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SENATE COMMITTEE REPORT

FURTHER Resources

5/6/89

DATE TURNED INTO OFFICE 5/8/89

Mr. President:

Labor and Commerce Committee considered CSHB 123 (JUD) am

Relating to AIDEA (Alaska Industrial Development Export Authority)

and recommended

- replace with SCS cs HB 123 (L+C)) same title
- or adopt _____ cs _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new zero updated previous
 same as previous fiscal note(s) published 1/27/89

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]

[Signature]
 Chair signature and recommendation

Committee Backup attached

SENATE COMMITTEE REPORT

DATE: January 9 1990

FURTHER:

DATE TURNED INTO OFFICE: 5/6/90

Labor and Commerce Committee considered CS HB 123 (Judiciary) am AIDEA (Alaska Industrial Development Export Authority)

and recommended:

[x] replace with SCS CS HB123 (2d Lac) [x] same title
[] or adopt CS [] new title
[] attached amendment(s) [] technical title change (HB only)
[] letter of intent adopted

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

[] fiscal note(s)

[x] zero fiscal note(s) Dept of Commerce 5/6/90

[] appropriation-no fiscal note

APPROVES PREVIOUS:

[] fiscal note(s) Dept/Date:

[] zero fiscal note(s)

[] Governor's bill w/fiscal note

SIGNING DO PASS:

Handwritten signatures of committee members.

OTHER RECOMMENDATIONS:

Blank lines for other recommendations.

Chair: Signature and Recommendation

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 SENATE CONCURRENT RESOLUTION NO. 35

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Suspending Uniform Rules 41(b), 24(c)
6 and 35 of the Alaska State Legislatu
7 concerning House Bill No. 123.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 That under Rule 54 of the Uniform Rules of the Alaska State Legislat
10 ture the provisions of Rule 41(b), Rule 24(c), and Rule 35 of the Unifo
11 Rules, regarding changes to the title of a bill, are suspended in consi
12 eration of House Bill No. 123, relating to the Alaska Industrial Develo
13 ment and Export Authority.

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STEVE CUWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 27, 1989

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill authorizing the Alaska Industrial Development and Export Authority (AIDEA) to finance development enterprises.

The most significant provisions of this bill relate to AIDEA's ability to finance resource development projects that AIDEA intends to own or operate (such as the Red Dog Mine project). In this regard, the bill would permit AIDEA to issue up to \$25,000,000 of its bonds for such a project without requiring passage of a law approving the project. It would also permit AIDEA to transfer amounts among its various accounts to provide more financing flexibility. (Although the provisions [proposed AS 44.88.095(b) and (f)] requiring legislative approval before certain bonds exceeding specified amounts may be issued raise a constitutional question under the separation-of-powers doctrine, I know of the legislature's concern about bond issuance and I believe that it might be helpful to set out this procedure in the statutes, as a courtesy to the legislature.)

Another significant provision would require originating financial institutions to retain a higher percentage of a loan before it may sell it to AIDEA. Under existing law, a financial institution must retain 10 percent of a loan. AS 44.88.155(d). Under this bill, the originating financial institution must retain 20 percent of the loan. By increasing this requirement along with the amount that AIDEA can invest in or loan on projects, it is hoped that financial institutions will carefully select the projects for which they will extend credit.

This bill will allow AIDEA to gather together all funds and accounts established by law and administer them as a part of the revolving fund of the authority. AIDEA would be given the power to transfer freely between accounts within the

development fund so that it has the flexibility to adapt to the appropriate structure of a financing proposal presented to it for financing. AIDEA would be given the power to create separate accounts necessary to guarantee repayment of a bond issue if that action becomes necessary to make the bonds marketable.

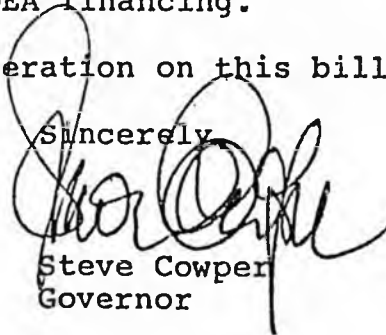
The bill also amends a provision in existing law which represents to investors in AIDEA bonds that the state might step in and make bond payments if the authority is unable to do so. This section acknowledges the state's moral obligation to back AIDEA's revenue bonds if the authority becomes insolvent. The bill would change this moral obligation representation to apply only to bonds issued on or before January 1, 1989.

The bill would expressly confer on AIDEA the power to share ownership of projects with private enterprises by either forming a partnership, joint venture, or other form of cooperative ownership agreement.

The bill would also amend the provision in existing law that prohibits AIDEA from purchasing loans from financial institutions that experience a two percent or greater delinquency rate on loans made by the institution. The bill would allow AIDEA to set the target delinquency rate by regulation. By adopting this technique, AIDEA will be given the flexibility to adjust the delinquency rate to reflect existing economic conditions. The inflexible rule in effect under existing law sets the rate too low to allow the majority of banks in the state to qualify for AIDEA financing.

I urge your favorable consideration on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____

Title: AIDEA

Agency Affected: Commerce & Econ. Dev.

BRU: AIDEA

Sponsor: Rules Committee

Requestor: Governor

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Existing staffing and budget of the Authority will be utilized to implement legislation. The primary focus of the Authority will shift from commercial/service sector financing to primary basic industries.

Prepared by: Bert Wagnon, Executive Director Phone: 279-1651
Division: Alaska Industrial development & Export Authority Date: 1/25/1989

Approved by Commissioner: Larry Mercurieff, Commissioner Date: 1/26/89
Agency: Dept. of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

mm0080p
012589a

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: AIDEA BRU: AIDEA
 Sponsor: Rules Committee Components: _____
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Existing staffing and budget of the Authority will be utilized to implement legislation. The primary focus of the Authority will shift from commercial/service sector financing to primary basic industries.

Prepared by: Bert Wagon, Executive Director Phone: 279-1651
 Division: Alaska Industrial development & Export Author Date: 1/25/1989

Approved by Commissioner: Larry Merculieff, Commissioner Date: 1/26/89
 Agency: Dept. of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- mm0080p
- 012589a

This fiscal note is appropriate
 for SCS CHHB 123 (L+C).
Shula Peterson page 1 of 1
 Senate L+C Committee

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act rel. to the Alaska Industrial BRU: AIDEA
Development & Export Authority
 Sponsor: Rules Committee/Governor
 Requestor: Senate Labor & Commerce Comm. Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Existing staffing and budget of the Authority will be utilized to implement legislation. The primary focus of the Authority will shift from commercial/service sector financing to primary basic industries.

SEE ATTACHED ANALYSIS

Prepared by: Bert Wagon, Executive Director Phone: 561-8050
 Division: Alaska Industrial Development & Export Authority Date: 5/6/90
 Approved by Commissioner: Larry Mercutt Date: 5-6-90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note Analysis: SCS CSHB 123 (2d L&C)

Section 25 of the bill would give AIDEA the authority to issue up to \$50 million in bonds for the acquisition, design and construction of a multi-bay aircraft maintenance facility located at Anchorage International Airport to be owned by the authority.

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements.

o Development Schedule

The project development sequence is as follows:

- Phase I - obtain airline consensus and commitments
- Phase II - design development and permitting
- Phase III - construction

It is expected that Phases I and II would be completed in 1990 and Phase III in 1991.

Section 26 would give AIDEA the authority to issue up to \$25 million in bonds to finance the acquisition, design, and reconstruction of a public use ore terminal in Skagway to be owned by the Authority.

Section 27 would give AIDEA the authority to issue up to \$10 million in bonds to finance the acquisition, design, and construction of improvements to the Ballyhoo dock in Unalaska to be owned by the Authority.

Payments from users of the facilities will pay operating costs and debt service on the bonds. Revenue funds will be maintained as required by the bond documents. User agreements will provide necessary revenue for operations, maintenance, and debt service.

Section 28 would give AIDEA the authority to issue up to \$85 million in bonds for the Healy cogeneration project.

The estimated construction cost of the project is \$192 million. It is estimated that up to \$70 million in bonded debt will be required. The \$85 million figure contained in the bill provides a cushion for cost overruns that may exceed the current estimate, however, the actual amount of bonds will most likely be less. In addition to the AIDEA bond authorization, capital appropriations of \$92 million in federal funds and \$29 million in state funds will be required.

The project is anticipated to be completed in FY 96. The expenditures by fiscal year will be as follows:

FY 91	\$ 8,000.0
FY 92	11,000.0
FY 93	46,000.0
FY 94	52,000.0
FY 95	58,000.0
FY 96	<u>17,000.0</u>
Total	\$192,000.0

No separate legislative appropriation is required for AIDEA to issue the revenue bonds for the projects; therefore, this fiscal note is zero.

It should be noted that an appropriation of \$25 million in state funds from the Railbelt Energy Fund is included in CSHB 463 (Fin); this fiscal note assumes that there also will be an appropriation for the remainder of the state funds, as well as the \$92 million in federal funds.

