the existing banks correspondent relationships. It is critical that the Authority remain as an institute correspondent during these difficult times.

Pursuant to its purpose, all provisions of the bill accomplish at least one of the following four objectives.

1. Increase efforts in promoting resource development projects.
2. Amend existing statutes to allow utilization of the Authority's assets in pursuing the promotion of development projects.
3. Conform existing statutes to the 1986 Tax Act.
4. Reorganize, refine, and consolidate statutes of the Authority.

Section 1. AS 44.88.010(a)(9):

Three changes are made in this section: two deletions of dated language that is no longer applicable, and an addition allowing the Authority to participate in different types of ownership.

The deletions conform state law to the federal law changes made as a result of the 1986 Tax Reform Act.

The addition defines the necessary relationship possibilities between the Authority and other persons or entities. Each project will face unique problems, and flexibility is needed to address and overcome them. Without this flexibility, the Authority's effectiveness in promoting resource development projects will be limited.

Section 2. AS 44.88.010(c):

There are two changes in this section: the addition that sets forth the Authority's scope of providing financial support for or with various persons or entities, and the deletion removes language that is unnecessary and could be viewed as applying only to exports.

Section 3. AS 44.88.060:

The two additions in this section establish the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.

Section 4. AS 44.88.070:

The addition in this section sets forth the Authority's scope of owning and operating development projects: solely or by partnership, joint venture, or other agreement with another person. This definition is necessary as the projects contemplated will require the flexibility to deal with different forms of ownership and operation.

Section 5. AS 44.88.080(14):

The two additions in this section broaden and conform the Authority's scope of powers with regard to development projects that are not standardized.

Section 6. AS 44.88.090(a):

The deletion in this section removes language that is unnecessary in this legislation as proposed.

Section 7. AS 44.88:

This addition creates a new section, 44.88.095, BONDING LIMITATIONS. It consolidates all the Authority's statutory limitations regarding the issuance of bonds into one section. The provisions do not change and are merely moved from another section with one exception; the Authority will have the ability to issue bonds up to \$25 million as opposed to \$10 million to assist in the financing or operation of a development project without prior legislative approval. Local approval is still required under this section.

Section 8. AS 44.88.105(a):

The deletion in this section eliminates the ceiling on bonds regarding the establishment of capital reserve funds. It also eliminates the state's moral obligation to supplement a capital reserve fund created after January 1, 1989 should it ever fall below the required amount.

With this elimination of moral obligation, bonds of the Authority issued after January 1, 1989, will stand on their own and do not contingently obligate the State in any form whatsoever. Since 1981 all bonds have had the benefit of the State's moral obligation. It is now appropriate that the Authority stand on its own financially with respect to future bond issues. Of course, the Authority's bonds that are already outstanding and were issued with the moral obligation will continue to have that benefit.

Section 9. AS 44.88.105(d):

This addition is in conjunction with the changes of section 8 and sets forth the date, January 1, 1989, after which no additional moral obligation bonds could be issued.

Section 10. AS 44.88.155(b):

The change in this section allows the Authority to establish accounts within the enterprise development account considered appropriate by the Authority.

Section 11. AS 44.88.155(c)

The deletion in this section is in conjunction with the changes in section 3, it simply moves the investment powers into the revolving fund.

Section 12. AS 44.88.155(d):

There are two changes and one deletion in this section.

The first change allows the Authority to participate in the financing of projects that previously have been beyond the Authority's financial scope. Increasing the loan limit on a project from \$10 million to \$25 million will allow the Authority to participate in larger projects strictly as a correspondent. Several tourism-related projects have been beyond the \$10 million limit. This change would allow Authority participation in these projects.

The second change requires that the principle amount of a loan held by the originator be increased from 10% to 20% as long as the loan is outstanding. This would promote caution when banks contemplate selling their loans to the Authority. They will be responsible for holding a more significant portion of the credit and hopefully act accordingly.

The deletion will allow the Authority to become active in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS. 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

Section 13. AS 44.88.165:

The statute regarding loan delinquencies is repealed and reenacted. It allows the Authority to regulate conditions whereby it may discontinue purchase of loan participations from a financial institution because of excessive loan delinquencies. This revision is necessary to allow more financial institutions to participate in the authority's loan programs.

Section 14. AS 44.88.172(a):

The additions to this section establish the Economic Development Account within the Revolving Fund. They set forth the scope for which the Economic Development Account will be used.

The changes to the following three sections affect the Authority's commercial business loan guarantee program. These changes are necessary to make this program more marketable to banking institutions.

Section 15. AS 44.88.535(b):

The guaranteed portion of the loan is increased from 70% to 80%.

Section 16. AS 44.88.545:

The guaranty will cover \$1 million or less, as opposed to guaranteeing a loan of \$1 million or less.

Section 17. AS 44.88.560:

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program when the Authority considers it to be in its best interest to do so.

Section 18. AS 44.88.900(4):

This section clarifies the definition of "development" project by referring to the resource development oriented plants and facilities described in the definition of "project", including transportation related facilities as set forth in section 19.

Section 19. AS 44.88.900(9):

There is one addition and deletion in this section. The addition includes certain transportation facilities in the definition of a project, while the deletion eliminates the obsolete language from the tax code prior to the 1986 Tax Reform Act.

Section 20. Repealed statutes:

AS 44.88.090(g), 44.88.160, 44.88.172(c), 44.88.175, and 44.88.176 are reenacted in substantially the same form and placed in Section 6, Bonding Limitations.

AS 44.88.090(i) is repealed to allow the Authority to issue bonds after January 1, 1990.

AS 44.88.105(e) and (g) relate to the moral obligation provisions, that under this legislation, would terminate on January 1, 1989. The provisions of 44.88.105(e) duplicate those added by section 10, AS 44.88.155(d)(7)(A) of this legislation.

AS 44.88.157 creates a loan insurance account and permits the Authority to insure loans purchased under its general financing provisions. This section is unnecessary because it has not been used since its inception.

AS 44.88.159(c), 44.88.212(a), and 44.88.900(3) refer to AS 44.88.158, the small business enterprise loan account that is repealed under this legislation.

AS 44.88.158 provides authority that is already given in the investment powers (AS 37.10.071) in the revolving loan fund.

The deletion in section 10, page 8, line 10 will allow the Authority to become active once again in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

AS 44.88.172(b) does not allow use of the Authority's assets for resource development projects and is repealed.

Section 21:

This section provides for an immediate effective date.

HB 123

HOUSE BILL NO. 123 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

was read the first time and referred to the Labor & Commerce, Judiciary and Finance Committees.

January 27, 1989

HOUSE JOURNAL

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HB 123

A zero fiscal note with analysis by the Department of Commerce & Economic Development was published January 27, 1989.

The Governor's transmittal letter, dated January 27, 1989, appears below:

"Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill authorizing the Alaska Industrial Development and Export Authority (AIDEA) to finance development enterprises.

The most significant provisions of this bill relate to AIDEA's ability to finance resource development projects that AIDEA intends to own or operate (such as the Red Dog Mine project). In this regard, the bill would permit AIDEA to issue up to \$25,000,000 of its bonds for such a project without requiring passage of a law approving the project. It would also permit AIDEA to transfer amounts among its various accounts to provide more financing flexibility. (Although the provisions (proposed AS 44.88.095(b) and (f)) requiring legislative approval before certain bonds exceeding specified amounts may be issued raise a constitutional question under the separation-of-powers doctrine, I know of the legislature's concern about bond issuance and I believe that it might be helpful to set out this procedure in the statutes, as a courtesy to the legislature.)

Another significant provision would require originating financial institutions to retain a higher percentage of a loan before it may sell it to AIDEA. Under existing law, a financial institution must retain 10 percent of a loan. AS 44.88.155(d). Under this bill, the originating financial institution must retain 20 percent of the loan. By increasing this requirement along with the amount that AIDEA can invest in or loan on projects, it is hoped that financial institutions will carefully select the projects for which they will extend credit.

This bill will allow AIDEA to gather together all funds and accounts established by law and administer them as a part of the revolving fund of the authority. AIDEA would be given the power to transfer freely between accounts within the development fund so that it has the flexibility to adapt to the appropriate structure of a financing proposal presented to it for financing. AIDEA would be given the power to create separate accounts necessary to guarantee repayment of a bond issue if that action becomes necessary to make the bonds marketable.

