

CS FOR SENATE BILL NO. 248(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/13/00

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 29.45.050 is amended by adding a new subsection to read:

10 (p) A municipality may by ordinance partially or totally exempt from taxation
11 a private leasehold, contract, or other interest held by or through an applicant or
12 proposed applicant in any property, assets, project, or development project owned by
13 the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in

1 this subsection prohibits a municipality from entering into an agreement and receiving
2 payments in lieu of taxes authorized under AS 44.88.140(b).

3 * **Sec. 2.** AS 44.33.765(a) is amended to read:

4 (a) The rural **economic** development initiative fund is created in the
5 department. Unless provided otherwise in the appropriation act, an appropriation to the
6 fund is retained in the fund for use under AS 44.33.765 - 44.33.775 and does not lapse
7 at the end of a fiscal year. Each year the commissioner shall request an appropriation
8 to the fund of interest and other income earned on loans or investments of the fund.
9 Money in the fund may be appropriated for costs of administering AS 44.33.765 -
10 44.33.775.

11 * **Sec. 3.** AS 44.33.770(a) is amended to read:

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

18 * **Sec. 4.** AS 44.33.775 is amended to read:

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

20 The department shall dispose of property acquired through default or foreclosure of a
21 loan made from the rural **economic** development initiative fund. Disposal shall be
22 made in a manner that serves the best interests of the state, and may include the
23 amortization of payments over a period of years. The commissioner shall request an
24 appropriation to the fund of proceeds from disposal of property under this section.

25 * **Sec. 5.** AS 44.88.095(g) is amended to read:

26 (g) Before **July 1, 2003** [JULY 1, 2000], the authority may issue bonds in an
27 amount greater than \$10,000,000 to assist in the financing of a development project
28 under AS 44.88.172 - 44.88.177 only with legislative approval. Beginning **July 1,**
29 **2003** [JULY 1, 2000], and thereafter, without prior legislative approval, the authority
30 may not issue bonds, except refunding **and conduit revenue** bonds.

31 * **Sec. 6.** AS 44.88.140(a) is amended to read:

1 (a) Except as provided in AS 29.45.030(a)(1), the real and personal property
 2 of the authority and its assets, income, and receipts are declared to be the property of
 3 a political subdivision of the state and, together with any project or development
 4 project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a
 5 leasehold interest created in a project or development project financed under
 6 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an essential public and
 7 governmental function and purpose, and the property, assets, income, receipts, project,
 8 development project, and leasehold interests shall be exempt from all taxes and special
 9 assessments of the state or a political subdivision of the state, including, without
 10 limitation, all boroughs, cities, municipalities, school districts, public utility districts,
 11 and other taxing units. All bonds of the authority are declared to be issued by a
 12 political subdivision of the state and for an essential public and governmental purpose
 13 and to be a public instrumentality, and the bonds, and the interest on them, the income
 14 from them and the transfer of the bonds, and all assets, income, and receipts pledged
 15 to pay or secure the payments of the bonds, or interest on them, shall at all times be
 16 exempt from taxation by or under the authority of the state, except for inheritance and
 17 estate taxes and taxes on transfers by or in contemplation of death. Nothing in this
 18 section affects or limits an exemption from license fees, property taxes, or excise,
 19 income, or any other taxes, provided under any other law. **Except as provided in**
 20 **AS 29.45.050(p), nothing in this section creates** [, NOR DOES IT CREATE] a tax
 21 exemption with respect to the interest of any business enterprise or other person, other
 22 than the authority, in any property, assets, income, receipts, project, development
 23 project, or lease whether or not financed under this chapter. By January 10 of each
 24 year, the authority shall submit to the governor a report describing the nature and
 25 extent of the tax exemption of the property, assets, income, receipts, project,
 26 development project, and leasehold interests of the authority under this section. The
 27 authority shall notify the legislature that the report is available.

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

29 (b) **An** [THE AUTHORITY MAY ENTER INTO AGREEMENTS WITH AN]
 30 applicant or proposed applicant under this chapter **and the local political subdivision**
 31 **may enter into agreements** providing for payments **in lieu of taxes**, computed on a

1 formula basis or otherwise [IN LIEU OF TAXES, WHICH THE AUTHORITY MAY
 2 CONSIDER APPROPRIATE]. The agreement may provide that the payments be
 3 made to the local political subdivision [OF THE STATE IN WHICH A PROJECT OR
 4 DEVELOPMENT PROJECT IS OR IS TO BE LOCATED] or to any other taxing unit
 5 of the state including, without limitation, a borough, city, municipality, school district
 6 or public utility district, the area of which is coterminous in whole or in part with that
 7 of the local political subdivision.