Alaska State Legislature



Senate Judiciary Committee

April 3, 1990

MEMORANDUM

TO: Senator Dick Eliason, Chairman
Senate Labor and Commerce Committee

FROM: Senator Jan Faiks

SUBJECT: Amendment to House Bill 123

Attached is an amendment for committee consideration for incorporation into HB 123.

As you may recall, chapter 68 SLA 85 authorized the sale of bonds for the DeLong Mountain transportation project. A provision of this law requires all revenues in excess of those required to be retained under the DeLong Transportation Project Bond Resolution be remitted to the Department of Revenue for deposit into the general fund. The attached amendment repeals this requirement and instead, these revenues would be retained by the Alaska Industrial Development and Export Authority.

The additional revenue stream is to assist the Authority in its efforts to construct an aircraft maintenance facility at Anchorage International Airport. The project will also require the Authority to issue up to \$50 million in revenue bonds (the Governor is to be introducing bond authorization legislation).

Current Authority covenants require it to maintain cash flows of 150% of annual debt service for every year in which bonds are outstanding. Bond rating agencies will require the Authority to illustrate coverage for the life of any new bond issue. This new issue is expected to be a 25 year issue.

The Authority's current financial situation will not allow for maintenance of the cash flow coverage covenant with the issuance of an additional \$50 million in bonds unless there is an additional revenue stream. This amendment will accomplish this.

Incorporation of this provision in HB 123, as well as the Legislature's authorization of the issuance of revenue bonds, will be integral to the future of the aircraft maintenance project.

For your reference, a copy of the current agreement between the Authority and Department of Revenue is attached, as well as a copy of the law.

Your consideration of this amendment is gratefully appreciated.

A M E N D M E N T

OFFERED IN THE SENATE

BY SEN. FAIKS

TO: SCS CSHB 123(L&C)

Page 12, following line 15:

Insert a new bill section to read:

"* Sec. 23. Section 3(2), ch. 68, SLA 1985, is repealed."

Renumber the following bill sections accordingly.

AGREEMENT
between
ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
and
ALASKA DEPARTMENT OF REVENUE

This Agreement is entered into between the Alaska Industrial Development Authority (AIDA) and the Alaska Department of Revenue (Department) with respect to the transfer of Project Revenues related to the DeLong Mountain Transportation System (Project) from AIDA to the Department for deposit in the general fund of the State. As more fully described below, AIDA agrees to transfer to the Department all Project Revenues related to the Project not needed to satisfy debt service obligations and the obligations arising under the Agreement for the Financing, Construction, Use, Operation, and Maintenance of the DeLong Mountain Transportation System, dated June 30, 1986, executed between AIDA and Cominco American, Incorporated (the Use Agreement). Capitalized terms not defined in this Agreement have the meaning defined in the Use Agreement.

Pursuant to the Use Agreement, AIDA has agreed to finance the construction of the Project with (i) cash and principal and interest payments on the loan portfolio appropriated to AIDA under ch. 67, SLA 1985, and (ii) proceeds of the sale of Series 1987A DeLong Mountain Transportation Revenue Bonds (Bonds). The Use Agreement further provides for the payment of annual User Fees by Cominco American during the 50 year period commencing in 1991. The bond resolution for the Bonds (Resolution) will provide that, except for Operation and Maintenance Expenditures, all Project Revenues are pledged in support of the principal and interest payments on the bonds. The Resolution will further provide for the establishment of a Sustaining Capital Fund (\$5,000,000), and a Maintenance and Operations Fund (est. \$2,000,000), as required in the Use Agreement, and for the transfer of such funds to AIDA upon receipt by the Trustee of sufficient funds to meet all obligations arising under the Resolution (defined as "Parity" in the Resolution).

AIDA agrees to deliver to the Department all money generated by the Project to the extent permitted by the Resolution. At the time of Parity, the Resolution will provide for the release of any pledge or covenant with respect to the receipt of Project Revenues. At that time, AIDA is required under the Use Agreement to maintain the Sustaining Capital Fund and to establish a Cominco Claims Account (\$10,000,000). Further, AIDA remains subject to various contractual obligations during the term of the Use Agreement. AIDA intends to set aside funds necessary to meet all actual and contingent obligations arising under the Use Agreement from the funds made available by the

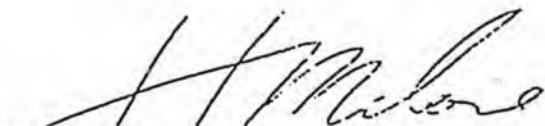
Trustee. Except for those funds which AIDA retains to meet such contractual obligations, AIDA hereby agrees to transfer all Project Revenues to the Department for deposit in the general fund.

For purposes of this Agreement, "Project Revenues" consist of principal and interest payments on the loan portfolio and all toll fees (minus any refunds due under the Agreement) paid by all Users of the Project, including any Contingent Escalator for Zinc Price Increases or any Contingent Tonnage Fees for Shipments Exceeding Allowable Base. "Project Revenues" do not include the following:

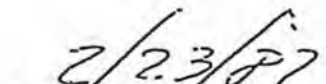
- (a) payments by Users for maintenance and operation expenses;
- (b) the funds established under the Use Agreement which will be established by or transferred to AIDA and Project Revenues, if any, necessary to replenish such accounts following Parity.

Under present projections, AIDA anticipates that Project Revenues will be available for transfer to the Department for deposit in the general fund on or before January 1, 2001. Starting with the calendar year 1994, AIDA will annually advise the Department of the anticipated amount of Project Revenues to be transferred to the Department during the following fiscal year. AIDA shall further advise the Department of the amount of Project Revenues to be retained by AIDA to meet its contractual obligations under the Use Agreement.

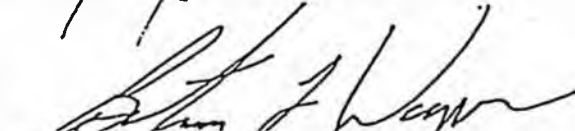
This Agreement is submitted in satisfaction of the requirement established in ch. 68, SLA 1985.



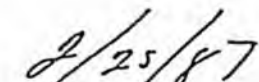
Hugh Malone, Commissioner
Alaska Department of Revenue



2/23/87
Date



Bertram L. Wagnon, Executive Director
Alaska Industrial Development Authority



2/25/87
Date



LAWS OF ALASKA

1985

Source

CSSB 280(Fin)am

Chapter No.

68

AN ACT

Relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 12

Approved by the Governor: May 31, 1985
Actual Effective Date: July 1, 1985

Chapter 68

AN ACT

Relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date.

* Section 1. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project.

* Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall comply with AS 44.88.173 and shall incorporate into the final finance plan and agreement for the DeLong Mountain transportation project the following terms and conditions:

(1) Cominco, Ltd. is required to agree in writing that

(A) Cominco, Ltd. will pay for all or a portion of the operation and maintenance of facilities constructed as part of the project based on the use Cominco Alaska makes of the facilities compared to the use made by others;

(B) If Cominco Alaska ceases to develop the Red Dog Mine after costs have been incurred by the Alaska Industrial Development Authority for the project, Cominco, Ltd. will pay the authority for those costs together with interest from the date the costs were incurred;

ATTACHMENT "D"

(C) toll fees paid by Cominco Alaska for the use of facilities constructed as part of the project to the Alaska Industrial Development Authority may be periodically adjusted if the price of zinc rises above a level that yields a return on investment commensurate with risk;

(2) the United States government makes available land in the Cape Krusenstern National Monument that is included in the proposed land exchange with MANA Regional Corporation to the corporation for construction of a transportation system;

(3) MANA Regional Corporation is required to agree in writing to sell, lease for a prepaid term of at least 99 years or grant a perpetual easement to the Alaska Industrial Development Authority, at no more than fair market value, land needed for the port and road constructed as part of the project and land needed for future expansion of the road and port, subject to no terms or conditions inconsistent with use as a public road and port;

(4) tax exempt financing for the project is used to the maximum extent possible;

(5) a toll schedule, that may be periodically adjusted, is established for use of facilities constructed as part of the project that

(A) ensures full repayment of and a reasonable return on the state's investment in the project; and

(B) guarantees equitable access to the facilities by all users and potential users, including access to private property and access for travel necessary and related to resource exploration and development for which valid permits have been obtained and travel in support of resource exploration and development;

(6) contracts for the construction of the port and road are subject to AS 36;

(7) reasonable access to the port and road is guaranteed to all users and potential users;

(8) the Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project.

* Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall

(1) report in writing to the legislative budget and audit committee that the conditions under sec. 2 of this Act have been met; and

(2) agree with the Department of Revenue in writing to deliver all money generated by the DeLong Mountain transportation project to the Department of Revenue for deposit in the general fund, other than money necessary for payment of the principal and interest on bonds or notes issued under sec. 1 of this Act and except as may otherwise be provided in the bond or note covenants.