The bill also amends a provision in existing law which represents to investors in AIDEA bonds that the state might step in and make bond payments if the authority is unable to do so. This section acknowledges the state's moral obligation to back AIDEA's revenue bonds if the authority becomes

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insolvent. The bill would change this moral obligation representation to apply only to bonds issued on or before January 1, 1989.

The bill would expressly confer on AIDEA the power to share ownership of projects with private enterprises by either forming a partnership, joint venture, or other form of cooperative ownership agreement.

The bill would also amend the provision in existing law that prohibits AIDEA from purchasing loans from financial institutions that experience a two percent or greater delinquency rate on loans made by the institution. The bill would allow AIDEA to set the target delinquency rate by regulation. By adopting this technique, AIDEA will be given the flexibility to adjust the delinquency rate to reflect existing economic conditions. The inflexible rule in effect under existing law sets the rate too low to allow the majority of banks in the state to qualify for AIDEA financing.

I urge your favorable consideration on this bill.

Sincerely,

/s/

Steve Cowper  
Governor"

DESCRIPTION OF CHANGES

CS for House Bill 123 (Labor and Commerce)  
"An Act Relating to the Alaska Industrial Development  
and Export Authority; and providing for an effective date."

1. Section 2, AS 44.88.010(c):

Page 2, line 12; [federal, state] replaced with public.

This change allows participation with other entities such as municipalities.

2. Section 6, AS 44.88.090(a):

Page 3, lines 16 through 29 were added to the bill and the following change was made.

Page 3, line 16; (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may borrow money...

This change allows for easier reading and comprehension in relation to the Bonding Limitations section in this legislation.

3. Section 7, AS 44.88.095:

- A. Page 4, lines 7 and 8; ...to aquire a development project or an interest in a development project.

This addition clarifies the type of project applicable in this section.

- B. Page 4, line 22; Before entering into a lease or other agreement under AS 44.88.090(e) regarding a project...

This addition conforms to the definition section and allows for proper word usage.

- C. Page 5

Sections d and e are switched in order of placement within the bill to allow easier reading and comprehension.

- D. Page 6, line 3; "without prior legislative approval" was moved from the end of the paragraph to the beginning as a matter of grammatical preference.

- E. Page 6, line 5; [aquisition] replaced with financing.

This change conforms to the definition section and allows for proper word usage.

4. Section 10, AS 44.88.155(b):

Page 7, lines 15 through 18 were added to the bill and the following change was made.

Lines 17 and 18; the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE ACCOUNT, AND OTHER] accounts it considers appropriate.

This change was made in conjunction with section 11 allowing flexibility of accounts within the Revolving Fund.

5. Section 12, AS 44.88.155(d):

Page 8, lines 26 and 27; ...the loan is retained by the originator of the loan as long as the loan is outstanding; or...

This addition clarifies the terms and conditions of the loan pertaining to the originator.

Page 9, lines 6 and 7; (B)] financed from the proceeds of bonds; or (B) [C] expected by the authority...

This technical change allows for easier reading and comprehension.

6. Section 13, AS 44.88.165:

Page 9, line 15; ...authority must consider the authority's delinquency experience.

This addition clarifies that the Authority's experience will be considered as opposed to another.

7. The following sections were added to House Bill 123 in response to public interest and the referenced changes were made.

A. Section 15, AS 44.88.535(b):

Page 10, lines 4 and 5; (b) The authority may provide a guarantee from the fund for up to 80 [70] percent of the loan.

B. Section 16, AS 44.88.545:

Page 10, line 10; The authority may not provide a guarantee  
line 11; (1) [A LOAN] of more than \$1,000,000  
line 12; (2) [LOANS] to an individual borrower that  
cumulatively exceeds [EXCEED] \$1,000,000  
of guaranteed indebtedness.

7. Continued

C. Section 17, AS 44.88.560:

Page 11, lines 4 through 7; (7) to the extent the authority considers it to be in its best interest to do so, use money in the business assistance fund to pay expenses relating to the liquidation of collateral securing loans guaranteed by the business assistance fund.

These changes provide for a more marketable Loan Guarantee Program by allowing the Authority to make a guarantee up to \$1,000,000 as opposed to guarantying a loan up to \$1,000,000 and pay for asset liquidation costs as deemed necessary by the Authority.

8. Section 18, AS 44.88.900(4):

Page 11, lines 9 and 10; "developemnt project" has the meaning given to "project" in (9)(a) of this section.

A rearrangement of words allows for easier reading and comprehension.

HB 123

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January 27, 1989

HOUSE JOURNAL

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The bill also amends a provision in existing law which represents to investors in AIDEA bonds that the state might step in and make bond payments if the authority is unable to do so. This section acknowledges the state's moral obligation to back AIDEA's revenue bonds if the authority becomes

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I urge your favorable consideration on this bill.

Sincerely,

/s/

Steve Cowper  
Governor"

Original sponsor: Rules/Governor

1 IN THE HOUSE  
2 CS FOR HOUSE BILL NO. 123 (L&C)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to the Alaska Industrial Development  
7 and Export Authority; and providing for an effective  
8 date."  
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
10 \* Section 1. AS 44.88.010(a)(9) is amended to read:  
11 (9) the achievement of the goal of full employment, and of  
12 establishment and continuing operation and development of industrial,  
13 manufacturing, export, small business, and business enterprises in the  
14 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,  
15 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR  
16 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR  
17 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-  
18 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING  
19 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and  
20 facilitated by the creation of an instrumentality of the state with  
21 powers to incur debt, to own and operate facilities, to enter into  
22 partnership, joint venture, and other agreements with other persons  
23 with respect to the ownership, operation, or construction of facil-  
24 ities, and to make and insure loans to finance, and to assist private  
25 lenders to make loans to finance, the establishment, operation, and  
26 development of industrial, manufacturing, export, small business, and  
27 business enterprises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR  
28 TRANSPORTATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL,  
29 FACILITIES FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER,

1 FACILITIES FOR INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES  
2 FOR LOCAL DISTRICT HEATING OR COOLING, PARKING FACILITIES, OR A STOR-  
3 AGE OR TRAINING FACILITY RELATING TO A PLANT OR FACILITY];

4 \* Sec. 2. AS 44.88.010(c) is amended to read:

5 (c) It is further declared to be the policy of the state, in the  
6 interests of promoting the health, security, and general welfare of  
7 all the people of the state, and a public purpose of the state, to  
8 accomplish the objectives set out in (b) of this section through the  
9 provision of financial support, in the form of loans, guarantees,  
10 equity investments, or other methods provided in this chapter, for or  
11 in cooperation with, or through joint venture, partnership, or other  
12 agreements with, public [FEDERAL, STATE,] and private institutions  
13 [FOR THE PURPOSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW  
14 MATERIALS, AND SERVICES].

15 \* Sec. 3. AS 44.88.060 is amended to read:

16 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT  
17 AUTHORITY REVOLVING FUND. The Alaska Industrial Development and  
18 Export Authority revolving fund is established in the authority. The  
19 revolving fund consists of appropriations made to the revolving fund  
20 by the legislature, money or other assets transferred to the revolving  
21 fund by the authority, and unrestricted payments on loans made or  
22 purchased by the authority. Unless otherwise expressly stated, the  
23 accounts created in this chapter are accounts in the revolving fund.  
24 The authority may create additional accounts either in the revolving  
25 fund or outside the revolving fund. Subject to agreements made with  
26 the holders of the authority's bonds or with other persons, the  
27 authority may transfer amounts in an account in the revolving fund to  
28 another account in the revolving fund. Amounts deposited in the  
29 revolving fund may be pledged to the payment of bonds of the authority

1 or expended for the purposes of the authority under this chapter. The  
2 authority has the powers and responsibilities established in AS 37.10.  
3 071 with respect to the investment of amounts held in the revolving  
4 fund.

