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CS FOR HOUSE BILL NO. 388(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to state loans for oil and gas development projects in the Cook Inlet**
2 **sedimentary basin; relating to the Alaska Industrial Development and Export**
3 **Authority; relating to the Cook Inlet reserve-based lending fund and the payment of**
4 **dividends from the fund; relating to a report to the legislature related to oil and gas**
5 **development projects in the Cook Inlet sedimentary basin; and providing for an**
6 **effective date."**

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

8 * **Section 1.** AS 44.88.088(a) is amended to read:

9 (a) The authority shall adopt a policy for payment of a dividend from the
10 revolving fund, the Alaska Industrial Development and Export Authority sustainable
11 energy transmission and supply development fund (AS 44.88.660), [AND] the Arctic
12 infrastructure development fund (AS 44.88.810), **and the Cook Inlet reserve-based**
13 **lending fund (AS 44.88.850)** to the state each fiscal year. The dividends for a fiscal

1 year shall be made available by the authority before the end of that fiscal year. The
2 authority shall notify the commissioner of revenue when the dividends for a fiscal year
3 are available for appropriation. The amount of the dividend payable from the

4 (1) revolving fund for a fiscal year may not be less than 25 percent nor
5 more than 50 percent of the net income of the revolving fund for the base fiscal year;
6 however, in no event [,] may the dividend payable from the revolving fund for a fiscal
7 year exceed the total unrestricted net income of the revolving fund for the base year;

8 (2) Alaska Industrial Development and Export Authority sustainable
9 energy transmission and supply development fund (AS 44.88.660) for a fiscal year
10 may not be less than 25 percent nor more than 50 percent of the net income of the
11 Alaska Industrial Development and Export Authority sustainable energy transmission
12 and supply development fund for the base fiscal year; however, the dividend payable
13 from the Alaska Industrial Development and Export Authority sustainable energy
14 transmission and supply development fund for a fiscal year may not exceed the total
15 unrestricted net income of the Alaska Industrial Development and Export Authority
16 sustainable energy transmission and supply development fund for the base year;

17 (3) Arctic infrastructure development fund (AS 44.88.810) for a fiscal
18 year may not be less than 25 percent nor more than 50 percent of the net income of the
19 Arctic infrastructure development fund for the base fiscal year; however, the dividend
20 payable from the Arctic infrastructure development fund for a fiscal year may not
21 exceed the total unrestricted net income of the Arctic infrastructure development fund
22 for the base year;

23 **(4) Cook Inlet reserve-based lending fund (AS 44.88.850) for a**
24 **fiscal year may not be less than 25 percent nor more than 50 percent of the net**
25 **income of the Cook Inlet reserve-based lending fund for the base fiscal year;**
26 **however, the dividend payable from the Cook Inlet reserve-based lending fund**
27 **for a fiscal year may not exceed the total unrestricted net income of the Cook**
28 **Inlet reserve-based lending fund for the base year.**

29 * **Sec. 2.** AS 44.88.178 is amended to read:

30 **Sec. 44.88.178. Creation of subsidiaries.** The authority may create one or
31 more subsidiary corporations for the purpose of acquiring, constructing, owning,

1 operating, or financing a project financed **by the authority** [UNDER AS 44.88.172].
2 A subsidiary corporation created under this section may be incorporated under
3 AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a
4 subsidiary created under this section. A subsidiary created under this section may
5 borrow money and issue bonds as evidence of that borrowing [,] and has all the
6 powers of the authority that the authority grants to it. Unless otherwise provided by the
7 authority, the debts, liabilities, and obligations of a subsidiary corporation created
8 under this section are not the debts, liabilities, or obligations of the authority.

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

10 **Sec. 44.88.385. Cook Inlet oil and gas development projects; report.** The
11 authority shall evaluate oil and gas development projects that have the potential to
12 increase oil and gas production from the Cook Inlet sedimentary basin. Each year, the
13 authority shall prepare a report related to those oil and gas development projects and
14 shall, by the first day of each regular session of the legislature, deliver the report to the
15 senate secretary and the chief clerk of the house of representatives and notify the
16 legislature that the report is available. At the request of a legislative committee, a
17 representative of the authority shall appear in that committee to review the report. For
18 each oil and gas development project, the report must include

- 19 (1) a cost estimate for the project;
- 20 (2) the potential recoverable gas from the project; and
- 21 (3) the amount necessary to be appropriated to the Cook Inlet reserve-
22 based lending fund to finance the project.

23 * **Sec. 4.** AS 44.88 is amended by adding a new section to read:

24 **Article 10A. Cook Inlet Reserve-Based Lending.**

25 **Sec. 44.88.850. Cook Inlet reserve-based lending fund.** (a) The Cook Inlet
26 reserve-based lending fund is established in the authority. The fund consists of
27 appropriations made to the fund by the legislature, money or other assets transferred to
28 the fund by a vote of the members of the authority under AS 44.88.050 from any other
29 fund controlled by the authority, and unrestricted loan repayments, interest, or other
30 income earned on loans, investments, or assets of the fund. The fund is not an account
31 in the revolving fund established in AS 44.88.060, and the authority shall account for

1 the fund separately from the revolving fund. The authority may create additional
2 accounts in the fund. Subject to agreements made with the holders of the authority's
3 bonds or with other persons, the authority may transfer amounts from an account in
4 the fund to another account in the fund. The authority may not transfer to another fund
5 in the authority amounts that were appropriated to the fund by the legislature.

6 (b) The authority may use money in the fund to make one or more reserve-
7 based loans to fund oil and gas development projects the authority considers necessary
8 to increase oil and gas production from the Cook Inlet sedimentary basin.

9 (c) The authority shall set the interest rate for a reserve-based loan under this
10 section. The interest rate may be less than the cost of funds to the authority. In this
11 subsection, "cost of funds" means earnings, expressed as an annual interest rate, the
12 authority would receive on a comparable financial security.

13 * **Sec. 5.** AS 44.88.900 is amended by adding new paragraphs to read:

14 (20) "oil and gas development project" means a development project to
15 produce proven oil or gas reserves;

16 (21) "reserve-based loan" means a loan made against and secured by
17 an oil and gas field or undeveloped or developed oil and gas assets.

18 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).