

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: CSSB 23(FIN)
Fiscal Note Number: 2
(S) Publish Date: 3/6/13

Identifier: SB023CS(L&C)-DCCED-AIDEA-03-05-13
Title: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Senate Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Services							
Travel							
Services	950.0		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 (Operating Only)

1102 AIDEA Rcpt	950.0		650.0	450.0	350.0	150.0	150.0
Total	950.0	0.0	650.0	450.0	350.0	150.0	150.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	0.0		0.0	225.0	375.0	1,506.3	2,567.3
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 50,000.0

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If yes, by what date are the regulations to be adopted, amended or repealed? 12/01/13

Why this fiscal note differs from previous version:

This version updates the revenues to the state based on AIDEA dividend rather than revenue to AIDEA. Note that AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 revenues.

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Date: 03/05/2013 05:15 PM
Date: 03/05/13

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. CSSB 23(FIN)

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 financing of \$125 million out of the money provided through the 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 #2

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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 Change in Revenues reflect General Fund revenues to the state generated from AIDEA dividends. AIDEA Dividend is calculated from "base year" which is two years prior to current year, for example: FY 16 dividend calculation will be based on FY 14 revenues.

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 amended 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.)

Attached is a spreadsheet that provides a comprehensive summary of the fiscal impact of SB 23.

Fiscal Notes for SB23 (AIDEA: LNG Projects; Dividends; Financing)							
Direct Financing (Not related to Interior Energy Plan)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA							
AIDEA Receipts	200	150	150	150	150	150	
Preparation of regulations	50	-	-	-	-	-	
Underwriting (includes 200.0 operating request)	150	150	150	150	150	150	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			600	625	625	625	
Gas Plant and Storage							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	750	500	300	200	-	-	
Coordination and evaluation	750	-	-	-	-	-	
Construction management		500	300	200	-	-	
GF Cost	175,000	-	-	-	-	-	
Capital Appropriation for Equity Stake	50,000						
Capitalize SETS Fund	125,000						
Revenue to AIDEA	-	-	1,875	3,711	3,631	3,548	
Interest on Direct Financing of Interior Energy Plan (SETS)		-	1,875.0	3,710.5	3,630.5	3,548.0	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)			(375)	(250)	788	1,755	
Transmission and Distribution (Debt Service on \$150m bonds issued at 3% for 30 years, with payments delayed until FY16)							
	FY14	FY15	FY16	FY17	FY18	FY19	
Cost to AIDEA	-	-	-	-	-	-	
AIDEA Receipts			-	-	-	-	
SETS Fund	-	-	-	-	-	-	
GF Cost	-	-	-	-	-	-	
Revenue to AIDEA	-	-	188	374	371	369	
AIDEA Receipts (Administrative fee added to bond interest rate)	-	-	188	374	371	369	
GF Revenue (Dividends to State - impact for FY 16 from FY 14 revenues)	-	-	-	-	94	187	
Private Investment (\$70m for 9BCF plant--expansion will be fully funded by additional private investment)							
	FY14	FY15	FY16	FY17	FY18	FY19	
	70,000	-	-	-	-	-	
Summary							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
GF Cost	175,000	-	-	-	-	-	175,000
Capitalize SETS Fund (SETS Fund Capitalization Note)	125,000	-	-	-	-	-	125,000
Capital Appropriation for Equity Stake (AIDEA Note)	50,000	-	-	-	-	-	50,000
AIDEA Cost							
Direct Financing (AIDEA Note)	950	650	450	350	150	150	2,700
AIDEA Revenue (AIDEA Note-analysis only)	1,400	1,400	3,463	5,485	5,402	5,317	22,465
AIDEA Receipts	1,400	1,400	1,588	1,774	1,771	1,769	9,701
SETS Fund	-	-	1,875	3,711	3,631	3,548	12,764
GF Revenue-Dividends to State (AIDEA Note)	-	-	225	375	1,506	2,567	4,674
Fiscal Notes							
	FY14	FY15	FY16	FY17	FY18	FY19	FY14-FY19
AIDEA							
Direct Financing (AIDEA Receipts)	950.0	650.0	450.0	350.0	150.0	150.0	2,700.0
GF Revenue-Dividends to State (GF)	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5
Capitalize SETS Fund (GF)	125,000.0	-	-	-	-	-	125,000.0
Capital Appropriation for Equity Stake (GF)	50,000.0	-	-	-	-	-	50,000.0
Total Costs	175,950.0	650.0	450.0	350.0	150.0	150.0	177,700.0
Total GF Revenue Impact	-	-	225.0	375.0	1,506.3	2,567.3	4,673.5