5 \* Sec. 4. AS 44.88.070(2) is amended to read:

6 (2) owning and operating, either solely or by partnership,  
7 joint venture, or other agreement with another person, the enterprises  
8 and other facilities described in AS 44.88.172;

9 \* Sec. 5. AS 44.88.080(14) is amended to read:

10 (14) to acquire, manage, and operate projects, and to enter  
11 into agreements with other persons for shared ownership, operation, or  
12 construction of projects, as the authority considers necessary or  
13 appropriate to serve a public purpose or to exercise its powers under  
14 this chapter;

15 \* Sec. 6. AS 44.88.090(a) is amended to read:

16 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may  
17 borrow money and may issue bonds, including but not limited to bonds  
18 on which the principal and interest are payable

19 (1) exclusively from the income and receipts or other money  
20 derived from the project or development project financed with the  
21 proceeds of the bonds or derived from the exporter or exporting trans-  
22 action financed, guaranteed, or insured with the proceeds of the  
23 bonds;

24 (2) exclusively from the income and receipts or other money  
25 derived from designated projects or development projects or other  
26 sources whether or not they are financed, insured, or guaranteed in  
27 whole or in part with the proceeds of the bonds; or

28 (3) from its income and receipts or other assets generally,  
29 or a designated part or parts of them.

1 \* Sec. 7. AS 44.88 is amended by adding a new section to read:

2 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not  
3 issue bonds in a 12-month period in an amount that exceeds  
4 \$400,000,000.

5 (b) The authority may not issue revenue bonds, other than re-  
6 funding bonds, to purchase a loan for a project under AS 44.88.155 -  
7 44.88.159, to acquire a development project or an interest in a devel-  
8 opment project under AS 44.88.172 - 44.88.177 or to provide money to  
9 finance, guarantee, or insure an exporting transaction under AS 44.-  
10 88.300 - 44.88.390 in an amount greater than \$50,000,000 during any  
11 12-month period unless the issuance is included separately in the  
12 estimates required in the report of the authority under AS 44.88.-  
13 210(b) and unless the legislature, by law, approves the issuance.

14 (c) Before entering into a lease or other agreement under  
15 AS 44.88.090(e) regarding a project for which the authority agrees to  
16 issue bonds in an amount in excess of \$6,000,000, there must be filed  
17 with the authority a certified copy of a resolution of the governing  
18 body of the political subdivision of the state, if any, in which the  
19 project is to be located, consenting to the location of the project.  
20 The consent need only refer to the general nature of the project  
21 ultimately to be acquired, as set out in a request of the proposed  
22 project applicant. Before entering into a lease or other agreement  
23 under AS 44.88.090(e) regarding a project, the authority shall find,  
24 on the basis of all information reasonably available to it, that

25 (1) the project and its development under this chapter will  
26 be economically advantageous to the state and the general public  
27 welfare and will contribute to the economic growth of the state;

28 (2) the project applicant is financially responsible;

29 (3) provision to meet increased demand upon public facili-

1 ties that might result from the project is reasonably assured; and

2 (4) the project will provide, or retain, employment reason-  
3 ably related to the amount of the financing by the authority, con-  
4 sidering the amount of investment per employee for comparable facil-  
5 ities and other relevant factors.

6 (d) Before adopting a resolution approving a project to be  
7 financed under AS 44.88.172 for which bonds must be issued, the au-  
8 thority shall, on the basis of all information reasonably available to  
9 it, make findings, with respect to the project, as described in  
10 (c)(1) - (4) of this section, and also find that

11 (1) the project is economically and financially feasible  
12 and able to produce revenue adequate to repay the bonds or loans with  
13 which it is financed;

14 (2) the project complies with applicable law; and

15 (3) issuance of the bonds is not expected to adversely  
16 affect the ability of the state or any political subdivision of the  
17 state to market other bonds.

18 (e) Before entering into an agreement to finance or to develop a  
19 proposed project with a cost in excess of \$10,000,000 financed under  
20 AS 44.88.172 for which bonds must be issued, the authority shall  
21 obtain the approval of each Regional Resource Advisory Council  
22 appointed under AS 44.88.174 or municipality in the area in which the  
23 proposed project is to be located. Approval under this subsection  
24 must be evidenced by a certified copy of a resolution of the council  
25 or of the governing body of the municipality. Before considering a  
26 resolution regarding the approval or rejection of the development or  
27 financing of a proposed project under this subsection, a Regional  
28 Resource Advisory Council shall conduct a public hearing in the  
29 region. If a proposed project is located in a municipality, the

1 governing body of the municipality shall conduct a hearing on the  
2 proposed project.

3 (f) Without prior legislative approval, the authority may not  
4 issue bonds in an amount greater than \$25,000,000 to assist in the  
5 financing of a development project under AS 44.88.172 - 44.88.177.

6 \* Sec. 8. AS 44.88.105(a) is amended to read:

7 (a) For the purpose of securing one or more issues of its bonds,  
8 the authority may establish one or more special funds, called "capital  
9 reserve funds", and shall pay into those capital reserve funds the  
10 proceeds of the sale of its bonds and other money which may be made  
11 available to the authority from other sources for the purposes of the  
12 capital reserve funds. A capital reserve fund may be established only  
13 if the authority determines that the establishment of the fund would  
14 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A  
15 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE  
16 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital  
17 reserve fund, except as provided in this section, may be used as  
18 required only for (1) the payment of the principal of, and interest  
19 on, bonds or of the sinking fund payments with respect to those bonds;  
20 (2) the purchase or redemption of the bonds; or (3) the payment of a  
21 redemption premium required to be paid when the bonds are redeemed  
22 before maturity. However, money in a capital reserve fund may not be  
23 withdrawn if the withdrawal would reduce the amount in the capital  
24 reserve fund to less than the capital reserve fund requirement, except  
25 for the purpose of making payment, when due, of principal, interest,  
26 redemption premiums on the bonds, and sinking fund payments when other  
27 money of the authority is not available for the payments. Income or  
28 interest earned by, or increment to, a capital reserve fund, from the  
29 investment of all or part of the fund, may be transferred by the

1 authority to other funds or accounts of the authority if the transfer  
2 does not reduce the amount of the capital reserve fund below the  
3 capital reserve fund requirement.

4 \* Sec. 9. AS 44.88.105(d) is amended to read:

5 (d) With respect to a capital reserve fund created under this  
6 section on or before January 1, 1989, the [THE] chairman of the  
7 authority shall annually, no later than January 2, certify in writing  
8 to the governor and the legislature the amount, if any, required to  
9 restore the [A] capital reserve fund to the capital reserve fund  
10 requirement. The legislature may appropriate to the authority the  
11 amount certified by the chairman of the authority. The authority  
12 shall deposit the amounts appropriated under this subsection during a  
13 fiscal year in the proper capital reserve fund. Nothing in this  
14 section creates a debt or liability of the state.

15 \* Sec. 10. AS 44.88.155(b) is amended to read:

16 (b) The authority may establish in the enterprise develop-  
17 ment account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE  
18 ACCOUNT, AND OTHER] accounts it considers appropriate.

19 \* Sec. 11. AS 44.88.155(c) is amended to read:

20 (c) Money and other assets of the enterprise development account  
21 may be used to secure bonds of the authority issued to finance the  
22 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE  
23 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-  
24 chase loans for projects.

25 \* Sec. 12. AS 44.88.155(d) is amended to read:

26 (d) A loan purchased in whole or in part by the authority with  
27 assets of the enterprise development account or with proceeds of bonds  
28 secured by assets of the enterprise development account, other than a  
29 loan which is financed with the proceeds of bonds of the authority and

1 secured only by a project applicant or a project,

2 (1) may not exceed \$25,000,000

3 [(A) \$10,000,000; OR

4 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

5 158];

6 (2) may not exceed the cost of the project or 75 percent of  
7 the appraised value of the project, whichever is less, unless the  
8 amount of the loan in excess of this limit is federally insured or  
9 guaranteed or is insured by a qualified mortgage insurance company;

10 (3) may not be for a term longer than three-quarters of the  
11 authority's estimate of the life of the project or 25 years from the  
12 date the loan is made, whichever is earlier;

13 (4) shall contain complete amortization provisions satis-  
14 factory to the authority requiring periodic payments by the borrower;

15 (5) shall be in the form and contain the terms and provi-  
16 sions with respect to insurance, repairs, alterations, payment of  
17 taxes and assessments, default reserves, delinquency charges, default  
18 remedies, acceleration of maturity, secondary liens, and other matters  
19 the authority prescribes;

20 (6) shall be secured as to repayment by a mortgage or other  
21 security instrument in the manner the authority determines is feasible  
22 to assure timely repayment under a loan agreement entered into with  
23 the borrower;

24 (7) may not be made unless

25 (A) at least 20 [10] percent of the principal amount  
26 of the loan is retained by the originator or the loan as long as  
27 the loan is outstanding; or

28 (B) 100 percent of the principal amount of the loan is  
29 guaranteed by the United States or an agency or instrumentality

1 of the United States;

2 (8) must be

3 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED  
4 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,  
5 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

6 (B)] financed from the proceeds of bonds; or

7 (B) [(C)] expected by the authority to be financed  
8 from the proceeds of bonds.

