

ALASKA STATE LEGISLATURE  
**SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE**

May 3, 2002  
1:40 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Alan Austerman  
Senator Randy Phillips

**MEMBERS ABSENT**

Senator Georgianna Lincoln  
Senator Pete Kelly

**COMMITTEE CALENDAR**

SENATE BILL NO. 312

**"An Act relating to enterprise zones."**

MOVED CSSB 312(CRA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 471(CRA)

"An Act increasing the maximum amount of loans from the bulk fuel revolving loan fund operated by the Alaska Energy Authority; relating to the definitions of 'net income' and 'unrestricted net income' for purposes of determining the amount of the Alaska Industrial Development and Export Authority's dividend to the state; relating to communities within which rural development loans may be made by the Alaska Industrial Development and Export Authority; and providing for an effective date."

MOVED CSHB 471(CRA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 521(CRA)

"An Act relating to municipal improvement areas."

MOVED CSHB 521 (CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

SB 312 - See CRA minutes dated 3/27/02.  
HB 471 - No previous action to record.  
HB 521 - No previous action to record.

**WITNESS REGISTER**

Jessica Menendez  
Staff to Representative Joe Green

Alaska State Capitol, Room 403  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Introduced HB 471

Bob Poe, Executive Director  
Alaska Industrial Development & Export Authority (AIDEA)  
Department of Community & Economic Development  
813 W. Northern Lights Blvd.  
Anchorage, AK 99503  
**POSITION STATEMENT:** Testified on HB 471

Zach Warwick  
Alaska State Capitol, Room 121  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Introduced SB 312

Representative Lisa Murkowski  
Alaska State Capitol, Room 408  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor of HB 521

**ACTION NARRATIVE**

**TAPE 02-11, SIDE A**

**CHAIRMAN JOHN TORGERSON** called the Senate Community & Regional Affairs Committee meeting to order at 1:40 p.m. Present were Senators Austerman, Phillips and Chairman Torgerson.

#HB 471

**HB 471-AIDEA LOANS AND DIVIDEND**

JESSICA MENENDEZ, staff to Representative Joe Green, introduced HB 471. It amends three important programs for Alaska Industrial Development & Export Authority (AIDEA), the AIDEA dividend calculation, the vote for the Bulk Fuel Revolving Loan Fund and the Rural Development Initiative Fund (RDIF).

AIDEA is a self-supporting state authority that contributes an annual dividend. To date and including this year's dividend of over \$20 million, they have contributed \$129 million to the state's general fund. The competition for the dividend is between 25 and 50 percent of net income for that base fiscal year but it may not exceed AIDEA's unrestricted net income.

Two changes by the Governmental Accounting Standards Boards (GASB) could change how AIDEA would calculate their dividend. In their audited financial statements they no longer include the

term for net income so without that amount it doesn't give the Board a clear directive how to compute the annual dividend. They have also said that any intergovernmental transfers, capital contributions or grants would need to be listed as an expense. If listed as an expense, this would further reduce the dividend.

The bill also increases the maximum amount from the Bulk Fuel Revolving Fund from \$100,000.00 to \$200,000.00. It is cheaper to buy fuel in larger amounts in rural communities in particular. They have the tank storage capacity for that and some communities can only get one barge load of fuel per year so doubling the maximum fills a demonstrated need.

Finally, the bill more clearly defines the eligibility requirements for AIDEA's rural development initiative fund. This program was developed for rural communities that had no other funding options available to them. It defines those qualifying participants to be living in a community of less than 5,000 people, not connected by road or rail or 2,000 people who are connected by road and rail from Anchorage to Fairbanks.

BOB POE, Executive Director of AEDIA, testified via teleconference. He said AIDEA has issued dividends since 1995 for a total of \$129 million. The new GASB changes mean AIDEA must make sure that the dividend continues to work. [Tape indiscernible] The increased amount in the Bulk Fuel Revolving Loan Fund is to allow communities to buy in bulk. The USDA recently gave them a grant of \$5 million to the revolving loan fund. [Tape indiscernible] Finally, the changes with respect to the Rural Development Initiative Fund are to make sure that the loan program works as intended.

CHAIRMAN TORGERSON asked for the reasoning behind the exemption on road connected or not road connected and why he cared.

MR. POE said he didn't care whether they were road connected or not, but they do care about the rural aspect. [Tape indiscernible] It was really intended for communities that have lodges in the wilderness or in truly rural communities. The group that came up with the definition did their best to define rural based on other definitions of rural.

CHAIRMAN TORGERSON remarked that's Alaska Housing definition. He then asked what program they have for non-rural residents.

MR. POE said they have the Loan Participation Program in AEDEA, which is an active program with a distribution that matches the population distribution of the state. This year they will do about \$55 million in loan participation in conjunction with the commercial banking industry. Amounts range from \$15,000 to \$10 million with up to a 25 year term.

CHAIRMAN TORGERSON then said he didn't see a definition of community in 29.71.800 even though it was cited.

MR. POE asked whether there was anyone from the Department of Law available to answer the question, but there was no one.

CHAIRMAN TORGERSON said he wouldn't hold the bill, but asked Mr. Poe to look at the issue between then and the hearing in the next committee of referral because he didn't think there was a definition of community in the statute.

MR. POE agreed.

There was no further testimony.

SENATOR AUSTERMAN made a motion to move HB 471 and attached fiscal note from committee with individual recommendations.

There being no objection, it was so ordered.

#

#SB 312

#### SB 312-ENTERPRISE ZONES

ZACH WARWICK, staff to Senator Gene Therriault, explained the bill was a companion to HB 36 sponsored by Representative Joe Hayes. They drafted three clarifying amendments to address the concerns brought up during the previous hearing.

Amendment \A.1 was reference to U.S. code and in order to be a state enterprise zone it had to already have been a federal enterprise zone. The whole purpose of the bill is to offer tax incentives and possibly get the federal enterprise zone designations so \A.1 removes the U.S. code and keeps the original language of what designates an enterprise zone.

SENATOR PHILLIPS made a motion to adopt amendment \A.1. There being no objection, the amendment was adopted.

SENATOR AUSTERMAN made a motion to adopt amendment \A.2.

MR. WARWICK explained there is language in the bill that says the groups that propose the enterprise zones must be cities and boroughs, but there was language included in the bill that said "except a city that is located in a borough." which would exempt the City of Fairbanks, the City of North Pole and many others. Amendment \A.2 removes that wording.

There being no objection, amendment \A.2 was adopted.

SENATOR PHILLIPS made a motion to adopt amendment \A.3.

MR. WARWICK explained \A.3 addressed Senator Lincoln's concern regarding a census tract.

There being no objection, amendment \A.3 was adopted.

There was no further testimony.

SENATOR PHILLIPS made a motion to move CSSB 312(CRA) from committee with attached fiscal note and individual recommendations.

There being no objection, it was so ordered.

#

#HB 521

#### HB 521-MUNICIPAL IMPROVEMENT AREAS

CHAIRMAN TORGERSON announced the bill was the companion to SB 365 that was heard on April 24, 2002.

REPRESENTATIVE LISA MURKOWSKI, bill sponsor, said she was available to answer questions, but the bill mirrored SB 365.

SENATOR AUSTERMAN made a motion to move HB 521 from committee with attached fiscal note and individual recommendations.

There being no objection, it was so ordered.

#

ADJOURNMENT

There being no further business before the committee, the Senate Community and Regional Affairs Committee meeting was adjourned at 2:05 p.m.