

Original sponsor: Kerttula by request

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Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

HOUSE CS FOR CS FOR SENATE BILL NO. 697 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Alaska Resources Corporation
7 in place of the Alaska Renewable Resources Corporation
8 (AS 37.12); and providing for an effective date."

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

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* Section 1. AS 37.12.010 is amended to read:

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Sec. 37.12.010. ALASKA [RENEWABLE] RESOURCES CORPORATION CREATED.

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There is created the Alaska [RENEWABLE] Resources Corporation to carry
13 out the purposes of this chapter. The corporation is a public corpora-
14 tion of the state and an instrumentality of the state within the Depart-
15 ment of Commerce and Economic Development [REVENUE], but has a legal
16 existence independent of and separate from the state. The exercise by
17 the corporation of the powers conferred by this chapter is considered an
18 essential function of the state.

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* Sec. 2. AS 37.12.015 is repealed and reenacted to read:

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Sec. 37.12.015. PURPOSES. The purposes of the corporation are to

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(1) facilitate the rehabilitation, enhancement, and development

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of the state's resources so as to strengthen and diversify the state
23 economy;

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(2) provide development capital for the establishment and

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expansion of small enterprises in resource industries in the state in
26 ways that enhance private capital investment; and

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(3) strengthen and diversify the state's economy by the

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establishment and expansion of small enterprises that are self-supporting
29 and that may

1 (A) develop underutilized state resources and reduce the
2 state's dependence on oil and gas;

3 (B) reduce the seasonality of employment in the state;

4 (C) offer employment opportunities for unemployed state
5 residents;

6 (D) provide additional tax revenues to the state govern-
7 ment and to local governments;

8 (E) increase exports from the state or reduce imports
9 into the state; or

10 (F) provide new products or services not previously
11 available in the state.

12 * Sec. 3. AS 37.12 is amended by adding a new section to read:

13 Sec. 37.12.022. DEVELOPMENT CAPITAL FUND. The development capital
14 fund is established in the corporation, consisting of money or assets
15 appropriated or transferred to the corporation, and payments of princi-
16 pal and interest on loans and equity investments made by the corporation.
17 The fund shall be used to finance projects that qualify for assistance
18 under this chapter, and to pay the operating expenses of the corporation.
19 If money remains in the development fund after financing projects that
20 qualify for assistance under this chapter and after paying the operating
21 expenses of the corporation, the money shall be invested by the corpora-
22 tion under AS 37.10.070(a).

23 * Sec. 4. AS 37.12.025 is amended to read:

24 Sec. 37.12.025. BOARD OF DIRECTORS [TRUSTEES]. A board of direc-
25 tors [TRUSTEES] of the corporation is established as its governing body.

26 * Sec. 5. AS 37.12.030 is repealed and reenacted to read:

27 Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board
28 consists of four members with business, lending, or investment experience
29 appointed by the governor and the commissioner of commerce and economic

1 development or his designee. The board shall annually elect a chairman
2 from among its members.

3 * Sec. 6. AS 37.12.035 is amended to read:

4 Sec. 37.12.035. TERM OF OFFICE. The members of the board [OF
5 TRUSTEES] shall be appointed for terms of four years, and they may be
6 reappointed. Terms of members appointed by the governor shall be stag-
7 gered. The governor shall immediately appoint a member to fill a vacancy
8 in the membership of the board for the unexpired term [THE INITIAL TERMS
9 SHALL BE ONE MEMBER SERVING FOR TWO YEARS, ONE MEMBER SERVING FOR THREE
10 YEARS, AND ONE MEMBER SERVING FOR FOUR YEARS].

11 * Sec. 7. AS 37.12.050 is amended to read:

12 Sec. 37.12.050. QUORUM AND TRANSACTION OF BUSINESS. (a) Three
13 [TWO] members of the board constitute a quorum for the transaction of
14 business and the exercise of the powers and duties of the board.