9 \* Sec. 13. AS 44.88.165 is repealed and reenacted to read:

10 Sec. 44.88.165: DELINQUENT LOANS. The authority shall adopt  
11 regulations to describe the circumstances under which it will discon-  
12 tinue purchasing loans from a financial institution because of exces-  
13 sive delinquencies among the loans previously purchased by the author-  
14 ity from the financial institution. In adopting the regulations, the  
15 authority must consider the authority's delinquency experience with  
16 loans it purchased from all financial institutions. The authority may  
17 include in the regulations other remedies it considers appropriate as  
18 alternatives to the discontinuance of purchasing loans from the finan-  
19 cial institution.

20 \* Sec. 14. AS 44.88.172(a) is amended to read:

21 (a) The economic development account is established in the  
22 revolving fund. The economic development account consists of money or  
23 assets appropriated, loaned, or transferred to the authority for  
24 deposit in the account [,] and other money or assets deposited in the  
25 account by the authority. While money is on deposit in the economic  
26 development account, the money [THE ACCOUNT] may be used only to  
27 finance, acquire, manage, and operate development projects that the  
28 authority intends to own and operate either solely or by partnership,  
29 joint venture, or other agreement with another person. The term

1 "operate" includes operation directly by the authority [,] or by an  
2 agent of the authority.

3 \* Sec. 15. AS 44.88.535(b) is amended to read:

4 (b) The authority may ~~provide~~ a guarantee from the fund for up  
5 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -  
6 44.88.599. The ratio of the guarantee to the outstanding principal of  
7 the loan may not increase over the term of the loan.

8 \* Sec. 16. AS 44.88.545 is amended to read:

9 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO  
10 BORROWERS. The authority may not provide a guarantee

11 (1) [A LOAN] of more than \$1,000,000;

12 (2) [LOANS] to an individual borrower that cumulatively  
13 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

14 \* Sec. 17. AS 44.88.560 is amended to read:

15 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

16 (1) adopt regulations to implement AS 44.88.500 - 44.88.-  
17 599;

18 (2) establish terms and conditions for loan guarantees and  
19 refinancing agreements subject to the requirements of AS 44.88.500 -  
20 44.88.599;

21 (3) make and execute contracts and other instruments to  
22 implement AS 44.88.500 - 44.88.599;

23 (4) charge

24 (i) one percent of the amount guaranteed for the  
25 service it provides under AS 44.88.500 - 44.88.599; and

26 (ii) any other reasonable fee that the authority may  
27 establish by regulation;

28 (5) acquire real or personal property by purchase,  
29 transfer, or foreclosure when the acquisition is necessary to protect

1 an interest in the fund; and

2 (6) exercise any other power necessary to implement AS 44.-  
3 88.500 - 44.88.599;

4 (7) to the extent the authority considers it to be in its  
5 best interest to do so, use money in the business assistance fund to  
6 pay expenses relating to the liquidation of collateral securing loans  
7 guaranteed by the business assistance fund.

8 \* Sec. 18. AS 44.88.900(4) is repealed and reenacted to read:

9 (4) "development project" has the meaning given to "proj-  
10 ect" in (9)(A) of this section;

11 \* Sec. 19. AS 44.88.900(9) is amended to read:

12 (9) "project" means

13 (A) a plant or facility used or intended for use  
14 [(i)] in connection with making, processing, pre-  
15 paring, transporting, or producing in any manner, goods,  
16 products, or substances of any kind or nature or in connec-  
17 tion with developing or utilizing a natural resource, or  
18 extracting, smelting, transporting, converting, assembling,  
19 or producing in any manner, minerals, raw materials, chemi-  
20 cals, compounds, alloys, fibers, commodities and materials,  
21 products, or substances of any kind or nature;

22 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH  
23 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF  
24 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR  
25 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS  
26 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL  
27 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A  
28 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR  
29 FACILITY DESCRIBED IN THIS PARAGRAPH;]

1                   (B) a plant or facility used or intended for use in  
2                   connection with a business enterprise;

3                   (C) commercial activity by a small enterprise;

4       \* Sec. 20. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),  
5 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),  
6 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

7       \* Sec. 21. This Act takes effect immediately under AS 01.10.070(c).

4300 B STREET | SUITE 105 | ANCHORAGE | ALASKA 99503  
MEMBER NEW YORK STOCK EXCHANGE, INC AND OTHER PRINCIPAL EXCHANGES



907 • 563 • 4300

May 8, 1989

Senator Dick Eliason  
Room 417, Capitol  
Juneau, Alaska 99811

Dear Senator Eliason,

Your support of Senate Bill 249 to expand the authority and the flexibility of the Alaska Industrial Development and Export Authority is needed. This bill enhances the opportunity for Alaska to facilitate more resource based financings which could create thousands of new jobs and help diversify our economy. Any comments or suggestions on how I could help the administration on this bill would be appreciated.

Sincerely

A handwritten signature in cursive script that reads 'Allan R. Johnston'.

Allan R. Johnston  
Regional Manager

*"People Serving People"*



THE  
GEORGE  
WASHINGTON  
UNIVERSITY

*School of Government and Business Administration / Washington, D.C. 20052*

*Department of  
Business Administration  
(202)676-6115*

Mr. Allan R. Johnston  
Vice President  
Wedbush Securities  
1009 Cushman Street  
Fairbanks, Alaska 99701

April 22, 1988

Dear Mr. Johnston:

Thank you for your letter of March 4, as well as the reference materials on oil and other commodity-indexed bond issues. I am sorry that I am late in commenting on your ideas because of my long trip to London, Manila and Seoul over a six-week period.

I am very enthusiastic about the prospect of Alaska to be more active in international trade and finance as part of its move toward diversifying its economic base both in terms of industry and geography. Since Alaska is abundantly endowed with natural resources such as oil, natural gas, timber and other mineral deposits, it would be ideal for Alaskan entities to float commodity-based bond issues on international markets.

For example, bond issues linked with oil or other Alaskan commodities would have several advantages:

1. It would serve as a low-cost financing source for Alaska, since commodity indexed bonds carry much lower interest rate than regular bonds.
2. It would serve as a partial hedging mechanism for Alaska against the fluctuation in the market prices of these commodities.
3. It would spread the name of Alaska in international financial markets and indirectly promote more investor interest in the State of Alaska.
4. Finally, such experiment would increase the financial market expertise of Alaskan financial institutions.

For the above reasons, I strongly support the idea of floating commodity-indexed bonds by Alaskan public and private sector agencies involved in natural resource development in Alaska. Please keep me posted on further developments there.

Sincerely yours,

Yoon S. Park  
Professor of Business Admin.

School of Management  
Michael L. Rice, Dean



UNIVERSITY OF ALASKA FAIRBANKS  
Fairbanks, Alaska 99775

Mr. Allan R. Johnston  
Regional Manager  
Wedbush Securities  
714 Fourth Avenue  
Fairbanks Alaska 99701

Dear Allan,

I have just read your report : *Oil Indexed Bond Concept* . The concept is a sound one. Clearly East Asian countries such as Japan have a very real interest in assuring long-run access to petroleum resources at reasonable cost. Our problem, just as clearly, is one of assuring long-run markets for Alaska's petroleum reserves and at reasonable margins. This is a perfect opportunity for a new financial instrument to reduce the high volatility of oil prices for both parties.

The implications of making a market in the new instrument for the development of Anchorage as a major international financial center are both interesting and possible. This would be a benefit to Alaska quite above and beyond the obvious good financial effects on our oil-based revenue.

