

HOUSE CS FOR CS FOR SENATE BILL NO. 248(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/19/00

Referred: Rules

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financing authority, payment in lieu of tax agreements,
2 and tax exemption for assets and projects of the Alaska Industrial Development
3 and Export Authority; relating to renaming and contingently repealing the rural
4 development initiative fund within the Department of Community and Economic
5 Development, and establishing the rural development initiative fund within the
6 Alaska Industrial Development and Export Authority; and providing for an
7 effective date."

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

9 * **Section 1.** AS 29.45.030(a) is amended to read:

10 (a) The following property is exempt from general taxation:

11 (1) municipal property, including property held by a public corporation
12 of a municipality, or state property, or land that is in the trust established by the
13 Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

1 (A) a private leasehold, contract, or other interest in the
2 property is taxable to the extent of the interest; **however, an interest created**
3 **by a nonexclusive use agreement between the Alaska Industrial**
4 **Development and Export Authority and a user of a facility owned by the**
5 **authority, financed at least in part under AS 44.88.172, and open for**
6 **public use is not taxable;**

7 (B) notwithstanding any other provision of law, property
8 acquired by an agency, corporation, or other entity of the state through
9 foreclosure or deed in lieu of foreclosure and retained as an investment of a
10 state entity is taxable; this subparagraph does not apply to federal land granted
11 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
12 granted to the university by the state to replace land that had been granted
13 under AS 14.40.380 or 14.40.390;

14 (C) an ownership interest of a municipality in real property
15 located outside the municipality acquired after December 31, 1990, is taxable
16 by another municipality; however, a borough may not tax an interest in real
17 property located in the borough and owned by a city in that borough;

18 (2) household furniture and personal effects of members of a
19 household;

20 (3) property used exclusively for nonprofit religious, charitable,
21 cemetery, hospital, or educational purposes;

22 (4) property of a nonbusiness organization composed entirely of persons
23 with 90 days or more of active service in the armed forces of the United States whose
24 conditions of service and separation were other than dishonorable, or the property of
25 an auxiliary of that organization;

26 (5) money on deposit;

27 (6) the real property of certain residents of the state to the extent and
28 subject to the conditions provided in (e) of this section;

29 (7) real property or an interest in real property that is exempt from
30 taxation under 43 U.S.C. 1620(d), as amended;

31 (8) property of a political subdivision, agency, corporation, or other

1 entity of the United States to the extent required by federal law; except that a private
 2 leasehold, contract, or other interest in the property is taxable to the extent of that
 3 interest;

4 (9) natural resources in place including coal, ore bodies, mineral
 5 deposits, and other proven and unproven deposits of valuable materials laid down by
 6 natural processes, unharvested aquatic plants and animals, and timber.

7 * **Sec. 2.** AS 29.45.050 is amended by adding a new subsection to read:

8 (p) A municipality may by ordinance partially or totally exempt from taxation
 9 a private leasehold, contract, or other interest held by or through an applicant or
 10 proposed applicant in any property, assets, project, or development project owned by
 11 the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in
 12 this subsection prohibits a municipality from entering into an agreement and receiving
 13 payments in lieu of taxes authorized under AS 44.88.140(b).

14 * **Sec. 3.** AS 44.33.765(a) is amended to read:

15 (a) The rural **economic** development initiative fund is created in the
 16 department. Unless provided otherwise in the appropriation act, an appropriation to the
 17 fund is retained in the fund for use under AS 44.33.765 - 44.33.775 and does not lapse
 18 at the end of a fiscal year. Each year the commissioner shall request an appropriation
 19 to the fund of interest and other income earned on loans or investments of the fund.
 20 Money in the fund may be appropriated for costs of administering AS 44.33.765 -
 21 44.33.775.

22 * **Sec. 4.** AS 44.33.770(a) is amended to read:

23 (a) The department may use money from the rural **economic** development
 24 initiative fund to make a loan of up to \$100,000 to a person, or a loan of up to
 25 \$200,000 to two or more persons, to be used for working capital, equipment,
 26 construction, or other commercial purposes by a business located in a community with
 27 a population of 5,000 or less. A person who has received a loan under this subsection
 28 may not be granted another loan until after the original loan is entirely repaid.

29 * **Sec. 5.** AS 44.33.775 is amended to read:

30 **Sec. 44.33.775. Disposal of property acquired by default or foreclosure.**

31 The department shall dispose of property acquired through default or foreclosure of a

1 loan made from the rural **economic** development initiative fund. Disposal shall be
 2 made in a **competitive** manner that serves the best interests of the state, and may
 3 include the amortization of payments over a period of years. The commissioner shall
 4 request an appropriation to the fund of proceeds from disposal of property under this
 5 section.

6 * **Sec. 6.** AS 44.88.095(g) is amended to read:

7 (g) Before **July 1, 2003** [JULY 1, 2000], the authority may issue bonds in an
 8 amount greater than \$10,000,000 to assist in the financing of a development project
 9 under AS 44.88.172 - 44.88.177 only with legislative approval. Beginning **July 1,**
 10 **2003** [JULY 1, 2000], and thereafter, without prior legislative approval, the authority
 11 may not issue bonds, except refunding **and conduit revenue** bonds.

12 * **Sec. 7.** AS 44.88.140(b) is amended to read:

13 (b) **An** [THE AUTHORITY MAY ENTER INTO AGREEMENTS WITH AN]
 14 applicant or proposed applicant under this chapter **and the local political subdivision**
 15 **may enter into agreements** providing for payments **in lieu of taxes**, computed on a
 16 formula basis or otherwise [IN LIEU OF TAXES, WHICH THE AUTHORITY MAY
 17 CONSIDER APPROPRIATE]. The agreement may provide that the payments be
 18 made to the **local** political subdivision [OF THE STATE IN WHICH A PROJECT OR
 19 DEVELOPMENT PROJECT IS OR IS TO BE LOCATED] or to any other taxing unit
 20 of the state including, without limitation, a borough, city, municipality, school district
 21 or public utility district, the area of which is coterminous in whole or in part with that
 22 of the **local** political subdivision.