15 (b) The board may meet and transact business by electronic media
16 if (1) public notice of the time and locations where the meeting will
17 be held by electronic media has been given in the same manner as if the
18 meeting were held in a single location; (2) participants and members
19 of the public in attendance can hear and have the same right to partici-
20 rate in the meeting as if the meeting were conducted in person; and (3)
21 copies of pertinent reference materials, statutes, regulations, and
22 audio-visual materials are reasonably available to participants and to
23 the public. A meeting by electronic media as provided in this subsec-
24 tion has the same legal effect as a meeting in person.

25 * Sec. 8. AS 37.12.055 is repealed and reenacted to read:

26 Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the
27 board receive \$200 for each day spent on official business of the corpor-
28 ation, and are entitled to per diem and travel expenses authorized by
29 law for state boards and commissions under AS 39.20.180.

1 * Sec. 9. AS 37.12.060 is repealed and reenacted to read:

2 Sec. 37.12.060. EXECUTIVE DIRECTOR; STAFF. (a) The board shall
3 employ an executive director to administer the corporation in accordance
4 with this chapter, and to perform other duties that the board may pre-
5 scribe. The executive director serves at the pleasure of the board and
6 may not be a member of the board. The board determines the salary of
7 the executive director.

8 (b) The executive director may, with the approval of the board,
9 select and employ staff. The executive director and staff are in the
10 exempt service under AS 39.25.

11 * Sec. 10. AS 37.12.065(a) is amended to read:

12 (a) Members of the board [OF TRUSTEES] are subject to the pro-
13 visions of AS 39.50.

14 * Sec. 11. AS 37.12.070(11) is repealed and reenacted to read:

15 (11) invest in projects that are economically viable and are
16 or are expected to become income-producing by buying stock or other
17 equity, by purchasing secured and unsecured debt of any priority, and
18 debt with flexible repayment schedules and royalty and profit sharing
19 agreements, but investments may not be made at below market rates;

20 * Sec. 12. AS 37.12.075 is repealed and reenacted to read:

21 Sec. 37.12.075. DUTIES. In carrying out the purposes of this
22 chapter the board shall

23 (1) provide financial assistance for resource projects that
24 the board finds will accomplish the purposes of the corporation as set
25 out in AS 37.12.015;

26 (2) keep minutes of each meeting of the board and send a
27 certified copy of the minutes to the governor and the Legislative Budget
28 and Audit Committee;

29 (3) annually prepare long-range operating and financial plans

1 and the budget for the next fiscal year;

2 (4) monitor approved projects for compliance with this chapter
3 and provide operational and performance evaluations of projects receiving
4 financial assistance;

5 (5) before an investment is made in a resource project by the
6 corporation, prepare written findings on the project that include a
7 consideration of the expectation of return from the project and the risk
8 involved in undertaking the project.

9 * Sec. 13. AS 37.12.080(a)(2) is amended to read:

10 (2) use the financial mechanism most appropriate to the
11 conditions of the applicant and the proposed resource project and which
12 will most effectively utilize the funds available; [GRANTS MAY BE MADE
13 BY THE BOARD OF UP TO 90 PERCENT OF THE TOTAL PROJECT COSTS FOR THE
14 FOLLOWING PURPOSES:

15 (A) PROJECTS FOR THE APPLIED RESEARCH AND DEVELOPMENT OF
16 PRODUCTS, TECHNOLOGIES, OR INNOVATIONS FOR THE REHABILITATION,
17 ENHANCEMENT, OR DEVELOPMENT OF THE STATE'S RENEWABLE RESOURCES;

18 (B) PROJECTS FOR THE DEMONSTRATION, ON A ONE-TIME BASIS,
19 OF THE ECONOMIC OR TECHNICAL FEASIBILITY OF A NEW PRODUCT, MARKET,
20 OR TECHNOLOGY INVOLVING A RENEWABLE RESOURCE; OR

21 (C) PROJECTS FOR THE REHABILITATION, ENHANCEMENT, OR
22 DEVELOPMENT OF A COMMON-PROPERTY RESOURCE WHERE THE BENEFITS FROM
23 THE PROJECT CANNOT BE CAPTURED BY ANY SINGLE ECONOMIC UNIT;]

24 * Sec. 14. AS 37.12.080(a) is amended by adding a new paragraph to read:

25 (5) require that if the corporation makes an equity invest-
26 ment it agrees to start divesting itself of the shares held within 10
27 years or before the end of the term of the loan, whichever occurs first.