I am impressed with your idea. If there is any way the School of Management can be helpful in seeing this idea become a reality please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael L. Rice".

Michael L. Rice, Dean  
School of Management

FRANK H. MURKOWSKI  
ALASKA

COMMITTEES:  
VETERANS' AFFAIRS (RANKING MEMBER)  
ENERGY AND NATURAL RESOURCES  
FOREIGN RELATIONS  
INDIAN AFFAIRS  
INTELLIGENCE

## United States Senate

WASHINGTON, DC 20510  
(202) 224-6666

ANCHORAGE  
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BOX 1647, 99802  
(907) 886-7400

February 25, 1988

Mr. Allan R. Johnston  
Vice President  
Wedbush Securities, Inc.  
1009 Cushman Street  
Fairbanks, Alaska 99701

Dear Allan:

Thank you for forwarding to me a copy of Dr. Park's paper "Advancing Alaska's Strategic Position in International Trade and Finance" as well as your ideas for an oil-indexed bond.

Although your proposal is still in its infancy, I believe your ideas definitely merit further consideration. If Alaska is going to develop as an economic hub of the Pacific Rim, a financial service center such as the one proposed in Dr. Park's paper would be a good step in this direction.

With respect to your idea of an oil-indexed bond I believe that such an instrument may also have potential. You will have to develop this idea further, though, with representatives from the financial community. I would like to be kept informed of your efforts in this regard. I appreciate your interest in exploring new ideas that may lead to the diversification of Alaska's economy.

Once again, thank you for taking the time to share your ideas with me.

Sincerely,



Frank H. Murkowski  
United States Senator

United Brotherhood of Carpenters and Joiners of America

LOCAL UNION NO. 1243



Farthest North Local in the World

**DON K. SWARNER**  
*Business Representative*  
*Financial Secretary-Treasurer*

907 462-2308  
 907 462-2862

215 FIFTH AVENUE  
 P.O. BOX 347  
 FAIRBANKS, ALASKA  
 99707

June 9, 1988

Allan R. Johnston  
 Wedbush Securities, Inc.  
 714 Fourth Avenue, #305  
 Fairbanks, Alaska 99701

Dear Allan:

The low-interest resource-backed bond proposal we discussed today sounds quite fascinating. If development projects were more economic by your financing method, then it would seem natural that more jobs would be created in the state. I would hope that the increased profitability of these projects would encourage a fair wage for the Alaskans employed by these projects. I support your endeavor in pursuing alternative sources of capital to stabilize the Alaskan economy.

Please keep me advised on your progress and let me know if there is anything I can do to help.

Sincerely,

Don Swarner, Bus. Rep./F.S.

DKS:jf

**LABORERS INTERNATIONAL UNION OF NORTH AMERICA****LOCAL NUMBER 942**FAIRBANKS OFFICE: 316 BARNETTE ST., ALASKA 99701-4588, PHONE (907) 458-4584  
JUNEAU OFFICE: 710 W. 9th AVE., JUNEAU, ALASKA 99801, PHONE (907) 588-2880**WILLIE LEWIS**  
President**JOE J. THOMAS**  
Business Manager  
Secretary-Treasurer

January 10, 1989

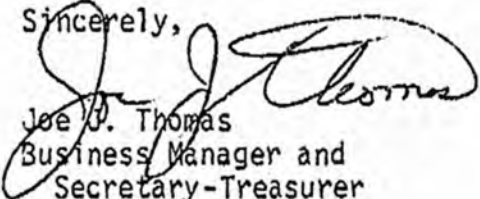
Allan R. Johnston, Regional Manager  
Wedbush Securities, Inc.  
714 Fourth Avenue, Suite 305  
Fairbanks, Alaska 99701

Dear Allan:

Thank you for stopping by and discussing your low interest resource-backed bond proposal with me. If your assumptions are correct, then this financing vehicle should help increase employment opportunities as well as add more continuity and stability to existing projects. I am certainly in favor of new ideas that will create fair paying jobs for my members and I'd like you to keep me informed on your progress.

If I can help in any way, please feel free to call on me.

Sincerely,

  
Joe J. Thomas  
Business Manager and  
Secretary-Treasurer  
Laborers' Local No. 942

JJT/cs



# United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry

of the United States  
and Canada

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LOCAL NO. 375

STREET ADDRESS 3568 Geraghty Street

CITY, STATE, ZIP Fairbanks, Alaska 99709

SUBJECT MATTER

DATE

November 14, 1988

Allan R. Johnston, Regional Manager  
Wedbush Securities, Inc.  
714 Fourth Avenue, Suite 305  
Fairbanks, Alaska 99701

Dear Allan;

Congratulations on an interesting and innovative proposal. As you are well aware, organized labor and the resource companies have been at odds over local hire for sometime. If your proposal is valid then there should be more stability, job opportunities and profitability in the natural resource industry which should benefit everyone. The cyclical nature of the Alaskan economy in general and the construction industry in particular requires that the working man receive an adequate wage to carry him through the substantial periods of unemployment. If your proposal can help moderate the cyclical nature of the Alaskan economy and help create jobs then please keep me posted on what you are doing and how I can help.

Sincerely,

J. L. "Lenny" Arsenault, Business Manager  
Financial Secretary - Treasurer

ycc

MARVIN J. BOEDE  
General President

CHARLES J. HABIG  
General Secretary-Treasurer

M. EDDIE MOORE  
Asst. General President

LOUIS H. STINE  
Asst. General Secretary-Treasurer



AFL-CIO-CFL

Letters should  
be confined to  
one subject



**YUKON  
PACIFIC  
CORPORATION**  
TRANS-ALASKA GAS SYSTEM

November 9, 1988

Mr. Allan R. Johnston  
Wedbush Securities, Inc.  
4300 B Street, Suite 105  
Anchorage, Alaska 99503

Dear Allan:

Resource based bonding, as described in the material you have shared with us, could be an important means to finance long-term projects which depend on a certain market price level for viability.

Energy prices have as you know, fluctuated widely in recent years. For some projects that Alaska needs to get started, resource based bonding might help disperse the added risks of that volatility.

At the present time, I don't know if our company is interested in using this form of financing for the Trans-Alaska Gas System. However, it is in our interest to see that the option remains available and we would appreciate being kept informed of regulatory developments that could foreclose that opportunity.

Thank you for making us aware of this issue.

With best regards.

Sincerely,

Walter J. Mickel  
Chairman

MT:mli

cc: Mr. E. John P. Browne

FROM E. JOHN P. BROWNE

EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

TELEPHONE  
216 566-2326



BP AMERICA INC.

200 PUBLIC SQUARE 40-A  
CLEVELAND, OHIO 44114-2375

August 22, 1988

Dear Allan:

Thank you for your recent letter concerning oil indexed bonds. As the first issuer of these bonds back in 1986, I was interested to learn of your proposal for oil indexed bonds to be used for state financing.

The Standard issue consisted of fixed coupon debentures and oil indexed warrants. The debentures have a 6.30% coupon and were sold at 74.70% of par. The warrants return their original cost plus an amount of interest contingent upon the future price of West Texas Intermediate Crude Oil. Warrant holders receive appreciation on a dollar-for-dollar basis for oil prices between \$25 and \$40 per barrel. Each 1990 warrant represents 170 barrels of oil and matures on December 15, 1990. Each 1992 note represents 200 barrels of oil and matures March 15, 1992. Eight debentures, one 1990 oil warrant, and one 1992 oil warrant were combined for sale to the public as a \$10,000 unit.

In my experience, oil indexed financing has provided low cost debt during periods of declining or stable oil prices. With Alaska's dependence on oil revenues, this financing technique can provide a partial hedge against future oil price declines. In the event that the State of Alaska was interested in gaining some protection this way, you are right to point to involving Alaska as an interested party with the CFTC. As you are no doubt aware, the regulatory environment has changed considerably since the Standard issue.

Please let me know if BP America can be of assistance in this endeavor.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John P. Browne".