* Sec. 4. As used in this Act, "reasonable return" means a rate of return on the total investment of the state of at least five percent.

* Sec. 5. This Act takes effect July 1, 1985.

A M E N D M E N T

TO: HB 123

By:

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

Sec. 44.88.542. Notwithstanding the provisions of AS 44.88.540, if the authority purchases at a discount the principal amount of a loan initially retained by an originating bank that is in financial distress or insolvent, the authority shall transfer from reserves an amount representing the discount to the business assistance fund established in AS 44.88.500. If the authority subsequently suffers a loss on a loan covered by this section, an amount equal to the loss may be transferred from the business assistance fund to the reserves of the authority.

* Sec. . Sec. of this Act is retroactive to August 30, 1988.

Enclosure 1

MEMORANDUM

State of Alaska

Department of Law

TO: Honorable Jan Faiks
Alaska State Senate
Juneau, Alaska 99811


DATE: April 26, 1990

FILE NO: *

TEL NO: 465-3600

SUBJECT: AIDEA discounted loans

FROM:


James L. Baldwin
Assistant Attorney General

You requested our advice whether a law could be enacted that passes along to borrowers any advantage accruing to the Alaska Industrial Development and Export Authority (AIDEA) from loans purchased at a discount from the Federal Deposit Insurance Corporation (FDIC). Your question arises because borrowers desire to reap some advantage from the significant discount negotiated by AIDEA when it purchased the portion of loans held by a failed originating bank.

Upon the failure of First Interstate Bank, FDIC assumed ownership of the bank's assets. For unknown reasons, AIDEA decided that it was prudent to purchase First Interstate's interest in the loans. On August 30, 1988, AIDEA agreed to pay FDIC \$8,000,000 which represents 64% of the value of the obligations held by First Interstate Bank. These obligations represent the retained part of loans purchased by AIDEA in its secondary mortgage market capacity. Under law and regulation, the originating bank must remain a creditor for at least 20% of the principal amount of any loan purchased by AIDEA.

To our knowledge, none of the borrowers are claiming that they are financially unable to meet existing payments. Rather, they perceive that AIDEA should share any benefit obtained from FDIC with the approximately 50 borrowers who originated their loans with First Interstate Bank. In our view, any plan to benefit this class of borrowers may suffer from two constitutional infirmities. First, there is a serious question whether a gratuitous extension of the benefits of the discount obtained from FDIC violates the public purpose doctrine embodied in Art. IX, Sec. 6 of the Alaska Constitution. Second, the decision to confer a special benefit on a limited class of borrowers may violate the prohibition against special legislation set out in Art. II, Sec. 19 of the Alaska Constitution.

The public purpose issue is not an easy one to resolve. The validity of a statute under the doctrine must be determined on a case by case basis. If the legislature were to enact a bill that requires AIDEA to pass on the discount, a court would presume that the legislature determined that the statute embodied a public

purpose. A court will set aside that determination only if "it clearly appears that such finding is arbitrary and without any reasonable basis in fact." DeArmond v. Alaska State Dev. Corp., 376 P.2d 717 (Alaska 1962). To date, we are unable to formulate a good reason for conferring the benefit on this class of borrowers. AIDEA allows borrowers to work out of financial difficulties on a case by case basis. For its forbearance AIDEA benefits by obtaining a more enforceable obligation to pay. That is, a borrower who would default is able to continue making payments on the loan.

Under these circumstances, it appears likely that a court would find the determination of public purpose to be arbitrary. There is no recognizable benefit to the state to be derived from discounting the debt due to AIDEA. The test of the constitutionality of a statute requiring the use of public funds is whether the statute is designed to promote the public interests, as opposed to the furtherance of the private advantage of individuals. Opinion of the Justices, 197 N.E.2d 691 (Mass. 1964). As a general rule, the statute must directly benefit the public interest. An incidental benefit to a private interest is permitted. Suber v. Alaska State Bond Committee, 414 P.2d 546 (Alaska 1966). However, the reverse condition is not valid. Incidental public benefit coupled with direct private benefit makes the statute invalid under the public purpose doctrine. Port Authority of city of St. Paul v. Fisher, 132 N.W.2d 183 (Minn. 1964). As for the proposal under consideration here, we discern no direct benefit to AIDEA or the public.

The second legal issue to consider is whether giving favorable treatment only to borrowers who were served by failed banks constitutes special legislation. AIDEA has approximately 249 loans outstanding that were financed from bond sales. An additional 189 AIDEA loans were transferred by appropriation to AIDEA from other state agencies. These loans also have a bank participation feature. If these two categories represent the entire class of borrowers who are similarly situated, what justifies giving a lesser included group special treatment? The loans with failed banks seem indiscernible from the remainder. AIDEA could be open to a claim from other borrowers if a benefit is conferred only on the borrowers of loans from a single failed bank.

Analysis of a special legislation claim is substantially the same as the analysis of an alleged violation of the equal protection guarantee of the Alaska Constitution. Boucher v. Engstrom, 528 P.2d 456 (Alaska 1974); State v. Lewis, 559 P.2d 630 (Alaska 1977). Under the rational basis test adopted in Isakson v. Rickey, 550 P.2d 359 (Alaska 1976) the court employs a less deferential, means to ends analysis. The court will closely

Honorable Jan Faiks
Alaska State Senate

April 26, 1990
Page 3

inspect the reasons advanced for any statute that singles out a limited class of persons for special treatment. We are without any basis to conclude that good reasons for special treatment exist that would apply to all members of the class of borrowers affected. Without some factual basis, a statute conveying benefits limited to a small group of borrowers would not withstand a legal challenge.

At your request, I have prepared an alternate provision without legal defects that you may wish to consider. Encl (1). The provision would require AIDEA to credit the business assistance fund (AS 44.88.500) in advance with amounts attributed to loans purchased at a discount from insolvent banks. If a borrower on one of these loans defaults, AIDEA may deduct the discount amount from the business assistance fund and return it to reserves. Under this proposal, the amount of the discount would remain available to AIDEA. However, because amounts in the business assistance fund are used to guarantee commercial loans, the provision has general application to all deserving borrowers who may require assistance. I hope this memo will serve your purposes.

JLB:jr

encl.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

48C WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX: (907) 561-8998

December 12, 1989

The Honorable Dick Eliason
Chairman, Senate Labor & Commerce Committee
P.O. Box V
Juneau, Alaska

Dear Senator Eliason:

I wanted to take this opportunity to thank you for your consideration last session in scheduling hearings and passing out SCS CSHB 123 (L&C). Unfortunately like a reoccurring bad dream, I have requested that the Senate Rules Committee return the bill to your Committee for consideration of three amendments.

The first amendment would delete the prohibition added by the House Judiciary Committee, against any form of joint venture. The second requested amendment involves a change of a bond authorization date due to the passage of a years time. The third amendment would allow the moral obligation of the State to remain in place for refunding bonds. Attached are the requested amendments along with an explanation of the need for each.

If I can provide any additional information or explanation prior to the session, please let me know.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Bertram L. Wagnon'.

Bertram L. Wagnon
Executive Director

BLW/ss
attachment(s)

Amendments to SCS CSHB 123 (L & C)

DELETE:

SECTION 5. (Page 3, Lines 10 - 12)

The House Judiciary Committee deleted language from the original version of the bill providing for equity investments, partnership and joint venture agreements on projects. Additionally, Section 5 was inserted prohibiting any form of joint ownership in a project. Authority staff have reviewed this prohibition with the Attorney General's office and request that it be deleted. This amendment by the House Judiciary Committee would prohibit projects such as Red Dog (involving a relationship between Cominco, Nana and AIDEA) as they could very well be constructed to involve joint ownership (i.e. lease of lands, use rights to a third party coupled with Authority ownership of leasehold improvements). Additionally, such an amendment would prohibit the Authority's proposed financing for Unalaska's Dock Expansion project, as this involves a sale and lease back agreement between the City of Unalaska and AIDEA coupled with lease assignments from private shipping firms. The ability to enter into relationships with municipalities and private concerns is an important aspect of the Authority's ability to develop economically viable projects. The amendment also is contrary - at least indirectly - to the concept embodied in AS 44.88.155 (d)(7) which requires a minimum level of bank participation in loans financed by AIDEA. If these loans go into default, AIDEA's (and AIDEA's bondholders') position can often be protected only by a joint venture ownership arrangement with the participating bank.

AMEND:

Section 8. (Page 6, Lines 13 and 14)

This section would prohibit the Authority from issuing any bonds, other than refunding bonds, after January 1, 1991. As a year has passed since the House Judiciary placed this limitation, at a minimum it is recommended that the date be changed to January 1, 1992.

Suggested text of change:

Section 23. (Page 12, Line 16) Change January 1, 1991 to January 1, 1992.