23 * **Sec. 8.** AS 44.88.140 is amended by adding a new subsection to read:

24 (d) In this section, "local political subdivision" means the political subdivision
 25 of the state in which a project or development project financed under AS 44.88.155 -
 26 44.88.159 or 44.88.172 - 44.88.177 is or is to be located.

27 * **Sec. 9.** AS 44.88 is amended by adding new sections to read:

28 **Article 6A. Rural Development Initiative Fund.**

29 **Sec. 44.88.600. Rural development initiative fund.** The rural development
 30 initiative fund is created in the authority outside of the revolving fund. The rural
 31 development initiative fund is a fund for the uses and purposes of AS 44.88.600 -

1 44.88.620. The rural development initiative fund consists of money or assets
 2 appropriated or transferred to the authority for the purposes of this section, and of loan
 3 repayments, interest, or other income earned on loans or investments of the fund. In
 4 addition, the authority may deposit other assets into the fund if the total value of those
 5 deposits does not exceed \$2,000,000. The authority, in its discretion, may transfer
 6 money or other assets from the rural development initiative fund to the revolving
 7 fund.

8 **Sec. 44.88.610. Rural development loans.** (a) The authority may use money
 9 from the rural development initiative fund to make a loan of up to \$100,000 to a
 10 person, or a loan of up to \$200,000 to two or more persons, to be used for working
 11 capital, equipment, construction, or other commercial purposes by a business located
 12 in a community with a population of 5,000 or less. A person who has received a loan
 13 under this subsection may not be granted another loan until after the original loan is
 14 entirely repaid.

15 (b) The authority shall require collateral for each loan made under this section
 16 and shall require that a reasonable amount of money from other nonstate sources be
 17 committed for use on any project or enterprise for which money from a loan will be
 18 used. The authority by regulation may establish other conditions for loans. The
 19 authority shall by regulation establish rates of interest that are not less than six percent
 20 a year and terms of repayment for loans made under this section.

21 **Sec. 44.88.620. Disposal of property acquired by default or foreclosure.**
 22 The authority shall dispose of property acquired through default or foreclosure of a
 23 loan made from the rural development initiative fund. Disposal shall be made in a
 24 competitive manner that serves the best interests of the state, and may include the
 25 amortization of payments over a period of years. Proceeds from the disposal of
 26 property under this section shall be deposited into the fund.

27 * **Sec. 10.** AS 44.33.765, 44.33.770, and 44.33.775 are repealed.

28 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section
 29 to read:

30 TRANSITIONAL PROVISIONS. (a) Notwithstanding the repeal of AS 44.33.765,
 31 44.33.770, and 44.33.775 by sec. 10 of this Act, regulations in effect immediately before the

1 effective date of sec. 10 of this Act that were issued or adopted under authority of
 2 AS 44.33.765, 44.33.770, or 44.33.775 remain in effect and may be implemented and
 3 enforced by the Alaska Industrial Development and Export Authority to implement the
 4 provisions of AS 44.88.600 - 44.88.620, enacted by sec. 9 of this Act, until the Alaska
 5 Industrial Development and Export Authority adopts regulations to implement AS 44.88.600 -
 6 44.88.620.

7 (b) Wherever in AS 44.88.600 - 44.88.620 there is a reference to regulations adopted
 8 under a section of law and there are no regulations adopted under that section because
 9 previous regulations adopted under AS 44.33.765 - 44.33.775 are being enforced under (a) of
 10 this section, the reference shall be construed to refer to the previously adopted regulations
 11 until the Alaska Industrial Development and Export Authority adopts regulations to implement
 12 AS 44.88.600 - 44.88.620.

13 (c) Contracts, rights, liabilities and obligations created by or under AS 44.33.765,
 14 44.33.770, or 44.33.775, repealed by sec. 10 of this Act, and in effect on the day before the
 15 effective date of sec. 10 of this Act, remain in effect notwithstanding this Act's taking effect.

16 (d) Amounts retained in the rural economic development initiative fund for use under
 17 AS 44.33.765 - 44.33.775 lapse into the general fund on the effective date of sec. 10 of this
 18 Act.

19 * **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section
 20 to read:

21 **RETROACTIVITY OF SECTION 1.** Section 1 of this Act is retroactive to January 1,
 22 1999.

23 * **Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section
 24 to read:

25 **CONDITIONAL EFFECT OF SECTIONS 10 AND 11.** Sections 10 and 11 of this Act
 26 take effect only if the Alaska Industrial Development and Export Authority purchases loans
 27 and other assets of the rural economic development initiative fund (AS 44.33.765) as an
 28 investment for the Alaska Industrial Development and Export Authority.

29 * **Sec. 14.** Section 6 of this Act takes effect June 30, 2000.

30 * **Sec. 15.** If secs. 10 and 11 of this Act take effect under sec. 13 of this Act, secs. 10 and
 31 11 of this Act take effect on the day after the effective date of the purchase of the rural

1 economic development initiative fund loans and other assets by the Alaska Industrial
2 Development and Export Authority. The executive director of the Alaska Industrial
3 Development and Export Authority shall certify the effective date of the purchase to the
4 lieutenant governor and the revisor of statutes.

5 * **Sec. 16.** Except as provided in secs. 14, 15, and 17 of this Act, this Act takes effect
6 July 1, 2000.

7 * **Sec. 17.** Sections 1 and 12 of this Act take effect immediately under AS 01.10.070(c).