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March 3, 2010

TO: Senate Finance

RE: Alaska Municipal League Support for SB 269 and HB 338.

As the ARRA created differing finance options for communities across the U.S. to include Recovery Zone Facility Bonds (RZFB) and Recovery Zone Economic Development Bonds (RZEDB), communities are now able to offer businesses in distressed areas, tax-exempt funding for capital projects. The amounts of bonds available to Alaska are \$135 million for RZFB, and \$90 million for RZEDB.

Recovery zones are created by resolution and bonds from that area must be issued no later than January 1, 2011 or the funds go back to the federal government.

As bond allocations were based on relative declines in employment in 2008, Anchorage and the Mat-Su Borough received no allocation. Large allocations, however, were given to more than a few census areas in Alaska, such as the Wade Hampton area. Census areas, however, do not have bonding authority. That leaves municipalities such as Bethel and the surrounding communities, unable to utilize the allocation.

SB 269 and HB 338 will allow communities within the state to effectively receive and utilize bonds by providing the Alaska Municipal Bond Bank (AMBB) and the Alaska Industrial Development and Export Authority (AIDEA), the ability to reallocate these funds to communities that can utilize them. It would be a shame to see these allocations lapse, when they could be otherwise put to such good use.

Some communities which received allocations may not have enough allocation or not have viable projects; while other communities may have many projects, but receive no allocation.

In summary, this bill would allow boroughs to waive all or part of their allocation. It would allow the waiver of unused allocations to be provided by June 30, 2010. It would lapse all waived RSFBs to AIDEA and all waived RZEDBs to AMBB. It would allow the AMBB and AIDEA to designate Recovery Zones and then, reallocate funds. It would provide for the adoption of regulations to the AMBB and AIDEA to use or to reallocate. It would, also, prioritize the reallocation of Recovery Zone Bonds to projects within a borough or census area that had already received an allocation.

We would highly recommend passing these two worthwhile bills.

Sincerely,

Kathie Wasserman
Executive Director
Alaska Municipal League