

**CS FOR HOUSE BILL NO. 230(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 3/31/14

Referred: Finance

Sponsor(s): REPRESENTATIVES SEATON, Gara, Thompson, Kito III

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act allowing the Alaska Industrial Development and Export Authority to issue**  
2 **bonds for an oil or gas processing facility; and creating the oil and gas infrastructure**  
3 **fund to finance construction or improvement of an oil or gas processing facility."**

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

5 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
6 to read:

7 FINDINGS. The legislature finds that

8 (1) it is in the long-term best interest of the state to increase oil production;

9 (2) small producers find it difficult to access existing oil and gas processing  
10 facilities, which could be detrimental to the goal of increasing production;

11 (3) one small oil company has reached the point of oil production but, because  
12 of the lack of available oil and gas facilities, is unable to process oil and ship the oil through  
13 the Trans Alaska Pipeline System;

14 (4) near-term investment of \$200,000,000 in oil and gas processing facilities

1 would allow for new production from new fields to enter the Trans Alaska Pipeline System;

2 (5) the prohibition on the issuance of bonds of the Alaska Industrial  
3 Development and Export Authority in an amount exceeding \$400,000,000 does not provide  
4 flexibility for participation in project financing;

5 (6) removing that limit on bonding authority for processing facilities and other  
6 infrastructure would allow small companies that do not have capital to finance oil and gas  
7 processing facilities to move more oil from new fields;

8 (7) the Alaska Industrial Development and Export Authority has sufficient  
9 expertise to control risk in the state's participation in oil and gas processing facilities; and

10 (8) participation by the Alaska Industrial Development and Export Authority  
11 in a large oil or gas processing facility project over a 10-year period would bring more income  
12 to the state than the typical short-term investment in the low-interest-rate environment.

13 \* **Sec. 2.** AS 44.88.095(g) is amended to read:

14 (g) The authority may issue bonds in an amount greater than \$10,000,000 to  
15 assist in the financing of **an oil or gas processing facility under AS 44.88.168** or a  
16 development project under AS 44.88.172 - 44.88.177 only if approved by law,  
17 excluding refunding bonds. Refunding bonds may be issued without further approval  
18 by law in a principal amount sufficient to provide funds for the payment of all bonds  
19 to be refunded by them and, in addition, for the payment of all other amounts that the  
20 authority considers appropriate in connection with the refunding, including expenses  
21 incident to the redeeming, calling, retiring, or paying of the outstanding bonds, the  
22 funding of reserves, and the issuance of the refunding bonds.

23 \* **Sec. 3.** AS 44.88.140(a) is amended to read:

24 (a) Except as provided in AS 29.45.030(a)(1) **and AS 44.88.168**, the real and  
25 personal property of the authority and its assets, income, and receipts are declared to  
26 be the property of a political subdivision of the state and, together with any project or  
27 development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 -  
28 44.88.177, and a leasehold interest created in a project or development project  
29 financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an  
30 essential public and governmental function and purpose, and the property, assets,  
31 income, receipts, project, development project, and leasehold interests shall be exempt

1 from all taxes and special assessments of the state or a political subdivision of the  
 2 state, including, without limitation, all boroughs, cities, municipalities, school  
 3 districts, public utility districts, and other taxing units. All bonds of the authority are  
 4 declared to be issued by a political subdivision of the state and for an essential public  
 5 and governmental purpose and to be a public instrumentality, and the bonds, and the  
 6 interest on them, the income from them and the transfer of the bonds, and all assets,  
 7 income, and receipts pledged to pay or secure the payments of the bonds, or interest on  
 8 them, shall at all times be exempt from taxation by or under the authority of the state,  
 9 except for inheritance and estate taxes and taxes on transfers by or in contemplation of  
 10 death. Nothing in this section affects or limits an exemption from license fees,  
 11 property taxes, or excise, income, or any other taxes, provided under any other law,  
 12 nor does it create a tax exemption with respect to the interest of any business  
 13 enterprise or other person, other than the authority, in any property, assets, income,  
 14 receipts, project, development project, or lease whether or not financed under this  
 15 chapter. By January 10 of each year, the authority shall submit to the governor a report  
 16 describing the nature and extent of the tax exemption of the property, assets, income,  
 17 receipts, project, development project, and leasehold interests of the authority under  
 18 this section. The authority shall notify the legislature that the report is available.

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

20 **Sec. 44.88.168. Oil and gas infrastructure fund.** (a) The oil and gas  
 21 infrastructure fund is established in the authority. The oil and gas infrastructure fund  
 22 consists of money appropriated to the authority for deposit in the fund, and money  
 23 deposited in the fund by the authority. The fund is not an account in the revolving fund  
 24 established in AS 44.88.060, and the authority shall account for the fund separately  
 25 from the revolving fund. Money in the fund may be used to finance the construction  
 26 and improvement of an oil or gas processing facility on the North Slope and flow lines  
 27 and other surface infrastructure for the facility.

28 (b) Notwithstanding AS 44.88.140, the state or a political subdivision of the  
 29 state may levy a tax or special assessment on an oil or gas processing facility, flow  
 30 lines, and other surface infrastructure for the facility financed by the oil and gas  
 31 infrastructure fund.

1 (c) In this section, "North Slope" means that area of the state lying north of 68  
2 degrees North latitude.

3 \* **Sec. 5.** AS 44.88.900 is amended by adding a new paragraph to read:

4 (18) "oil or gas processing facility" means a project that is a facility  
5 that separates and cleans crude oil or natural gas by separating impurities to make the  
6 product suitable for transport through a pipeline or a facility that chemically converts  
7 natural gas to a liquid form; "oil or gas processing facility" does not include a facility  
8 that uses phase conversion of natural gas to liquid form.

9 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
10 read:

11 **LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING**  
12 **FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to  
13 finance the construction and improvement of an oil or gas processing facility on the Alaska  
14 North Slope and flow lines and other surface infrastructure for the facility. The principal  
15 amount of the bonds provided by the authority for the facility, flow lines, and other surface  
16 infrastructure may not exceed the sum of \$200,000,000 and the costs of funding reserves and  
17 the costs of issuing the bonds that the authority considers reasonable and appropriate.

18 (b) The bonds authorized in this section may be

19 (1) issued as either bonds that are a general obligation of the authority or as  
20 revenue bonds payable exclusively from the income and other money derived from the oil and  
21 gas processing facility, as the authority considers appropriate;

22 (2) used to provide financing under another program of the authority.

23 (c) Notwithstanding AS 44.88.140 and AS 29.45.030(a), an oil or gas processing  
24 facility, flow lines, and other surface infrastructure for the facility constructed or financed by  
25 the oil and gas infrastructure fund (AS 44.88.168) are subject to taxes and special assessments  
26 of the state or a political subdivision of the state.

27 (d) This section constitutes the legislative approval required by AS 44.88.095(g). The  
28 bonds authorized in this section may not be considered in calculating the authority's 12-month  
29 bonding limitation under AS 44.88.095(a).