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Governor Sean Parnell
STATE OF ALASKA

January 21, 2011

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority (AIDEA).

This legislation will enable AIDEA to foster more economic development in Alaska, especially in areas with great need for new investment. Under this legislation, AIDEA could issue guarantees and make loans to help finance projects funded through a federal new markets tax credit program. This federal program offers a competitive process by which federal new markets tax credits are allocated to support the nationwide financing of projects located in low income areas or otherwise serving low income populations. The federal program arises under Section 45D of the Internal Revenue Code, and provides for the allocation of new markets tax credits equal to 39 percent of total qualifying investments, payable over seven years. The tax credits provide a present value investment return of approximately 30 percent of the amount of the qualifying investment, and can substantially reduce the financing costs for a project.

Investments made under the federal new markets tax credit program generally would fund only a portion of total project costs. The balance of the funding must come from other loans or financing. There is a scarcity of capital available and this legislation would enable AIDEA to issue guarantees and make loans to assist in funding amounts not covered by investments made under the federal program.

The proposed legislation requires AIDEA to evaluate the commercial reasonableness of the underlying loan AIDEA would guarantee to determine that the project will promote economic development and requires the financial institution to service the guaranteed loan.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, reading "Sean Parnell".

Sean Parnell
Governor

Enclosure

SENATE BILL NO. 66