Mr. Allan R. Johnston  
Wedbush Securities, Inc.  
4300 B Street, Suite 105  
Anchorage, Alaska 99503

# Resource-Based Bonding Fits Alaska's Capital Needs

By Allan Johnston



ALASKA IS AS RICH IN OPPORTUNITIES as it is in resources. Alaskans don't need to create new opportunities, just capture a few that are passing it by. The state's natural resource-based economy is largely nondiversified and oil-dependent. Although this creates problems, it also offers unique opportunities.

Traditionally, Alaskans have financed development projects and new businesses with a substantial amount of expensive fixed-debt borrowings. Unfortunately, the state's nondiversified economy lends itself to rather dramatic changes in cash flows. Boom and bust aspects of cash flow financing prevent many potentially viable economic projects and businesses from taking root.

There are thousands of variations of participating loans. Almost any variation is more appropriate than fixed-rate financing on new business ventures. One type of participating loan gaining more recognition in the United States is the gold loan. Earlier this year, Newmont Mining gave a major boost to the credibility of this type of financing by borrowing one million ounces of gold from the Bank of Nova Scotia on a five-year, 2.5 percent per year loan. This financing was particularly significant because it was twice the size of any previous gold loan and longer than the more common three-year loans.

Newmont immediately sold the gold for \$477 million and was able to use this inexpensive source of financing to refinance other loans. Considering that Newmont Mining should be able to mine its gold at less than \$150 per ounce, the firm effectively has realized a \$300 million dollar gross profit. Of course, Newmont has lost the potential gain if gold rises above \$477 on that one million ounces of gold, but the opportunity cost is insignificant compared to the phenomenal risk-adjusted return it had locked in.

This financing technique could make a number of Alaskan gold mining projects economical that otherwise wouldn't justify the development risks. The possibility of funding the significant capital requirements that it takes to develop a major project and the ability to hire a long-term stable work force with a reasonably assured profit offers as many positive benefits to affected communi-

ties as it does to the economics of projects.

A much more discussed type of participating loan is the oil-indexed bond. Alaskan legislators and administrators have pondered the merits of this hedging mechanism for some time without coming up with any politically acceptable vehicle. Coincidentally, Standard Oil Co., the parent firm of Alaska's largest private oil producer, issued an oil-indexed bond in June 1986 when crude prices hovered around \$14 a barrel. The securities were so enthusiastically received that Standard increased the issue's size to 300 million from 250 million. The Aug. 25th issue of *Business Week* states, "For its part, Standard reduces its borrowing cost without increasing its risk."

The fundamental concept of an oil-indexed bond is the creation of a financing vehicle to counterbalance the special needs and risks of an unbalanced energy producer—such as Alaska. The local buyer and cocreator of such a vehicle would be an energy deficient unbalanced energy user such as Japan, Korea or Taiwan. For example, Japan as an energy deficient country is highly dependent on imported oil. Projections for its industrial economy are based on conservatively high prices for oil to minimize risks of rising energy costs. Conversely, Alaska—an oil producing state whose revenues are disproportionately dependent on oil—bases its state operating budget on a conservatively low price for oil.

Oil indexed bonds would have lower interest rates that serve Alaska's development needs. But because the resource-based interest rate would rise to reflect any oil price increases, the lender—and end user—would be protected as well. At the same time, Alaskan producers would be better able to pay higher cost financing due to increased oil revenues. If Alaska were to follow Standard's lead and issue some type of low-interest oil-indexed bond, and place it within an energy-deficient industrial or insurance consortium in a country such as Japan, Korea or Taiwan, the risk-adjusted return to both the borrower and the lender could be mutually more attractive. The interna-

tional financial team established to create and place these financial instruments could evaluate other Alaskan financial/business opportunities that would be particularly attractive to Pacific Rim financing.

A few potential spinoffs: low-interest natural gas-indexed bonds for pipeline construction, other natural resource projects, international tourism developments and, most importantly, the broadening of expertise of Alaskan financial institutions.

If BP Minerals were to use a similar financing technique for its Greens Creek gold operation, it possibly could save \$8-\$10 million a year in financing costs (assuming a \$225 million, five-year, 2.5 percent gold loan), as well as lend greater stability to the Alaskan employment picture. Variations of the financing technique also could boost economic viability of projects such as the Red Dog Mine, the Quartz Hill molybdenum project south of Ketchikan and almost any other type and size of resource-related development.

Low-interest participating loans are not geared only for mega-projects needing a substantial amount of capital. The financing technique actually is more suitable for a \$25,000 tourism loan or a \$500,000 small business loan. The major drawback for these seed/venture capital loans is that the lender generally requires part ownership of the business financed. If the borrower defaults on the loan, then the lender forecloses on the business and attempts to find a new manager to resurrect the venture.

Finding the appropriate lender with a vested interest in the enterprise's success can significantly increase the borrower's chance of making a go of it. For example, a tour company might lend to an historic tourist attraction or a retailer to a new television station. The lending companies not only provide some initial capital but frequently can share technical expertise. Additionally they often can generate business for the new enterprise.

*(Allan R. Johnston is vice president and resident manager of Wedbush Securities.)*

# Changes ~~From~~ Made in Senate To H.B. 123

①

## Title change:

Title of the bill was too restrictive to accommodate changes so was amended back to the original title. Senate Concurrent Resolution No. 35 deals with the title change.

Section 1 was added to accommodate the proposed Aircraft Maintenance Facility in Anchorage.

Section 5 This addition provides that the authority ~~shall~~ may enter into cooperative agreements with DOT/FAA concerning the international airports.

~~The~~ Senate remove Section 5, of CSAB 123 (Jud) am. This section would prohibit any form of joint ownership of a project.

## Section 10

have been ~~be~~ A review of this language ~~has~~ revealed an oversight that should be corrected. The intent was that no new bonds of the Authority would have any expressed language entitling the holders to the moral obligation of the State of Alaska. A provision should have been included which grandfathered in refunding bonds (a bond issued to replace an already existing bond at no greater par amount and normally at a lesser interest rate).

As interest rates have fallen, it is possible that the Authority may at some future date desire to issue refunding bonds for some of its outstanding debt. The Senate made this correction on

Lines 23-28, Page 7, Section 10.

Section 28

A new section 28 was inserted  
Setting an effective date of August 30, 1988  
For section 17, the date the discounted loans  
were acquired.

Section 29

The Senate extended the bond  
authorization date from 1991 January 1, 1991  
in the house bill to January 1, 1992 in the Senate bill.

Section 17.

The Senate added a new section 17 which will have the authority transfer to the Business Assistance Fund the amount of such discount to capitalize the grant program. The intent was that any gain realized to share with the. The authority subsequently suffer a loss on a ~~account~~ acquired at discounted loan it may reverse the transaction.

Section 21: This ~~was~~ <sup>was</sup> amended to add a new subsection (D) providing an expanded definition to include the Hurly Corporation project.

~~Section 24.~~ A new section 24 was inserted to authorize an <sup>aircraft</sup> ~~aircraft~~ maintenance facility in Anchorage.

Section 25. A new section 25 was inserted to authorize a dock project in Skagway.

Section 26. A new section 26 was inserted to authorize a dock project in Unalakleet.

Section 27 A new section 27 was inserted to require compliance with R.S. 44.08.173 (preparation of a finance plan) ~~on 24, 25, 26~~

**HB**

**144**

SENATE COMMITTEE REPORT

FURTHER

4/8/89

DATE TURNED INTO OFFICE

4/21/89

Mr. President:

L&C

Committee considered

HB 144

continuing the Board of Barbers and Hairdressers; efd

and recommended

- replace with \_\_\_\_\_ CS \_\_\_\_\_ )  same title
- or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title
- attached amendment(s) and  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

FISCAL NOTE(S)  zero  fiscal impact  appropriation no FN  
 new  updated  previous  
 same as previous <sup>zero</sup> fiscal note(s) published 2/3/89

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures]*  
 \_\_\_\_\_  
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 \_\_\_\_\_  
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 \_\_\_\_\_  
 \_\_\_\_\_

*[Handwritten signature]*  
 \_\_\_\_\_  
 Chairman signature and recommendation

Committee Backup attached

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 3, 1989

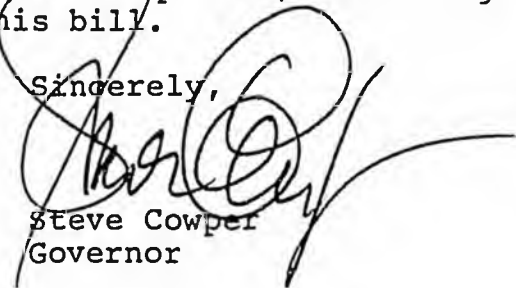
The Honorable Sam Cotten  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to continue the Board of Barbers and Hairdressers for the customary four years (AS 08.03.020(c)). Under current law, this board is scheduled to "sunset" June 30, 1989, and go into its "wind down" year (AS 08.03.020(a)).