28 * Sec. 15. AS 37.12.080(b)(1) is amended to read:

29 (1) invest or otherwise provide assistance of more than five

1 percent of the resources of the corporation or \$500,000 [\$1,500,000],
2 whichever is less, in a single project or applicant [UNLESS THE LEGISLA-
3 TURE HAS APPROVED THE INVESTMENT BY CONCURRENT RESOLUTION];

4 * Sec. 16. AS 37.12.080(b)(2) is repealed and reenacted to read:

5 (2) invest in or finance

6 (A) more than 49 percent of the combined equity and debt
7 obligation of an applicant;

8 (B) more than 49 percent of the voting shares of a re-
9 source project; or

10 (C) more than 70 percent of the cost of a resource
11 project;

12 * Sec. 17. AS 37.12.080(b)(3) is amended to read:

13 (3) make a loan for a period in excess of 30 years [UNLESS
14 THE LEGISLATURE HAS APPROVED THE LOAN BY CONCURRENT RESOLUTION];

15 * Sec. 18. AS 37.12.080(b)(5) is amended to read:

16 (5) provide funds to any state agency [UNLESS THAT EXPENDI-
17 TURE IS INCLUDED IN THE CORPORATION'S ANNUAL BUDGET];

18 * Sec. 19. AS 37.12.080(b)(6) is amended to read:

19 (6) make [ALLOCATE TO] grants [MORE THAN 10 PERCENT OF THE
20 ANNUAL APPROPRIATION OF THE CORPORATION].

21 * Sec. 20. AS 37.12.080(b) is amended by adding a new paragraph to read:

22 (7) make loans to provide short-term working capital.

23 * Sec. 21. AS 37.12.090 is repealed and reenacted to read:

24 Sec. 37.12.090. REPORTS AND PUBLICATIONS. (a) The corporation
25 shall publish an annual report by January 10 of each year for distribu-
26 tion to the governor, the legislature, and the public. The report shall
27 be written in easily understandable language, shall consider the assigned
28 duties of the corporation, and shall include

29 (1) a financial statement audited by an independent outside

1 auditor;

2 (2) a statement of the corporation's investments under this
3 chapter including an appraisal of the investments at market value;

4 (3) a description of corporation investment activity during
5 the period covered by the report;

6 (4) a comparison of the corporation's performance with the
7 goals of the corporation;

8 (5) an overall financial plan describing the anticipated risk
9 and return on investment in the different categories of investment
10 undertaken;

11 (6) a summary of employment provided and of wages and state
12 and local taxes paid by resource projects invested in or assisted by the
13 corporation; and

14 (7) any other information the members of the board believe
15 would be of interest to the governor, the legislature, and the public.

16 (b) The annual income statement and balance sheet of the corpora-
17 tion shall be published in at least one newspaper in each judicial
18 district.

19 (c) The corporation may publish other relevant reports.

20 * Sec. 22. AS 37.12.095 is repealed and reenacted to read:

21 Sec. 37.12.095. OPERATING BUDGET. The operating budget of the
22 corporation is subject to the Executive Budget Act (AS 37.07).

23 * Sec. 23. AS 37.12.125(2) is amended to read:

24 (2) "board" means the Board of Directors [TRUSTEES] of the
25 Alaska [RENEWABLE] Resources Corporation;

26 * Sec. 24. AS 37.12.125(3) is amended to read:

27 (3) "corporation" means the Alaska [RENEWABLE] Resources
28 Corporation;

29 * Sec. 25. AS 37.12.125(4) is amended to read:

1 (4) "project" means products, markets, innovation, or tech-
2 nological developments for the rehabilitation, enhancement, or develop-
3 ment of [RENEWABLE] resources and includes applied research for those
4 products, markets, or technological developments;

5 * Sec. 26. AS 37.12.125(5) is repealed and reenacted to read:

6 (5) "rehabilitation, enhancement and development" means an
7 activity that leads to an increase in the quality or productivity of a
8 resource, and to an increase in the benefits derived from the resource
9 for citizens of the state;

10 * Sec. 27. AS 37.12.125(6) is repealed and reenacted to read:

11 (6) "resource" includes, but is not limited to fisheries,
12 agriculture, forest products, renewable energy, tourism, mining, basic
13 manufacturing and other industrial development; "resource" does not
14 include real estate development or retail sales or services.

