

Alaska State Legislature

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Committee on Committees

Senator Lesil McGuire

Sponsor Statement

SB 99

“An Act correcting a reference to the Alaska Industrial Development and Export Authority revolving fund; limiting the use of the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund for certain loans and loan guarantees and allowing the development fund to be used as security for a bond guarantee; and amending the definition of ‘qualified energy development.’; and authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project and the Niblack project.”

The Sustainable Energy Transmission and Supply (SETS) Development Fund was created in 2012, AS 44.88.650- 44.88.690, as a fund within the Alaska Industrial Development and Export Authority (AIDEA) to promote and provide financing for energy development in the state to alleviate unemployment and contribute to the state’s economic welfare, economic diversity, and economic development. Under this statute AIDEA is authorized to use money in the SETS fund to assist in the construction, improvement, rehabilitation, and expansion of qualified energy developments.

SB99 provides technical amendments to the SETS Development Fund within AIDEA. It has been determined that the statutes, as written last year, created an ambiguity in the one third capital cost limit as it relates to loans, loan guarantees and bond guarantees. The ambiguity arises in the current statutes as to whether the \$20 million loan limitation worked in conjunction as a one-third limitation on loan guarantees, or was independent of that limitation. Additionally, the statute was vague as it relates to AIDEA’s authority to use the fund as a security for a bond guarantee. These amendments clarify these ambiguities.

AIDEA has received requests from project components and banks to utilize the fund in which AIDEA needed the authority to issue a bond guarantee for more than one-third of project costs. This bill clarifies the types of financing and limitations for financing for qualified energy developments in the state.

This bill also authorizes AIDEA to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project and for the Niblack Gold and Gravina Island Industrial Complex. Both of these projects offer significant opportunity for employment in the South East region, as well as the potential for Alaska to export value added goods. Authorizing AIDEA to issue these bonds does not remove the standard due diligence performed by AIDEA, nor does it provide a directive that AIDEA must issue the bonds. The bill merely authorizes AIDEA to issue the bonds if the Authority finds economic advantages in doing so.