The board has worked hard over the past year and a half to improve. It has substantially amended its regulations and, in doing so, has established new licensing criteria, set school curriculum that recognizes the real differences between barbers and hairdressers, and assisted students seeking entry into the profession by offering more frequent examinations. I believe that this board performs an essential function on behalf of the public, and I urge your favorable consideration of this bill.

Sincerely,



Steve Cowper  
Governor

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Economic Dev.  
 Title: An Act continuing the Board of BRU: Occupational Licensing  
Barbers and Hairdressers; and providing for an effective date.  
 Sponsor: Rules Committee Components: Administration  
 Requestor: Governor

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

**FUNDING: (Thousands of Dollars)**

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

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS : (Attach a separate page if necessary)**

Funding for the board is included in the department's FY 90 operating budget request.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144  
 Division: Occupational Licensing Date: December 27, 1988

Approved by Commissioner: Larry Merzuli Date: 1/11/89  
 Agency: Commerce and Economic Development

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

A PERFORMANCE REPORT  
ON THE  
BOARD OF BARBERS AND HAIRDRESSERS

July 1, 1984 - June 30, 1988

Audit Control Number

08-1340-89-R

Acting Commissioner, Department of  
Commerce and Economic Development

Larry Mercurieff

Deputy Commissioner, Department of  
Commerce and Economic Development

Vacant

Members of the Board  
of Barbers and Hairdressers

Chairperson  
Member  
Member  
Member  
Member

Elaina M. Sadlier  
Neva Black  
Ellen M. Hall  
Wende S. Irick  
Marse Kueber

# STATE OF ALASKA

**THE LEGISLATURE**  
BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION  
P.O. BOX W  
JUNEAU, ALASKA 99811-3300

October 25, 1988

Members of the Legislative Budget  
and Audit Committee:

According to the provisions of Titles 24 and 44 of the Alaska Statutes, the Division of Legislative Audit is required to conduct a "sunset" review of the Board of Barbers and Hairdressers.

At the request of the Chairman, during Fiscal Year 1988 budget deliberations, the Audit Division's budget was revised to reflect certain changes in the organization of the Committee's two divisions. The revised budget of the Audit Division reflected efficiencies that might be obtained by utilizing the staff of the Legislative Finance Division on selected audit assignments during the interim.

As a result, the audit of the Board of Barbers and Hairdressers was conducted and this report has been prepared by the Legislative Finance Division. We feel this report discharges our responsibility under Titles 24 and 44. The report is submitted for your review.



Randy S. Welker, CPA  
Legislative Auditor  
Division of Legislative Audit

# STATE OF ALASKA

## THE LEGISLATURE

### BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION  
P.O. BOX WF  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3795

October 20, 1988

Members of the  
Legislative Budget and Audit Committee:

In accordance with the provisions of Titles 24 and 44 of the Alaska Statutes (sunset), the attached report is submitted for your review.

A PERFORMANCE REPORT  
ON THE  
BOARD OF BARBERS AND HAIRDRESSERS

July 1, 1984 - June 30, 1988

Audit Control Number

08-1340-89-R



Mike Greany, Director  
Division of Legislative Finance

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## PURPOSE AND SCOPE OF THE REPORT

### PURPOSE

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Barbers and Hairdressers for the past four fiscal years. Our examination was conducted to determine if the Board has been operating in an efficient and effective manner.

Legislative intent requires consideration of this report during legislative oversight hearings to determine whether the Board of Barbers and Hairdressers should be reestablished. The law now specifies that the Board will terminate June 30, 1989, and have one year from that date to conclude its affairs.

### SCOPE

The major areas of our examination were the licensing, examination, administration, complaint, and affirmative action functions of the Board. We reviewed and evaluated the following:

1. Applicable statutes and regulations.
2. Interviews with the licensing examiners.
3. Tests of files and documents of licensees.
4. Complaints filed with the Division of Occupational Licensing, Human Rights Commission, Equal Employment Opportunity Office, Attorney General's Office, and the Office of the Ombudsman.
5. Discussions with Board members.
6. Minutes of Board Meetings and Division correspondence files.
7. Attorney General Opinions applicable to professional boards.

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## ORGANIZATION AND FUNCTION

The Board of Barbers and Hairdressers was created in 1980. This Board is the result of the Legislature combining the Board of Barbers and the Board of Hairdressing and Beauty Culture Examiners. The membership of the Board consists of two licensed barbers, two licensed hairdressers, and one public member. Each member is appointed by the Governor for a three year term, but can serve no more than two consecutive full terms. Effective June 18, 1987, members are appointed to four year terms; Sec. 3, Ch. 94, SLA 1987.

The Board regulates the vocations of barbering, hairdressing, and cosmetology. The Board has been given the authority to examine applicants, issue licenses and permits, suspend or revoke licenses and permits, and investigate complaints. The Board issues the following licenses: beauty or barber schools, school owners, shop owners, instructors, barbers, hairdressers, and cosmetologist practitioners. They also issue temporary and student permits. Effective February 2, 1988, the Board no longer licenses school owners.

The Board is organized under the Department of Commerce and Economic Development, Division of Occupational Licensing (DOL). DOL provides the Board with licensing and investigative support. The licensing section processes applications, maintains license files, answers inquires and provides other administrative help to the Board.

(Intentionally left blank)

## REPORT CONCLUSION

### Policy Issues

This report contains policy and/or procedural issues raised as a result of our evaluation of Board practices. The final decisions affecting these practices are not within the scope of this report but require legislative consideration. In debating these issues, the oversight committee should take into consideration the Findings and Recommendations presented in this report so the potential impact of changes can be evaluated.

### Report Conclusion

The primary purpose of a regulatory board with a licensing function is to protect the public. The questions that have to be evaluated to determine if licensing is needed are:

1. Does the unlicensed practice pose a serious risk to the consumers' life, health, safety, or economic well being?
2. Can the potential users be expected to possess the knowledge needed to properly evaluate the qualifications of those offering services?
3. Do the benefits to the public clearly outweigh any potential harmful effects, such as a decrease in the availability of practitioners, higher costs of services, and restriction on optimum utilization of personnel?

During our review to determine if the Board's licensing function is required and meets the previously mentioned criteria, we examined existing statutes, complaints and various Board functions. We also reviewed the prior audit recommendation to terminate the Board and the public and legislative response to that recommendation. As a result of our examination we found that:

1. although unlicensed practitioners may not pose a "serious" risk to the public's life, health, safety or economic well-being the potential for injury as a result of chemicals or implements being improperly used does exist;
2. potential users certainly have expectations that practitioners of barbering, hairdressing and cosmetology possess the skills and qualifications necessary to offer quality services, and
3. the public and the profession benefit from licensing by maintaining a standard level of quality in the services being provided.

Therefore, we recommend that the Board of Barbers and Hairdressers be reestablished.

The Findings and Recommendation Section (see page 7) describes areas where weaknesses or conflicts exist. We have made recommendations which, if implemented, will improve the efficiency and effectiveness of the Board.

## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

The Board should comply with their regulation concerning public notice of examinations.

The Board has promulgated regulations, 12 AAC 09.010, requiring that public notice of the date and place of examination be given at least 45 days prior to the examination. In FY88, the Board held five examinations and failed to give 45 day public notice prior to three of those exams. Additionally, there was no notice of the locations where the examinations would be held in three of the public notices.

Lack of timely public notice and absence of the examination locations in the notice may preclude a potential applicant from participating in that examination. We recommend that the Board comply with their regulations and that appropriate notice be given prior to each examination.

### Recommendation No. 2

The Board should comply with their regulation requiring an application fee from all applicants for licensure.