15 * Sec. 28. AS 37.12.125 is amended by adding a new paragraph to read:

16 (7) "small enterprise" means a business enterprise with gross
17 sales revenue of \$10,000,000 or less for its annual reporting period
18 ending immediately before an application to the corporation for financial
19 assistance; a new business enterprise that has not completed an annual
20 reporting period before an application but that anticipates sales revenue
21 of \$10,000,000 or less in its first annual reporting period is a "small
22 enterprise".

23 * Sec. 29. AS 24.20.201(a)(9) is amended to read:

24 (9) hold public hearings on the confirmation of the members
25 of the Board of Trustees of the Alaska Permanent Fund Corporation [, AND
26 THE MEMBERS OF THE BOARD OF TRUSTEES OF THE ALASKA RENEWABLE RESOURCES
27 CORPORATION];

28 * Sec. 30. AS 24.20.206(1) is amended to read:

29 (1) report to the legislature its recommendations relating to

1 the confirmation of appointees to the Board of Trustees of the Alaska
2 Permanent Fund Corporation [AND THE BOARD OF TRUSTEES OF THE ALASKA
3 RENEWABLE RESOURCES CORPORATION];

4 * Sec. 31. AS 44.66.010(a)(7) is amended to read:

5 (7) Alaska [RENEWABLE] Resources Corporation (AS 37.12.010) --
6 June 30, 1992 [1982];

7 * Sec. 32. AS 46.12.120(4) is amended to read:

8 (4) in developing its programs, consult with the Alaska
9 Council on Science and Technology, the Alaska Power Authority, the
10 Alaska [RENEWABLE] Resources Corporation, the division of energy and
11 power development of the Department of Commerce and Economic Develop-
12 ment, the Department of Natural Resources, and the University of Alaska;
13 the board shall meet with responsible officials and representatives of
14 these organizations and agencies at least twice each year;

15 * Sec. 33. The following laws are repealed: AS 37.12.020, 37.12.040,
16 37.12.070(12), and (14), 37.12.080(a)(1)(D), (a)(1)(G) and (a)(3), 37.12.-
17 085(2), and 37.12.115.

18 * Sec. 34. The initial terms of members of the Board of Directors of the
19 Alaska Resources Corporation appointed by the governor under AS 37.12.030 as
20 amended in sec. 5 of this Act shall be one member serving one year, one
21 member serving two years, one member serving three years, and one member
22 serving four years. Initial members of the Board of Directors of the Alaska
23 Resources Corporation shall be appointed within 30 days from the effective
24 date of this Act. The Board of Trustees of the Alaska Renewable Resources
25 Corporation serves as an interim Board of Directors of the Alaska Resources
26 Corporation until the initial Board of Directors of the Alaska Resources
27 Corporation is appointed by the governor. The Board of Trustees of the
28 Alaska Renewable Resources Corporation is dissolved on appointment of the
29 initial Board of Directors of the Alaska Resources Corporation.

1 * Sec. 35. The Alaska Renewable Resources Corporation is dissolved on the
2 effective date of this Act.

3 * Sec. 36. All appropriations, records, equipment, and other assets,
4 liabilities, and obligations of the Alaska Renewable Resources Corporation
5 are transferred to the Alaska Resources Corporation on the effective date of
6 this Act.

7 * Sec. 37. Employees of the Alaska Renewable Resources Corporation become
8 employees of the Alaska Resources Corporation on the effective date of this
9 Act.

10 * Sec. 38. The limitation on financial assistance in AS 37.12.080(b)(1)
11 and (2) as amended in secs. 15 and 16 of this Act applies only to financial
12 assistance provided or commitments made under AS 37.12 after the effective
13 date of this Act. This Act does not limit the authority of the Alaska
14 Resources Corporation to continue and sustain investments made before the
15 effective date of this Act by the Alaska Renewable Resources Corporation.

16 * Sec. 39. This Act takes effect immediately in accordance with AS 01.10.-
17 070(c).

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