AMEND:

Section 10. (Page 7, Line 14 and 15)

A review of this language has revealed an oversight that should be corrected. The intent was that no new bonds of the Authority would have any expressed language entitling the holders to the moral obligation of the State of Alaska. A provision should have been included which grandfathered in refunding bonds (a bond issued to replace an already existing bond at no greater par amount and normally at a lesser interest rate).

As interest rates have fallen, it is possible that the Authority may at some future date desire to issue refunding bonds for some of its outstanding debt.

Accordingly the following amendment is requested:

Section 10. (Page 7, Line 14 and 15) After January 1, 1989, insert and/or a capital reserve fund securing bonds issued at any time which refund bonds secured by a capital reserve fund created under this section on or before January 1, 1989.

May 7, 1989

Senator Dick Eliason
Chairman
Senate Labor and Commerce Committee
Alaska State Senate

Re: HB 123; Proposed amendment
relating to international
airports

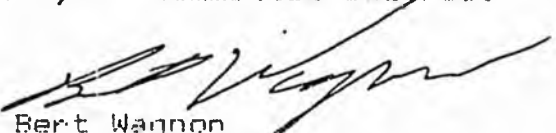
Dear Senator Eliason:

Enclosed you will please find an amendment to CSHB 123 (Jud) am relating to AIDEA cooperative assistance to international airports in the state. You are no doubt aware that the Department of Transportation and Public Facilities is aggressively marketing the international airports in Anchorage and Fairbanks as portals for international airports and freight. This effort is especially critical now that many airlines are converting to long range aircraft that are capable of bypassing the state in favor of airports located in the lower 48 states. The department is exploring innovative financing techniques to encourage commercial concerns to locate facilities on the international airports in the state.

Often it is necessary to improve airport land and utilities serving the airports to make it feasible for a potential lessee of airport land to determine to locate a facility in the state. The international airport revenue fund has a sufficient balance to serve as the source of financing for a lessee or public utility that desires to make necessary airport improvements. The managers of the airport revenue fund lack the commercial lending experience to properly service a lien to these entities. This amendment would allow AIDEA to act on behalf of the Department of Transportation and Public Facilities to make sure that any financing arrangement is commercially reasonable.

I am prepared to offer testimony in support of this amendment if you or a member of your committee desires.

Attachment (1)


Bert Wagnon
Executive Director
Alaska Industrial Development and
Export Authority

A M E N D M E N T

TO: CSHB 123 (Jud) am

Page 3, between lines 27 and 28:

*Sec. . AS 44.86.080 is amended by adding a new subsection to read:

(25) to make cooperative agreements with the Department of Transportation and Public Facilities acting on behalf of the international airport revenue fund established under AS 37.15.430 to acquire, equip, operate, maintain, construct or install facilities that will enhance the competitiveness of the international airports, including a cooperative agreement to lend amounts from the international airport revenue fund to finance the development or improvement of utilities serving the airports.

Re-number remaining sections accordingly.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

April 20, 1990

The Honorable Dick Eliason
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for scheduling HB 123 for a hearing on Friday. Your staff has requested an explanation for the proposed amendment by Senator Faiks allowing future revenue flows from the DeLong Mountain Transportation Project to support future Authority bond issues, specifically, a proposed aircraft maintenance facility located at Anchorage International Airport.

The Authority's existing bond covenants require that prior to issuing any new debt, the Authority demonstrate that future revenue flows over the life of the proposed new bond issue will exceed 150% of debt service in each and every year that the new bonds will be outstanding. The Authority's current short term financial position is very strong; however, buyers of the Authority's bonds required this covenant not just for the short term but for the life of the bonds to be issued (normally 25 years). Due to the recent downturn in the state's economy, cash flows from loans have not met expectations and while financially capable of continuing its traditional lending program through banks, the increased burden of the Unalaska project bonds of \$7 million, the Skagway project bonds of \$20 million and the Healy project bonds of \$70 million will place the Authority very close to its 150% debt service coverage limit. Current projections indicate that the addition of the aircraft maintenance facility would cause this limit to be exceeded and the Authority would be unable to issue the required bonds to finance the Facility.

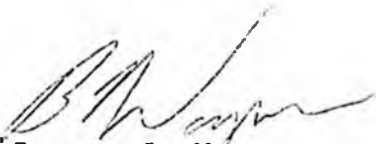
At this point the maintenance facility appears to be a worthy project to pursue. Two major carriers have expressed considerable interest in such a project (see Attachment "A") and the benefits to the Airport and community in terms of good-paying, quality jobs could be considerable. The reduction in international passenger flights created by longer range aircraft and improved relations with the Soviet Union can, to a certain extent, be mitigated by creating a major maintenance facility. As air freight becomes more and more important to Anchorage, a major maintenance

Senator Eliason
April 20, 1990
Page Two

facility will provide Anchorage with an additional incentive for international air freight carriers. Additionally, Alaska Airlines currently performs its major maintenance in Seattle and Oakland. With Alaska's involvement in this project the opportunity exists to turn Anchorage into a major maintenance station and capture the related employment as that carrier expands its fleet.

Our calculations indicate that in FY99 excess revenues will be available from the DeLong Mountain Transportation Project bond issue. Attachments "B" and "C" illustrate future revenue flows and debt service under various scenarios. By utilizing this revenue stream the Authority will have the financial capability to continue to finance our existing programs as well as those development projects currently being considered by the legislature.

Sincerely,



Bertram L. Wagnon
Executive Director

BLW/ss

Attachments



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX: (907) 561-8998

March 29, 1990

The Honorable Jan Faiks
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Senator Faiks:

Thank you for taking the time to meet with me and discuss the proposed Aircraft Maintenance Facility at Anchorage International Airport.

Representatives from Federal Express met with Governor Cowper and expressed interest in a shared aircraft maintenance facility. Governor Cowper instructed personnel from the Anchorage International Airport System and the Alaska Industrial Development and Export Authority to explore the feasibility of such a facility and to keep him informed of their findings. Preliminary discussions have been held with several potential users and to date, two firms, Federal Express and Alaska Airlines, have shown interest in pursuing the concept (see Attachments "A" and "B"). Legislative approval of the project itself will be required.

To construct the Aircraft Maintenance Facility may require that the Authority issue up to \$50 million of bonds. Current Authority bond covenants require that the Authority maintain cash flows of 150% of annual debt service for every year in which bonds are outstanding. The current financial condition of the Authority is excellent; however, the bond rating agencies will require that the Authority illustrate coverage for the life of any new bond issue. I anticipate that a 25 year bond issue for this facility would be required.

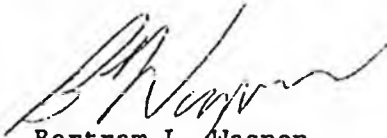
The Authority's current financial situation does not allow for maintenance of the cash flow coverage covenant with the issuance of an additional \$50 million in bonds unless there is an additional revenue stream. The Authority believes it can construct a major facility at Anchorage International Airport by utilizing the future revenue stream of the DeLong Mountain Transportation Project, which is currently pledged to the Department of Revenue by law (see Attachments "C" and "D").

Senator Faiks - Letter
March 29, 1990
Page Two

All revenues in excess of those required to be retained under the DeLong Mountain Transportation Project Bond Resolution are to be remitted to the Department of Revenue for deposit in the general fund. The Authority estimates that by 1997 revenues will be available to be remitted; however, the exact amount is dependent upon factors outside of the Authority's control.

The Authority believes that in order for this maintenance facility project to proceed, it will be necessary to amend existing statutory language which authorized the issuance of the bonds for the DeLong Mountain Transportation Project. Passage of this amendment will enable the Authority to negotiate with the Department of Revenue for an agreement that would allow this project and other proposed projects to proceed.

Sincerely,



Bertram L. Wagnon
Executive Director

BLW/ss
Attachments

FEDERAL EXPRESS

March 19, 1990

MAR 20 1990

Alaska

2600 Thousand Oaks Boulevard
Suite 3400
Memphis, TN 38118
901 360-2900
U.S. Mail: Box 727
Memphis, TN 38194-5790

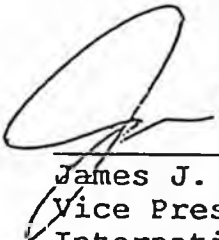
Mr. Riley Snell
Deputy Director Development
Alaska Industrial Development & Export Authority
480 W. Tudor
Anchorage, AK 99503

Dear Riley:

As a follow-up to our discussions, Federal Express has a serious interest in working with the State of Alaska to develop a significant maintenance facility in the near term. While we are not able to make a definite commitment at this time, we believe mechanisms proposed by the State through the Alaska Industrial Development and Export Authority are worth pursuing.

