

HOUSE BILL NO. 230

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES SEATON, Gara, Thompson

Introduced: 1/21/14

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act allowing the Alaska Industrial Development and Export Authority to issue**
2 **bonds for an oil or gas processing facility; and creating the oil and gas infrastructure**
3 **fund to finance construction or improvement of an oil or gas processing facility."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 FINDINGS. The legislature finds that

8 (1) it is in the long-term best interest of the state to increase oil production;

9 (2) small producers are unable to access existing oil and gas processing
10 facilities, which could be detrimental to the goal of increasing production;

11 (3) one small oil company has reached the point of oil production but, because
12 of the lack of available oil and gas facilities, is unable to process oil and ship the oil through
13 the pipeline;

14 (4) near-term investment of \$200,000,000 in oil and gas processing facilities

1 would for allow new production from new fields to enter the pipeline;

2 (5) the prohibition on the issuance of bonds of the Alaska Industrial
3 Development and Export Authority in an amount exceeding \$400,000,000 does not provide
4 flexibility for participation in project financing;

5 (6) removing that limit on bonding authority for processing facilities and other
6 infrastructure would allow small companies that do not have capital to finance oil and gas
7 processing facilities to move more oil from new fields;

8 (7) the Alaska Industrial Development and Export Authority has sufficient
9 expertise to control risk in the state's participation in oil and gas processing facilities; and

10 (8) participation by the Alaska Industrial Development and Export Authority
11 in a large oil or gas processing facility project over a 10-year period would bring more income
12 to the state than the typical short-term investment in the low-interest-rate environment.

13 * **Sec. 2.** AS 44.88.140(a) is amended to read:

14 (a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168**, the real and
15 personal property of the authority and its assets, income, and receipts are declared to
16 be the property of a political subdivision of the state and, together with any project or
17 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -
18 44.88.177, and a leasehold interest created in a project or development project
19 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an
20 essential public and governmental function and purpose, and the property, assets,
21 income, receipts, project, development project, and leasehold interests shall be exempt
22 from all taxes and special assessments of the state or a political subdivision of the
23 state, including, without limitation, all boroughs, cities, municipalities, school
24 districts, public utility districts, and other taxing units. All bonds of the authority are
25 declared to be issued by a political subdivision of the state and for an essential public
26 and governmental purpose and to be a public instrumentality, and the bonds, and the
27 interest on them, the income from them and the transfer of the bonds, and all assets,
28 income, and receipts pledged to pay or secure the payments of the bonds, or interest on
29 them, shall at all times be exempt from taxation by or under the authority of the state,
30 except for inheritance and estate taxes and taxes on transfers by or in contemplation of
31 death. Nothing in this section affects or limits an exemption from license fees,

1 property taxes, or excise, income, or any other taxes, provided under any other law,
 2 nor does it create a tax exemption with respect to the interest of any business
 3 enterprise or other person, other than the authority, in any property, assets, income,
 4 receipts, project, development project, or lease whether or not financed under this
 5 chapter. By January 10 of each year, the authority shall submit to the governor a report
 6 describing the nature and extent of the tax exemption of the property, assets, income,
 7 receipts, project, development project, and leasehold interests of the authority under
 8 this section. The authority shall notify the legislature that the report is available.

9 * **Sec. 3.** AS 44.88 is amended by adding a new section to read:

10 **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas
 11 infrastructure fund is established in the authority. The oil and gas infrastructure fund
 12 consists of money appropriated to the authority for deposit in the fund, and money
 13 deposited in the fund by the authority. The fund is not an account in the revolving loan
 14 fund established in AS 44.88.060, and the authority shall account for the fund
 15 separately from the revolving fund. Money in the fund may be used to finance the
 16 construction and improvement of an oil or gas processing facility on the North Slope
 17 and flow lines and other surface infrastructure for the facility.

18 (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the
 19 state may levy a tax or special assessment on an oil or gas processing facility, flow
 20 lines, and other surface infrastructure for the facility financed by the oil and gas
 21 infrastructure fund.

22 (c) In this section, "North Slope" means that area of the state lying north of 68
 23 degrees North latitude.

24 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
 25 read:

26 **LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING**
 27 **FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to
 28 finance the construction and improvement of an oil or gas processing facility on the Alaska
 29 North Slope and flow lines and other surface infrastructure for the facility. The processing
 30 facility, flow lines, and other surface infrastructure for the facility shall be used to secure
 31 bonds issued under this section. The principal amount of the bonds provided by the authority

1 for the facility, flow lines, and other surface infrastructure may not exceed \$200,000,000 and
2 may include the costs of funding reserves and other costs of issuing the bonds that the
3 authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas
4 processing facility, flow lines, and other surface infrastructure for the facility constructed or
5 financed by the oil and gas infrastructure fund (AS 44.88.168) are subject to taxes and special
6 assessments of the state or a political subdivision of the state.

7 (b) This section constitutes the legislative approval required by AS 44.88.095(g) and
8 44.88.690.

9 (c) The prohibition on the issuance of bonds in an amount exceeding \$400,000,000
10 under AS 44.88.095 does not apply to bonds issued under this section, and the principal
11 amount of bonds issued under this section may not be considered in determining whether the
12 limit in AS 44.88.095 has been reached.