

SB 269 & HB 338
Recovery Zone Bonds

The American Recovery and Reinvestment Act (ARRA) created a number of new financing options for communities, including Recovery Zone Facility Bonds (RZFB) and Recovery Zone Economic Development Bonds (RZEDB). RZFB's allow tax-exempt bonds to be issued to finance "recovery zone property" in economically distressed areas. They provide opportunities for municipalities to offer tax exempt funding to businesses investing in their communities for capital projects used in a trade or business, with a few exclusions. Alaska has been allocated volume cap of \$135 million for RZFBs and \$90 million for RZEDBs.

A Recovery Zone is an area designated as having significant poverty, unemployment, rate of home foreclosures, or general distress, among other things. Recovery Zones are designated by resolution or ordinance of the entity issuing the bonds and must be done so before capital expenditures are made. Issuers have been given a very short time frame to issue these bonds. Bonds must be issued prior to January 1, 2011 otherwise the allocation is lost.

The Federal government allocated volume cap for bond authorization to Alaska Boroughs and Census Areas based on relative declines in employment in 2008. Therefore, Alaska's large communities, e.g. Anchorage and the Mat-Su region, did not receive allocations. By allocating volume cap to Census Areas, some of the poorest communities, e.g. Wade-Hampton, did not receive specific allocations. Additionally, some of the allocations are too small to economically issue bonds.

SB 269 and HB 338 will allow communities within the State to effectively receive and utilize volume cap allocations by providing the Alaska Municipal Bond Bank (AMBB) and the Alaska Industrial Development and Export Authority (AIDEA) the ability to reallocate the initial Federal allocations to communities that will utilize the bond authorizations. It would be unfortunate to allow the allocations to lapse, when millions of dollars of bond capacity could a) be used to foster economic development on a tax-exempt basis by private enterprises in the State (RZFB), and b) provide Federal government subsidies for governmental purpose projects (RZEDB). The two main areas the bills address are:

1. Census Areas are not governmental entities with bonding capability, and
2. Some areas which received allocations may not have enough allocation or qualifying projects, while other areas of the State may have financeable projects but no allocation.

The bills provide AMBB with the reallocation responsibility for RZEDBs and AIDEA with the reallocation responsibility for RZFBs. Additionally, SB 269 and HB 338 create a framework and legal basis to ensure the State effectively utilizes the bond allocations by:

- Allowing Boroughs to waive at any time all or part of allocations that aren't needed or won't be used;
- Providing for the waiver of unused Borough and Census Area allocations at close of business June 30, 2010;
- Lapsing all waived or deemed waived RZEDB volume cap to AMBB;
- Lapsing all waived or deemed waived RZFB volume cap to AIDEA;
- Allowing AIDEA and AMBB to designate Recovery Zones in the State and reallocate and authorize other issuers in the State to use Recovery Zone Bond volume cap allocated to those issuers;
- Providing for the adoption of regulations by AMBB and AIDEA to use or reallocate waived volume cap; and
- Prioritizing reallocated Recovery Zone Bond volume cap to projects within a Borough or Census Area that received an allocation.