We envision a number of possibilities in concert with this facility to include the ability to hangar aircraft up to and including multiple B747-400 size aircraft with associated support shops and stores. We understand the State of Alaska is open to several ideas regarding financing, development, facility design, and joint usage. Our estimate indicates facility cost of \$25MM to \$50MM depending on design and capacity. There remain many details to be resolved; however, with 84 B747/DC10 aircraft through Anchorage each week, it becomes more feasible for Federal Express to consider scheduled maintenance in Alaska as well as emergency and support maintenance.

We look forward to working with you and the airport personnel to explore possible mechanisms to develop a maintenance facility at Anchorage International Airport.



James J. Wheeler
Vice President
International Service Systems
(901)360-2775

INTLMBS37-34

cc: F. Smith/J. Barksdale/F. Manske/A. McArtor/G. Mook
G. Lindsey/C. Argue/P. Benbrook/M. Coffman/D. Cloud

Alaska Airlines

P.O. Box 68900
Seattle, Washington 98168

ATTACHMENT "B"

Telephone (206) 433-3200
Telex 32 8723

March 12, 1990

Mr. William R. Snell
Deputy Director Development
Alaska Industrial Development
and Export Authority
480 W. Tudor
Anchorage, AK 99503

Dear Riley:

As a follow-up to our telephone conversation of last week, this letter will confirm the interest of Alaska Airlines in potentially acquiring a maintenance hangar and associated support areas at Anchorage International Airport.

While we are not in a position to make any commitment at this time, Alaska Airlines nevertheless has been seriously considering the method by which our increasing maintenance requirements at Anchorage can be accommodated. Our initial studies indicate that a hangar facility, with additional support shops, will be necessary in the foreseeable future. Most likely, we would require one hangar bay capable of accommodating Boeing 727, 737, MD 80 and MD 90 size aircraft along with adequate ramp parking for up to three additional aircraft. Our requirements for support shop space are uncertain pending further review.

In addition, Alaska Airlines would possibly be interested in a larger hangar facility in which we could provide contract services to other air carriers serving Anchorage. We currently provide maintenance services to Japan Airlines.

Alaska is open to discussing various financing, construction, lease and ownership options as long as our basic priority of use is guaranteed. A "joint use" facility concept would require careful coordination and further study to ensure the requirements of all parties are satisfied.

While we recognize that a number of details remain to be resolved, please accept this letter as our expression of interest in such a project. We look forward to working with you and the Alaska International Airport System to further study the feasibility of a hangar at Anchorage.



Alaska Airlines

March 12, 1990
William R Snell
Page Two

Thank you for your assistance. If you need additional information please contact me.

Sincerely yours,

ALASKA AIRLINES, INC.

Clifford T. Argue

Clifford T. Argue
Staff Vice President
Properties and Facilities

cc: Gina Marie Lindsey, AIAS

AGREEMENT
between
ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
and
ALASKA DEPARTMENT OF REVENUE

This Agreement is entered into between the Alaska Industrial Development Authority (AIDA) and the Alaska Department of Revenue (Department) with respect to the transfer of Project Revenues related to the DeLong Mountain Transportation System (Project) from AIDA to the Department for deposit in the general fund of the State. . As more fully described below, AIDA agrees to transfer to the Department all Project Revenues related to the Project not needed to satisfy debt service obligations and the obligations arising under the Agreement for the Financing, Construction, Use, Operation, and Maintenance of the DeLong Mountain Transportation System, dated June 30, 1986, executed between AIDA and Cominco American, Incorporated (the Use Agreement). Capitalized terms not defined in this Agreement have the meaning defined in the Use Agreement.

Pursuant to the Use Agreement, AIDA has agreed to finance the construction of the Project with (i) cash and principal and interest payments on the loan portfolio appropriated to AIDA under ch. 67, SLA 1985, and (ii) proceeds of the sale of Series 1987A DeLong Mountain Transportation Revenue Bonds (Bonds). The Use Agreement further provides for the payment of annual User Fees by Cominco American during the 50 year period commencing in 1991. The bond resolution for the Bonds (Resolution) will provide that, except for Operation and Maintenance Expenditures, all Project Revenues are pledged in support of the principal and interest payments on the bonds. The Resolution will further provide for the establishment of a Sustaining Capital Fund (\$5,000,000), and a Maintenance and Operations Fund (est. \$2,000,000), as required in the Use Agreement, and for the transfer of such funds to AIDA upon receipt by the Trustee of sufficient funds to meet all obligations arising under the Resolution (defined as "Parity" in the Resolution).

AIDA agrees to deliver to the Department all money generated by the Project to the extent permitted by the Resolution. At the time of Parity, the Resolution will provide for the release of any pledge or covenant with respect to the receipt of Project Revenues. At that time, AIDA is required under the Use Agreement to maintain the Sustaining Capital Fund and to establish a Cominco Claims Account (\$10,000,000). Further, AIDA remains subject to various contractual obligations during the term of the Use Agreement. AIDA intends to set aside funds necessary to meet all actual and contingent obligations arising under the Use Agreement from the funds made available by the

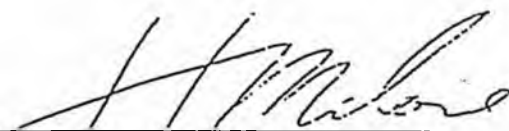
Trustee. Except for those funds which AIDA retains to meet such contractual obligations, AIDA hereby agrees to transfer all Project Revenues to the Department for deposit in the general fund.

For purposes of this Agreement, "Project Revenues" consist of principal and interest payments on the loan portfolio and all toll fees (minus any refunds due under the Agreement) paid by all Users of the Project, including any Contingent Escalator for Zinc Price Increases or any Contingent Tonnage Fees for Shipments Exceeding Allowable Base. "Project Revenues" do not include the following:

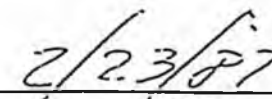
- (a) payments by Users for maintenance and operation expenses;
- (b) the funds established under the Use Agreement which will be established by or transferred to AIDA and Project Revenues, if any, necessary to replenish such accounts following Parity.

Under present projections, AIDA anticipates that Project Revenues will be available for transfer to the Department for deposit in the general fund on or before January 1, 2001. Starting with the calendar year 1994, AIDA will annually advise the Department of the anticipated amount of Project Revenues to be transferred to the Department during the following fiscal year. AIDA shall further advise the Department of the amount of Project Revenues to be retained by AIDA to meet its contractual obligations under the Use Agreement.

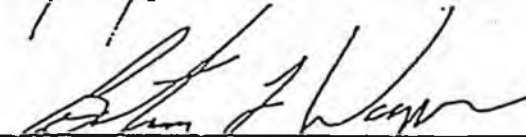
This Agreement is submitted in satisfaction of the requirement established in ch. 68, SLA 1985.



Hugh Malone, Commissioner
Alaska Department of Revenue



Date



Bertram L. Wagon, Executive Director
Alaska Industrial Development Authority



Date



LAWS OF ALASKA

1985

Session

CSSB 280(Fin) am

Chapter No.

68

AN ACT

Relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 12

Approved by the Governor: May 31, 1985
Actual Effective Date: July 1, 1985

Chapter 68

AN ACT

Relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date.

Section 1. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project.

Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall comply with AS 44.88.173 and shall incorporate into the final finance plan and agreement for the DeLong Mountain transportation project the following terms and conditions:

(1) Cominco, Ltd. is required to agree in writing that

(A) Cominco, Ltd. will pay for all or a portion of the operation and maintenance of facilities constructed as part of the project based on the use Cominco Alaska makes of the facilities compared to the use made by others;

(B) If Cominco Alaska ceases to develop the Red Dog Mine after costs have been incurred by the Alaska Industrial Development Authority for the project, Cominco, Ltd. will pay the authority for those costs together with interest from the date the costs were incurred;

ATTACHMENT "D"

(C) toll fees paid by Cominco Alaska for the use of facilities constructed as part of the project to the Alaska Industrial Development Authority may be periodically adjusted if the price of zinc rises above a level that yields a return on investment commensurate with risk;

(2) the United States government makes available land in the Cape Krusenstern National Monument that is included in the proposed land exchange with NANA Regional Corporation to the corporation for construction of a transportation system;

(3) NANA Regional Corporation is required to agree in writing to sell, lease for a prepaid term of at least 99 years or grant a perpetual easement to the Alaska Industrial Development Authority, at no more than fair market value, land needed for the port and road constructed as part of the project and land needed for future expansion of the road and port, subject to no terms or conditions inconsistent with use as a public road and port;

(4) tax exempt financing for the project is used to the maximum extent possible;

(5) a toll schedule, that may be periodically adjusted, is established for use of facilities constructed as part of the project that

(A) ensures full repayment of and a reasonable return on the state's investment in the project; and

(B) guarantees equitable access to the facilities by all users and potential users, including access to private property and access for travel necessary and related to resource exploration and development for which valid permits have been obtained and travel in support of resource exploration and development;

(6) contracts for the construction of the port and road are subject to AS 36;

(7) reasonable access to the port and road is guaranteed to all users and potential users;

(B) the Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project.

* Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall

(1) report in writing to the legislative budget and audit committee that the conditions under sec. 2 of this Act have been met; and

(2) agree with the Department of Revenue in writing to deliver all money generated by the DeLong Mountain transportation project to the Department of Revenue for deposit in the general fund, other than money necessary for payment of the principal and interest on bonds or notes issued under sec. 1 of this Act and except as may otherwise be provided in the bond or note covenants.

* Sec. 4. As used in this Act, "reasonable return" means a rate of return on the total investment of the state of at least five percent.

* Sec. 5. This Act takes effect July 1, 1985.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
CASH FLOW ANALYSIS
LOAN REVENUES EXCLUDE PAYMENTS ON ALL >90 DAY DELINQUENT LOANS AND ALL WORKOUTS
CURRENT SITUATION WITH NO NEW DEBT (4/1/90 CALLS INCLUDED AT 4/1/90)

(DOLLARS IN THOUSANDS)

AT DECEMBER 31, 1989

YEAR END 6/30	REVENUES FROM LOANS	INVESTMENTS @ 5.5%	EXPENSES	NET REVENUES	DEBT SERVICE REQUIREMENT	EXCESS REVENUES	CUMULATIVE EXCESS	DEBT SERVICE COVERAGE
1990	12,989	6,778	1,155	18,612	21,725	(3,113)	243,378	
1991	26,445	13,386	2,154	37,677	19,540	18,137	261,515	1.93
1992	24,771	14,383	2,262	36,890	19,474	17,419	278,934	1.89
1993	24,520	15,341	2,375	37,487	19,482	18,005	296,939	1.92
1994	22,782	16,332	2,493	36,620	19,407	17,213	314,151	1.89
1995	23,875	17,278	2,618	38,536	18,683	19,853	334,004	2.06
1996	20,924	18,370	2,749	36,545	18,641	17,904	351,908	1.96
1997	18,260	19,355	2,886	34,729	20,483	14,246	366,155	1.70
1998	15,915	20,138	3,031	33,023	16,940	16,083	382,237	1.95
1999	15,857	21,023	3,182	33,698	16,789	16,909	399,146	2.01
2000	14,195	21,953	3,341	32,807	15,946	16,860	416,007	2.06
2001	13,139	22,880	3,508	32,511	15,385	17,126	433,133	2.11
2002	12,634	23,822	3,684	32,772	14,967	17,805	450,938	2.19
2003	12,431	24,802	3,868	33,364	14,801	18,563	469,501	2.25
2004	11,309	25,823	4,061	33,070	14,968	18,102	487,603	2.21
2005	10,269	26,818	4,265	32,822	12,377	20,445	508,048	2.65
2006	7,491	27,943	4,478	30,956	9,512	21,444	529,492	3.25
2007	5,228	29,122	4,702	29,648	6,536	23,112	552,604	4.54
2008	4,346	30,393	4,937	29,803	6,004	23,799	576,403	4.96
2009	2,366	31,702	5,184	28,884	4,768	24,117	600,520	6.06
2010	177	33,029	5,443	27,763	2,330	25,433	625,952	11.92
2011	112	34,427	5,715	28,824	510	28,314	654,266	56.48
2012	261	35,985	6,001	30,246	250	29,995	684,261	120.78
<hr/>								
	300,295	531,084	84,090	747,290	309,519	437,770		

INVESTMENTS AT DECEMBER 31, 1989:

BOOK	
277,991	TOTAL INVESTMENTS
(6,000)	LESS VENTURE CAPITAL FUND INVESTMENT
(25,500)	LESS RESTRICTED INVESTMENTS (LOAN INSURANCE FUND AND BUSINESS ASSISTANCE FUND)

246,491

NOTE: EXPENSES INCLUDE OPERATING COSTS
ESTIMATED AT 10% OF FY90 BUDGET LEVEL,
WITH A 5% INCREASE EACH YEAR THEREAFTER

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
CASH FLOW ANALYSIS
LOAN REVENUES EXCLUDE PAYMENTS ON ALL >90 DAY DELINQUENT LOANS AND ALL WORKOUTS
(DOLLARS IN THOUSANDS)

INCLUDES REVENUES ON DEVELOPMENT PROJECTS AT 100% OF DEBT SERVICE
PLUS .3% FEE ON OUTSTANDING DEBT SERVICE AT BEGINNING OF BOND YEAR

AT DECEMBER 31, 1989

YEAR END 6/30	REVENUES FROM LOANS	INVESTMENTS @5.5%	REVENUES FROM PROJECTS	EXPENSES	NET REVENUES	DEBT SERVICE REQUIREMENT	EXCESS REVENUES	CUMULATIVE EXCESS	DEBT SERVICE COVERAGE
1990	12,989	6,778	81	1,155	18,693	21,725	(3,032)	243,459	
1991	26,445	13,390	3,034	2,154	40,716	22,495	18,221	261,680	1.81
1992	24,771	14,392	3,035	2,262	39,938	22,432	17,506	279,186	1.78
1993	24,520	15,355	3,037	2,375	40,537	22,443	18,094	297,280	1.81
1994	22,782	16,350	3,028	2,493	39,667	22,362	17,305	314,585	1.77
1995	23,875	17,302	3,030	2,618	41,589	21,641	19,948	334,533	1.92
1996	20,924	18,399	3,025	2,749	39,600	21,597	18,003	352,536	1.83
1997	18,260	19,389	3,025	2,886	37,788	23,441	14,347	366,883	1.61
1998	15,915	20,179	3,022	3,031	36,085	19,899	16,186	383,069	1.81
1999	15,857	21,069	3,017	3,182	36,761	19,746	17,015	400,085	1.86
2000	14,195	22,005	3,019	3,341	35,877	18,909	16,969	417,053	1.90
2001	13,139	22,938	3,012	3,508	35,580	18,343	17,237	434,291	1.94
2002	12,634	23,886	3,005	3,684	35,841	17,924	17,918	452,208	2.00
2003	12,431	24,871	3,003	3,868	36,437	17,760	18,677	470,885	2.05
2004	11,309	25,899	3,000	4,061	36,147	17,928	18,218	489,104	2.02
2005	10,269	26,901	2,989	4,265	35,894	15,332	20,562	509,666	2.34
2006	7,491	28,032	2,990	4,478	34,034	12,473	21,562	531,228	2.73
2007	5,228	29,218	2,985	4,702	32,729	9,499	23,230	554,458	3.45
2008	4,346	30,495	2,969	4,937	32,874	8,958	23,916	578,374	3.67
2009	2,366	31,811	2,967	5,184	31,959	7,726	24,233	602,607	4.14
2010	177	33,143	2,959	5,443	30,837	5,289	25,548	628,155	5.83
2011	112	34,549	0	5,715	28,945	510	28,435	656,590	56.72
2012	261	36,112	0	6,001	30,373	250	30,123	686,713	121.29
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	300,295	532,464	60,233	84,090	808,902	368,680	440,222		

INVESTMENTS AT DECEMBER 31, 1989:

BOOK	
277,991	TOTAL INVESTMENTS
(6,000)	LESS VENTURE CAPITAL FUND INVESTMENT
(25,500)	LESS RESTRICTED INVESTMENTS (LOAN INSURANCE FUND AND BUSINESS ASSISTANCE FUND)
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246,491	NET INVESTMENTS

NOTE: EXPENSES INCLUDE OPERATING COSTS
ESTIMATED AT 105% OF FY90 BUDGET LEVEL,
WITH A 5% INCREASE EACH YEAR THEREAFTER

ASSUMES BONDS ISSUED:	AMOUNT
(1) UNALASKA	APRIL 1, 1990 7,000
(2) SKAGWAY	APRIL 1, 1990 20,000

27,000

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
CASH FLOW ANALYSIS
LOAN REVENUES EXCLUDE PAYMENTS ON ALL >90 DAY DELINQUENT LOANS AND ALL WORKOUTS
(DOLLARS IN THOUSANDS)
INCLUDES REVENUES ON DEVELOPMENT PROJECTS AT 100% OF DEBT SERVICE
PLUS .3% FEE ON OUTSTANDING DEBT SERVICE AT BEGINNING OF BOND YEAR