In November 1986, the Board instituted a \$20.00 application fee for all applicants for licensure, 12 AAC 02.140. In May 1988 that fee was increased to \$30.00. The regulation clearly requires an application fee in addition to the examination fee.

During our review, we found that the application fee was not being collected in all cases. In the instance of an individual applying for licensure by credentials, the application fee was collected. However, individuals applying for licensure by examination were not required to submit the application fee in addition to their \$25.00 examination fee.

Apparently, there was some confusion over the \$20.00 student/apprentice permit fee, the \$20.00 application fee and the \$25.00 examination fee. The Board is in the process of revising their applications to clearly detail all of the required fees. We recommend that the Board collect the required application fee from all applicants for licensure.

### Recommendation No. 3

The Board should review existing statutes and regulations and seek appropriate revision where necessary.

During our examination, we reviewed the Board's statutes and regulations to determine if any were obsolete, unclear or unduly restrictive. Examples of what we found are as follows:

- A. AS 08.13.185(a)(2) provides that the Department of Commerce and Economic Development shall set fees for school owner licenses. 12 AAC 02.140(b)(5) sets that license fee at \$60.00 and 12 AAC 02.140(c)(5) sets the renewal fee at \$60.00. However, 12 AAC 09.120 requiring a school owner license was repealed in February 1988. It is unclear if the Board intends that school owners be licensed. In our discussion with Division staff, we learned that they do not intend to license school owners.
- B. AS 08.13.120 provides for shop licenses but refers to licensing of shop owners. 12 AAC 09.110 refers specifically to shop owner licenses. Again it is unclear if the shop or the shop owner, or both, are to be licensed.

The Board cannot work effectively in carrying out their statutory mandate without clear and concise statutes and regulations. Therefore, we recommend that the Board review their statutes and regulations and propose appropriate changes where necessary.

## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analyses of Board activities relate to the public need factors defined in the "sunset" law. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

I. The extent to which the board, commission, or program has operated in the public interest.

The Board has operated in the public interest by fulfilling its statutory responsibility to license schools, shop owners, instructors, barbers, hairdressers and cosmetologists. They have increased the availability of the practical and written examinations by offering them at least four times a year during the audit period. The Board has recently adopted a policy to hold six examinations per year.

II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

A. The Board failed, in some instances, to give public notice of the date and place of examination 45 days prior to the examination as required by 12 AAC 09.010 (see Recommendation No. 1).

B. The Board failed, in some instances, to collect the application fee as required by 12 AAC 02.140 (see Recommendation No. 2).

C. The Board has conflicting statutes and regulations concerning licensing of school owners and shops (see Recommendation No. 3).

III. The extent to which the board, commission, or agency has recommended statutory changes which are generally of benefit to the public interest.

The Board proposed various statutory changes regarding licensing of manicure, pedicure and nail application and renaming cosmetologist to esthetician. None of these changes have been submitted to the Legislature from the Executive Branch.

IV. The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

Board meetings are announced to the public. Comments on regulation changes are solicited by public notices in newspapers. The Board does not actively solicit comments on its effectiveness.

- V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

The Board has published notices of meetings and proposed regulations in various newspapers to encourage public participation in their decision making process.

- VI. The efficiency with which public inquires or complains regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

During our review we found that the majority of complaints filed with the Office of the Ombudsman involved delay or denial of a license. Depending upon the complexity of the case, resolution took from 1 day to 4 months. The investigations unit of Occupational Licensing deals almost exclusively with cases concerning unlicensed activity and resolution generally requires working with the individual to become licensed.

- VII. The extent to which a board or commission which regulated entry into an occupation or profession has presented qualified applicants to serve the public.

According to the Division of Occupational Licensing's records for Fiscal Year 1988, there were 373 new licenses issued. Of these new licenses, 161 were issued by credentials and 212 by examination (see Appendix D).

- VIII. The extent to which state personnel practice, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area or activity or interest.

We found no problems in this area.

- IX. The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board, or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

Please refer to the previous section, Findings and Recommendations.

APPENDIXES

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APPENDIX A

BOARD OF BARBERS AND HAIRDRESSERS  
SCHEDULE OF REVENUES COMPARED WITH EXPENDITURES  
 For the Fiscal Year Ended June 30, 1988

(UNAUDITED)  
 (Note 1)

Average Revenues (Note 2)		\$171,247
Less: Expenditures (Note 3)		
Personal Services	\$103,837	
Travel	13,908	
Contractual Services	26,926	
Supplies	2,776	
Equipment	<u>3,526</u>	<u>150,973</u>
Excess of Revenues Over Expenditures (Note 5)		<u>\$ 20,274</u>

Schedule 1  
Types of Revenues  
 (Note 4)

<u>Revenue Type</u>	<u>Amount</u>	<u>Collection Time</u>
School	\$ 700	With license issuance
School Renewal	200	Biennially
School Owner	60	With license issuance
School Owner Renewal	60	Biennially
Instructor	30	With license issuance
Instructor Renewal	30	Biennially
Shop Owner	60	With license issuance
Shop Owner Renewal	60	Biennially
Barber Practitioner	100	With license issuance
Barber Practitioner Renewal	100	Biennially
Hairdresser Practitioner	100	With license issuance
Hairdresser Practitioner Renewal	100	Biennially
Cosmetology Practitioner	30	With license issuance
Cosmetology Practitioner Renewal	30	Biennially
Temporary Permit	20	With permit issuance
Student Permit	20	With permit issuance
Examination	25	With application
Delinquent Fee for Late Renewal	20	With application
Application Fee	30	With application

Note 1

The Schedule of Revenues Compared with Expenditures was prepared from available records and discussions with the Division of Occupational Licensing (DOL) personnel. The records were not audited by us and, accordingly, we do not express an opinion on the Board's Schedule of Revenues Compared with Expenditures.

Note 2

Revenues are primarily composed of license renewal fees which are collected on a biennial basis. Because of the two year renewal cycle, revenues will increase substantially every second year. To obtain an average of annual revenues collected, we combined actual receipts collected in FY88 with the division's estimate of revenues to be collected in FY89. For the current fee structure, see Schedule 1 on the previous page.

Note 3

Expenditures consist of direct cost resulting from Board members activities, (i.e. travel and per diem) and an allocation of direct and indirect costs of DOL. The expenditures do not include expenses incurred by other Departments or other divisions of the Department of Commerce and Economic Development in assisting the Board.

Note 4

The Schedule reflects changes in licensing fees since the previous audit. The regulation requiring a school owner license was repealed effective February 28, 1988.

Note 5

The amount of revenue generated by a board's activity depends upon the number of licensee's that are regulated by the board. A small number of licensed professionals, generally lead to an excess of expenditures over revenues. Conversely, a large number of licensees generally results in an excess of revenues over expenditures.

The comparison of revenues and expenditures for all licensing boards indicates, that collectively, the licensing boards are substantially self supporting. The following schedule represents revenues and expenditures for all boards combined:

Average Revenue	\$2,130,834
Expenditures	<u>2,242,216</u>
Excess Expenditures	< <u>\$ 111,382</u> >

APPENDIX B

BOARD OF BARBERS AND HAIRDRESSERS  
SCHEDULE OF EXAMINATION STATISTICS

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>
No. of Exam Held:	4	4	5
No. Licensed By Exam:			
Barber	20	16	16
Cosmetology	13	3	13
Hairdresser	9	4	28
Hairdresser/Cosmetology	118	123	152
Instructor	<u>0</u>	<u>10</u>	<u>3</u>
Total Licensed by Exam	<u>160</u>	<u>156</u>	<u>212</u>

SOURCE: Board of Barbers and Hairdressers Annual Reports  
FY86 - FY88 -- Division of Occupational Licensing

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APPENDIX C

BOARD OF BARBERS AND HAIRDRESSERS  
SCHEDULE OF ADMINISTRATIVE STATISTICS  
As of June 30, 1988

Number of Current Licenses by Category:

Barbers	275
Cosmetologists	53
Hairdressers	491
Hairdressers/Cosmetologists	1,270
Instructors	191
Schools	12
School Owners	8
Shop Owners	<u>386</u>
Total Number of Current Licenses	<u>2,686</u>

SOURCE: Board of Barbers and Hairdressers FY88 Annual Report