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February 10, 2015

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the programs of the Alaska Industrial Development and Export Authority (AIDEA). The bill would increase the dollar amount limitations imposed on AIDEA in bond and loan participation programs. The bill also would amend provisions relating to the authority of AIDEA to advance a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state. Additionally, the bill would repeal eight bond authorizations for AIDEA that it has not used and does not intend to use.

AIDEA is subject to dollar limits that it cannot exceed without obtaining approvals from the Legislature or local governmental bodies. The dollar amount limitations restrict the bonds that AIDEA may issue under its loan participation program or under its development finance program, and they limit the loan participations AIDEA can purchase from its own funds that are not derived from bond proceeds.

The bill would amend AS 44.88.155 to authorize AIDEA to issue up to \$25,000,000 in bonds for loan participations without the necessity of obtaining prior legislative approval. The amendment to AS 44.88.155 also would allow AIDEA to purchase loan participations up to \$25,000,000 out of AIDEA's enterprise development account without the use of bond proceeds. The \$25,000,000 limit established in the bill's amendment is a \$5,000,000 increase over the existing limit now in effect.

The bill also would amend AS 44.88.095(g) to authorize AIDEA to issue up to \$25,000,000 in bonds for development finance projects without the necessity of obtaining prior legislative approval. The \$25,000,000 amount set in this section of the bill is a \$15,000,000 increase over the existing limit now in the statute.

In addition, the bill revises AIDEA's dollar limit on issuing bonds for a project without obtaining a certified resolution from the local governing body or the Regional Resource Advisory Council consenting to the location of the project. The \$10,000,000 limit in the bill is an increase over the present \$6,000,000 limit in AS 44.88.095(c).

The dollar limits on AIDEA's bonding authority and loan participation purchases were established years ago and have not been adjusted for inflation. AIDEA needs to have its limits increased to keep pace with inflation and to better reflect the current finance market environment. Also, increasing the limits on AIDEA's bonding authority and on its loan participations will allow AIDEA to finance larger projects and thereby better fulfill its mission of promoting economic development in the state. The existing bonding limits imposed on AIDEA have lessened its ability to utilize bonding as a financing tool due to the time it takes to get authorization from the Legislature and to go through the local government approval process.

The bill would amend AIDEA's authorization with respect to financing a liquefied natural gas production facility and affiliated infrastructure. The original enactment (Chap. 26, SLA 2013) authorized AIDEA to provide up to \$275,000,000 in financing under the sustainable energy transmission and supply development (SETS) program for a liquefied natural gas production plant on the North Slope and for a natural gas distribution system in Interior Alaska. The bill would expand the authority to allow for the development, construction, and installation of, and the startup costs of operation and maintenance for, a liquefied natural gas production plant and affiliated infrastructure and natural gas energy projects and distribution systems and affiliated infrastructure in the state. This broadening of AIDEA's authorization would allow AIDEA the flexibility to finance projects designed to address energy needs in the state.

In addition, the bill would repeal eight prior bond authorizations that AIDEA has not used or, in one case, only partially used. These bond authorizations were for projects that did not proceed or that went forward without using bond financing or the full amount of bond financing authorized. The eight bond authorizations the bill would repeal are:

- (1) 1992 authorization to issue \$85,000,000 in bonds for aircraft maintenance facilities at the Anchorage International Airport; AIDEA issued \$28,000,000 in bonds to finance the FedEx maintenance hangar at the airport, but never issued the remaining \$57,000,000 in authorized bonds, and the \$28,000,000 in bonds AIDEA actually issued have now been fully repaid;
- (2) 1993 authorization, amended in 1996, to issue \$50,000,000 in bonds for bulk commodity port facilities located within Cook Inlet;
- (3) 1993 authorization to issue \$50,000,000 in bonds for a seafood processing facility in Anchorage;
- (4) 1995 authorization to issue \$20,000,000 in bonds to finance the Kodiak rocket launch complex and tracking station;
- (5) 1998 authorization to issue \$80,000,000 in bonds to expand and modify AIDEA's existing port facilities connected to the DeLong Mountain transportation system and

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- to add new facilities to DeLong Mountain transportation system, which serve the Red Dog Mine in the Northwest Arctic Borough;
- (6) 1998 authorization to issue \$30,000,000 in bonds to finance improvements to the Nome port facilities;
 - (7) 1998 authorization, amended in 2006, to issue \$25,000,000 in bonds to finance the development of Hatcher Pass in the Matanuska-Susitna Borough; and
 - (8) 2004 authorization to issue \$20,000,000 in bonds to finance the development of a port and related facilities at Slate Creek and Cascade Point on Lynn Canal in Southeast Alaska.

Repealing these "stale" authorizations would allow AIDEA to remove them from AIDEA's financial statements and disclosure statements, which would strengthen AIDEA's creditworthiness and its position with the bond-rating agencies and put AIDEA in a better position to proceed with providing financing for a liquefied natural gas production and distribution system and natural gas energy projects and distribution systems in the state.

I urge your prompt and favorable action on this measure.

Sincerely,



Bill Walker
Governor

Enclosure