AT DECEMBER 31, 1989

YEAR END 6/30	REVENUES FROM LOANS	INVESTMENTS @5.5%	REVENUES FROM PROJECTS	EXPENSES	NET REVENUES	DEBT SERVICE REQUIREMENT	EXCESS REVENUES	CUMULATIVE EXCESS	DEBT SERVICE COVERAGE
1990	12,989	6,778	81	1,155	18,693	21,725	(3,032)	243,459	
1991	26,445	13,390	3,034	2,154	40,716	22,495	18,221	261,680	1.81
1992	24,771	14,392	3,245	2,262	40,148	22,432	17,716	279,396	1.79
1993	24,520	15,367	10,908	2,375	48,420	30,108	18,312	297,708	1.61
1994	22,782	16,374	10,897	2,493	47,559	30,029	17,530	315,238	1.58
1995	23,875	17,338	10,894	2,618	49,490	29,309	20,180	335,418	1.69
1996	20,924	18,448	10,888	2,749	47,511	29,269	18,243	353,661	1.62
1997	18,260	19,451	10,877	2,886	45,702	31,108	14,594	368,255	1.47
1998	15,915	20,254	10,870	3,031	44,008	27,567	16,441	384,696	1.60
1999	15,857	21,158	10,858	3,182	44,691	27,414	17,277	401,973	1.63
2000	14,195	22,109	10,851	3,341	43,813	26,576	17,237	419,210	1.65
2001	13,139	23,057	10,836	3,508	43,523	26,011	17,512	436,723	1.67
2002	12,634	24,020	10,820	3,684	43,790	25,591	18,199	454,922	1.71
2003	12,431	25,021	10,811	3,868	44,394	25,430	18,965	473,886	1.75
2004	11,309	26,064	10,795	4,061	44,107	25,596	18,511	492,397	1.72
2005	10,269	27,082	10,775	4,265	43,861	23,002	20,859	513,256	1.91
2006	7,491	28,229	10,762	4,478	42,004	20,142	21,862	535,119	2.09
2007	5,228	29,432	10,746	4,702	40,703	17,170	23,533	558,652	2.37
2008	4,346	30,726	10,714	4,937	40,849	16,627	24,222	582,874	2.46
2009	2,366	32,058	10,696	5,184	39,936	15,397	24,539	607,413	2.59
2010	177	33,408	10,667	5,443	38,809	12,956	25,852	633,265	3.00
2011	112	34,830	7,690	5,715	36,917	8,179	28,737	662,002	4.51
2012	261	36,410	7,668	6,001	38,339	7,919	30,421	692,422	4.84
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	300,295	535,394	216,384	84,090	967,983	522,052	445,932		

INVESTMENTS AT DECEMBER 31, 1989:

BOOK	
277,991	TOTAL INVESTMENTS
(6,000)	LESS VENTURE CAPITAL FUND INVESTMENT
(25,500)	LESS RESTRICTED INVESTMENTS (LOAN INSURANCE FUND AND BUSINESS ASSISTANCE FUND)
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246,491	NET INVESTMENTS

NOTE: EXPENSES INCLUDE OPERATING COSTS
ESTIMATED AT 105% OF FY90 BUDGET LEVEL,
WITH A 5% INCREASE EACH YEAR THEREAFTER

ASSUMES BONDS ISSUED:		AMOUNT
(1) UNALASKA	APRIL 1, 1990	7,000
(2) SKAGWAY	APRIL 1, 1990	20,000
(3) HEALY	APRIL 1, 1992	70,000

97,000

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
CASH FLOW ANALYSIS
LOAN REVENUES EXCLUDE PAYMENTS ON ALL 90 DAY DELINQUENT LOANS AND ALL WORKOUTS
(DOLLARS IN THOUSANDS)

INCLUDES REVENUES ON DEVELOPMENT PROJECTS AT 100% OF DEBT SERVICE
PLUS .3% FEE ON OUTSTANDING DEBT SERVICE AT BEGINNING OF BOND YEAR

AT DECEMBER 31, 1989

YEAR END 6/30	REVENUES FROM LOANS	INVESTMENTS @5.5%	REVENUES FROM PROJECTS	EXPENSES	NET REVENUES	DEBT SERVICE REQUIREMENT	EXCESS REVENUES	CUMULATIVE EXCESS	DEBT SERVICE COVERAGE
1990	12,989	6,778	81	1,155	18,693	21,725	(3,032)	243,459	
1991	26,445	13,390	3,169	2,154	40,851	22,495	18,356	261,615	1.82
1992	24,771	14,400	8,308	2,262	45,218	27,362	17,856	279,670	1.65
1993	24,520	15,382	15,968	2,375	53,495	35,038	18,457	298,127	1.53
1994	22,782	16,397	15,952	2,493	52,638	34,958	17,679	315,806	1.51
1995	23,875	17,369	15,948	2,618	54,574	34,240	20,335	336,141	1.59
1996	20,924	18,488	15,935	2,749	52,598	34,196	18,402	354,543	1.54
1997	18,260	19,500	15,923	2,886	50,797	36,039	14,758	369,301	1.41
1998	15,915	20,312	15,909	3,031	49,106	32,496	16,609	385,910	1.51
1999	15,857	21,225	15,896	3,182	49,796	32,346	17,450	403,359	1.54
2000	14,195	22,185	15,878	3,341	48,917	31,502	17,414	420,774	1.55
2001	13,139	23,143	15,860	3,508	48,633	30,940	17,693	438,467	1.57
2002	12,634	24,116	15,836	3,684	48,901	30,518	18,384	456,851	1.60
2003	12,431	25,127	15,823	3,868	49,512	30,360	19,152	476,003	1.63
2004	11,309	26,180	15,801	4,061	49,229	30,527	18,702	494,705	1.61
2005	10,269	27,209	15,769	4,265	48,982	27,930	21,052	515,757	1.75
2006	7,491	28,367	15,750	4,478	47,129	25,072	22,057	537,815	1.88
2007	5,228	29,580	15,725	4,702	45,830	22,101	23,730	561,544	2.07
2008	4,346	30,885	15,678	4,937	45,973	21,555	24,418	585,962	2.13
2009	2,366	32,228	15,650	5,184	45,060	20,325	24,735	610,697	2.22
2010	177	33,588	15,611	5,443	43,934	17,887	26,046	636,744	2.46
2011	112	35,021	12,622	5,715	42,040	13,112	28,928	665,672	3.21
2012	261	36,612	7,668	6,001	38,541	7,919	30,622	696,295	4.87
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	300,295	537,480	316,761	84,090	1,070,446	620,643	449,804		

INVESTMENTS AT DECEMBER 31, 1989:

BOOK

277,991	TOTAL INVESTMENTS
(6,000)	LESS VENTURE CAPITAL FUND INVESTMENT
(25,500)	LESS RESTRICTED INVESTMENTS (LOAN INSURANCE FUND AND BUSINESS ASSISTANCE FUND)

246,491 NET INVESTMENTS

NOTE: EXPENSES INCLUDE OPERATING COSTS
ESTIMATED AT 105% OF FY90 BUDGET LEVEL,
WITH A 5% INCREASE EACH YEAR THEREAFTER

ASSUMES BONDS ISSUED:

	DATE	AMOUNT
(1) UNALASKA	APRIL 1, 1990	7,000
(2) SKAGWAY	APRIL 1, 1990	20,000
(3) HEALY	APRIL 1, 1992	70,000
(4) MAINTENANCE HANGER	APRIL 1, 1991	45,000

142,000

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
 BEING MAINTAIN TRANSPORTATION PROJECT
 PROJECTION OF AMOUNTS TO BE RELEASED FROM FUND TO BUREAUCRATS

