

FISCAL NOTE

STATE OF ALASKA
2013 LEGISLATIVE SESSION

Bill Version **SB 23**
Fiscal Note Number _____
() Publish Date _____

Identifier (file name) SB023CS(L&C)-DCCED-AIDEA-02-27-13
Title AIDEA: LNG Projects; Dividends; Financing
Sponsor Rules by Request of the Governor
Requester Senate Finance
Dept. Affected DCCED
Appropriation AK Industrial Development Export Authority
Allocation AK Industrial Development Export Authority
OMB Component Number 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY14 Appropriation Requested	Included in Governor's FY14 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY14	FY14	FY15	FY16	FY17	FY18	FY19
Personal Services							
Travel							
Services	950.0	0.0	650.0	450.0	350.0	150.0	150.0
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	950.0	0.0	650.0	450.0	350.0	150.0	150.0

FUND SOURCE (Thousands of Dollars)							
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1102	AIDEA Rcpt (Other)	950.0	0.0	650.0	450.0	350.0	150.0
1037	GF/MH (UGF)						
1178	temp code (UGF)						
TOTAL		950.0	0.0	650.0	450.0	350.0	150.0

POSITIONS							
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES	1,775.0		1,775.0	1,729.0	1,701.0	1,676.0	1,652.0
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Estimated SUPPLEMENTAL (FY13) operating costs _____ (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY14) costs _____ (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended, or repealed? 12/1/2013 Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

This version is updated to reflect the CS and updates the analysis section to clearly define the three distinct purposes related to AIDEA programs.

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Phone 907-771-3000
Date/Time 2/27/13 9:00 PM
Date 2/27/2013

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 23

Analysis

SB 23 has three distinct purposes related to AIDEA programs:

DIRECT FINANCING

This bill allows the Alaska Industrial Development and Export Authority (AIDEA) the ability to provide project financing for all or a portion of the cost of a development project which the authority does not intend to own or operate. At present, AIDEA is permitted to own or operate all or part of a project, but cannot make a direct loan on a project or guarantee a loan for a project. This bill would permit the authority to engage in project financing by loaning money to a project or guaranteeing a loan for a project rather than owning an interest in the project.

Funding for FY 2014 includes a one-time cost of 50.0 for consultants to assist in the preparation of new regulations necessary to implement a direct financing program and 150.0 to hire consultants and counsel to assist in underwriting loans and guarantees under this program. It is projected that this 150.0 in underwriting expenditures will be on-going.

The revenues projected to be earned from direct loan and guarantee finance packages are approximately 1.4 million. The direct loan and guarantee program will generate earnings on financing of development projects. The amount that AIDEA can charge for each direct financing is limited, but the overall anticipated returns are projected to be substantial due to the large dollar amounts involved with the type of projects that will be financed through the Direct Finance Program.

AIDEA TECHNICAL CHANGE

This bill makes a technical change in AS 44.88.088 to accommodate changes required by the Governmental Accounting Standards Board (GASB) to the Authority's audited financial statements. The calculation method for AIDEA's dividend will not change and no fiscal impact is expected.

INTERIOR ENERGY PLAN

This bill provides AIDEA financing in support of the Energy Plan. Specifically, SB 23 authorizes AIDEA to provide up to \$275 million in financing for a natural gas liquefaction plant and affiliated infrastructure on the North Slope, as well as providing for the financing of liquid natural gas (LNG) distribution systems under the sustainable energy transmission and supply fund (SETS) established under AIDEA.

This financing authorized under this bill includes: 1) authorization for AIDEA to provide financing through the issuance of up to \$150 million in bonds for the project, with the bonds to be secured by a capital reserve fund and 2) authorization for AIDEA to provide direct low interest loan financing of \$125 million out of the money provided through the Governor's amended operating budget for the SETS fund. To help ensure lower energy rates for Alaskans are achieved, the bill limits the interest rates that AIDEA can charge for direct SETS financing at 3%.

In FY 2014, 750.0 is needed for contractual services to coordinate project partners, complete the financing agreements to fund the LNG project, and perform technical evaluations on project proposals. AIDEA projects that the administrative expenses for project construction management oversight for the LNG production and distribution system will require an additional 500.0 in FY 2015, 300.0 in FY 2016, and 200.0 in FY 2017.

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FISCAL NOTE ANALYSIS

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Analysis Continued

The administrative expense of project construction management will be offset by AIDEA's income stream allowed under Sec. 10 (c) of SB23. AIDEA estimates the annual income stream from the 25 basis point allowance will generate 375.0 in the first year with that number decreasing in subsequent years to approximately 252.0 five years out.

The entire \$355 million financing plan for the Interior Energy plan includes:

\$50 million appropriation to AIDEA (provided in the capital budget), \$125 million from SETS direct financing (provided in the operating budget), \$150 million in bond proceeds from bond authorization provided in this legislation, and \$30 million in natural gas storage credits (provided in previously passed legislation.)