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

9 (d) In this section, "local political subdivision" means the political subdivision
 10 of the state in which a project or development project financed under AS 44.88.155 -
 11 44.88.159 or 44.88.172 - 44.88.177 is or is to be located.

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

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

14 **Sec. 44.88.600. Rural development initiative fund.** The rural development
 15 initiative fund is created in the authority outside of the revolving fund. The rural
 16 development initiative fund is a fund for the uses and purposes of AS 44.88.600 -
 17 44.88.620. The rural development initiative fund consists of money or assets
 18 appropriated or transferred to the authority for the purposes of this section, loan
 19 repayments, interest or other income earned on loans or investments of the fund, and
 20 other assets deposited into the fund by the authority. The assets transferred to the fund
 21 by the authority may not exceed \$2,000,000. The authority, in its discretion, may
 22 transfer money or other assets from the rural development initiative fund to the
 23 revolving fund.

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

31 (b) The authority shall require collateral for each loan made under this section

1 and shall require that a reasonable amount of money from other nonstate sources be
 2 committed for use on any project or enterprise for which money from a loan will be
 3 used. The authority by regulation may establish other conditions for loans. The
 4 authority shall by regulation establish rates of interest that are not less than six percent
 5 a year and terms of repayment for loans made under this section.

6 **Sec. 44.88.620. Disposal of property acquired by default or foreclosure.**

7 The authority shall dispose of property acquired through default or foreclosure of a
 8 loan made from the rural development initiative fund. Disposal shall be made in a
 9 manner that serves the best interests of the authority, and may include the amortization
 10 of payments over a period of years. Proceeds from the disposal of property under this
 11 section shall be deposited into the fund.

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

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

15 TRANSITIONAL PROVISIONS. (a) Notwithstanding the repeal of AS 44.33.765,
 16 44.33.770, and 44.33.775 by sec. 10 of this Act, regulations in effect immediately before the
 17 effective date of sec. 10 of this Act that were issued or adopted under authority of
 18 AS 44.33.765, 44.33.770, or 44.33.775 remain in effect and may be implemented and
 19 enforced by the Alaska Industrial Development and Export Authority to implement the
 20 provisions of AS 44.88.600 - 44.88.620, enacted by sec. 9 of this Act, until the Alaska
 21 Industrial Development and Export Authority adopts regulations to implement AS 44.88.600 -
 22 44.88.620.

23 (b) Wherever in AS 44.88.600 - 44.88.620 there is a reference to regulations adopted
 24 under a section of law and there are no regulations adopted under that section because
 25 previous regulations adopted under AS 44.33.765 - 44.33.775 are being enforced under (a) of
 26 this section, the reference shall be construed to refer to the previously adopted regulations
 27 until the Alaska Industrial Development and Export Authority adopts regulations to implement
 28 AS 44.88.600 - 44.88.620.

29 (c) Contracts, rights, liabilities and obligations created by or under AS 44.33.765,
 30 44.33.770, or 44.33.775, repealed by sec. 10 of this Act, and in effect on the day before the
 31 effective date of sec. 10 of this Act, remain in effect notwithstanding this Act's taking effect.

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

4 * **Sec. 12.** Section 5 of this Act takes effect June 30, 2000.

5 * **Sec. 13.** Sections 10 and 11 of this Act take effect only if the Alaska Industrial
6 Development and Export Authority purchases loans and other assets of the rural economic
7 development initiative fund (AS 44.33.765) as an investment for the Alaska Industrial
8 Development and Export Authority.

9 * **Sec. 14.** If secs. 10 and 11 of this Act take effect under sec. 13 of this Act, secs. 10 and
10 11 of this Act take effect on the day after the effective date of the purchase of the rural
11 economic development initiative fund loans and other assets by the Alaska Industrial
12 Development and Export Authority. The executive director of the Alaska Industrial
13 Development and Export Authority shall certify the effective date of the purchase to the
14 lieutenant governor and the revisor of statutes.

15 * **Sec. 15.** Except as provided in secs. 12 - 14 of this Act, this Act takes effect July 1,
16 2000.