AS OF DECEMBER 31, 1989

FISCAL YEAR ENDING JUNE 30	DEBT SERVICE OUTSTANDING AT END OF YEAR	100% OF DEBT SERVICE (REQUIRED)	DEBT SERVICE DUE NEXT TWELVE MONTHS	TOTAL REQUIRED TO MAINTAIN CASH COVERAGE	INVESTMENTS AT END OF FISCAL YEAR	AMOUNT RELEASED JULY 1 *	NET INVESTMENTS	LOAN REVENUES	INTEREST EARNINGS	COMINCO MAA	DEBT SERVICE	ADMINISTRATIVE COSTS	INVESTMENTS AT BEGINNING OF NEXT FISCAL YEAR
1996	91,300,000	113,160,000	8,855,575	122,015,575	113,871,169	0	113,871,169	6,278,078	5,693,558	12,000,000	(8,855,575)	(500,000)	128,487,230
1997	92,180,000	110,616,000	8,853,075	119,469,075	128,487,230	9,018,155	119,469,075	5,767,818	5,973,454	12,000,000	(8,853,075)	(500,000)	133,857,272
1998	89,930,000	107,916,000	8,854,075	116,770,075	133,857,272	17,087,197	116,770,075	5,526,880	5,838,504	12,000,000	(8,854,075)	(500,000)	130,781,384
1999	87,535,000	105,012,000	8,853,400	113,895,400	130,781,384	16,885,984	113,895,400	5,227,955	5,694,770	12,000,000	(8,853,400)	(500,000)	127,464,725
2000	84,985,000	101,982,000	8,855,100	110,837,100	127,464,725	16,627,625	110,837,100	4,822,366	5,541,855	12,000,000	(8,855,100)	(500,000)	123,846,221
2001	82,265,000	98,719,000	8,852,860	107,570,860	123,846,221	16,275,361	107,570,860	4,449,790	5,378,543	12,000,000	(8,852,860)	(500,000)	120,046,333
2002	79,365,000	95,238,000	8,854,060	104,092,060	120,046,333	15,954,273	104,092,060	3,729,706	5,204,603	12,000,000	(8,854,060)	(500,000)	115,672,309
2003	76,255,000	91,506,000	8,855,140	100,361,140	115,672,309	15,311,169	100,361,140	3,476,035	5,018,057	12,000,000	(8,855,140)	(500,000)	111,500,092
2004	72,930,000	87,504,000	8,855,020	96,359,020	111,500,092	15,141,072	96,359,020	2,767,851	4,817,951	12,000,000	(8,855,020)	(500,000)	106,589,802
2005	69,345,000	83,214,000	8,852,620	92,066,620	106,589,802	14,523,182	92,066,620	2,611,210	4,603,331	12,000,000	(8,852,620)	(500,000)	101,928,541
2006	65,515,000	78,618,000	8,851,860	87,469,860	101,928,541	14,458,681	87,469,860	2,395,894	4,373,493	12,000,000	(8,851,860)	(500,000)	96,887,387
2007	61,410,000	73,692,000	8,851,300	82,543,300	96,887,387	14,344,087	82,543,300	1,984,153	4,127,165	12,000,000	(8,851,300)	(500,000)	91,303,318
2008	57,010,000	68,412,000	8,849,500	77,261,500	91,303,318	14,041,818	77,261,500	974,675	3,863,075	12,000,000	(8,849,500)	(500,000)	84,749,750
2009	52,295,000	62,754,000	8,850,020	71,604,020	84,749,750	13,145,730	71,604,020	145,362	3,580,201	12,000,000	(8,850,020)	(500,000)	77,979,563
2010	47,240,000	56,688,000	8,851,060	65,539,060	77,979,563	12,440,503	65,539,060		3,276,953	12,000,000	(8,851,060)	(500,000)	71,464,953
2011	41,820,000	50,184,000	8,850,820	59,034,820	71,464,953	12,430,133	59,034,820		2,951,741	12,000,000	(8,850,820)	(500,000)	64,635,741
2012	36,010,000	43,212,000	8,852,500	52,064,500	64,635,741	12,571,241	52,064,500		2,503,225	12,000,000	(8,852,500)	(500,000)	57,315,225
2013	29,780,000	35,736,000	8,853,940	44,589,940	57,315,225	12,725,285	44,589,940		2,229,497	12,000,000	(8,853,940)	(500,000)	49,465,497
2014	23,100,000	27,720,000	8,851,300	36,571,300	49,465,497	12,894,197	36,571,300		1,828,565	12,000,000	(8,851,300)	(500,000)	41,048,565
2015	15,935,000	19,122,000	8,853,255	27,975,255	41,048,565	13,073,310	27,975,255		1,398,763	12,000,000	(8,853,255)	(500,000)	32,020,763
2016	8,245,000	9,894,000	8,846,885	18,740,885	32,020,763	13,279,878	18,740,885		937,044	12,000,000	(8,846,885)	(500,000)	22,331,044
2017	0	0	0	0	22,331,044	22,331,044	0		0	12,000,000	0	(500,000)	11,500,000
2018	0	0	0	0	11,500,000	11,500,000	0		0	12,000,000	0	(500,000)	11,500,000
2019	0	0	0	0	11,500,000	11,500,000	0		0	12,000,000	0	(500,000)	11,500,000
2020	0	0	0	0	11,500,000	11,500,000	0		0	12,000,000	0	(500,000)	11,500,000

* FIRST \$10,000,000 RELEASED WILL BE USED TO FUND THE DAMAGE FUND REQUIRED BY THE COMINCO/AIDEA AGREEMENT. THE FIRST AMOUNT ACTUALLY AVAILABLE WILL BE RELEASED DURING FY99. THE AMOUNT IS PROJECTED AT \$16,105,352.

NOTE: THESE PROJECTIONS ASSUME THAT THERE WILL BE NO INTERRUPTION IN MAA PAYMENTS

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
 BUILDING MAINTAIN TRANSPORTATION PROJECT
 PROJECTION OF AMOUNTS TO BE RELEASED FROM PLEDGE TO BONDHOLDERS

AS OF DECEMBER 31, 1989

FISCAL YEAR ENDING JUNE 30	DEBT SERVICE OUTSTANDING AT END OF YEAR	120% OF DEBT SERVICE (REQUIRED)	DEBT SERVICE DUE NEXT TWELVE MONTHS	TOTAL REQUIRED TO MAINTAIN COVERAGE	INVESTMENTS AT END OF FISCAL YEAR	AMOUNT RELEASED JULY 1 *	NET INVESTMENTS	LOAN REVENUES	INTEREST EARNINGS	COMINCO MAA	DEBT SERVICE	ADMINISTRATIVE COSTS	INVESTMENTS AT BEGINNING OF NEXT FISCAL YEAR
1996	94,300,000	113,160,000	8,855,575	122,015,575	113,871,169	0	113,871,169	6,278,078	5,693,558	12,000,000	(8,855,575)	(500,000)	128,487,230
1997	92,180,000	110,616,000	8,853,075	119,469,075	128,467,230	9,018,155	119,469,075	5,767,818	5,973,454	12,000,000	(8,853,075)	(500,000)	133,857,272
1998	89,930,000	107,916,000	8,854,075	116,770,075	133,857,272	17,087,197	116,770,075	5,526,880	5,838,504	12,000,000	(8,854,075)	(500,000)	130,781,304
1999	87,535,000	105,042,000	8,853,400	113,895,400	130,781,304	16,885,984	113,895,400	5,227,955	5,694,770	12,000,000	(8,853,400)	(500,000)	127,464,725
2000	84,985,000	101,982,000	8,855,100	110,837,100	127,464,725	16,627,625	110,837,100	4,822,366	5,541,855	12,000,000	(8,855,100)	(500,000)	123,846,221
2001	82,265,000	98,718,000	8,852,860	107,570,860	123,846,221	16,275,361	107,570,860	4,449,790	5,378,543		(8,852,860)	(500,000)	108,046,333
2002	79,365,000	95,238,000	8,854,060	104,092,060	108,046,333	3,954,273	104,092,060	3,729,706	5,204,603		(8,854,060)	(500,000)	103,672,309
2003	76,255,000	91,506,000	8,855,140	100,361,140	103,672,309	3,311,169	100,361,140	3,476,035	5,018,057		(8,855,140)	(500,000)	99,500,092
2004	72,920,000	87,504,000	8,855,020	96,359,020	99,500,092	3,141,072	96,359,020	2,767,851	4,817,951		(8,855,020)	(500,000)	94,589,802
2005	69,345,000	83,214,000	8,852,620	92,066,620	94,589,802	2,523,182	92,066,620	2,611,210	4,603,331		(8,852,620)	(500,000)	89,928,511
2006	65,515,000	78,618,000	8,851,860	87,469,860	89,928,511	2,458,681	87,469,860	2,395,891	4,373,493		(8,851,860)	(500,000)	84,887,387
2007	61,410,000	73,692,000	8,851,300	82,543,300	84,887,387	2,344,087	82,543,300	1,984,153	4,127,165		(8,851,300)	(500,000)	79,303,318
2008	57,010,000	68,412,000	8,849,500	77,261,500	79,303,318	2,041,818	77,261,500	974,675	3,863,075		(8,849,500)	(500,000)	72,749,750
2009	52,295,000	62,754,000	8,850,020	71,604,020	72,749,750	1,145,730	71,604,020	145,362	3,580,201		(8,850,020)	(500,000)	65,979,567
2010	47,240,000	56,688,000	8,851,060	65,539,060	65,979,563	440,503	65,539,060		3,276,953		(8,851,060)	(500,000)	59,464,959
2011	41,820,000	50,184,000	8,850,820	59,034,820	59,464,953	430,133	59,034,820		2,951,741		(8,850,820)	(500,000)	52,635,741
2012	36,010,000	43,212,000	8,852,500	52,064,500	52,635,741	571,241	52,064,500		2,603,225		(8,852,500)	(500,000)	45,315,225
2013	29,780,000	35,736,000	8,853,940	44,589,940	45,315,225	725,285	44,589,940		2,229,497		(8,853,940)	(500,000)	37,465,497
2014	23,100,000	27,720,000	8,851,300	36,571,300	37,465,497	894,197	36,571,300		1,828,565		(8,851,300)	(500,000)	29,048,565
2015	15,935,000	19,122,000	8,853,255	27,975,255	29,048,565	1,073,310	27,975,255		1,398,763		(8,853,255)	(500,000)	20,020,763
2016	8,245,000	9,894,000	8,846,885	18,740,885	20,020,763	1,279,878	18,740,885		937,044		(8,846,885)	(500,000)	10,331,044
2017	0	0	0	0	10,331,044	10,331,044	0		0		0	(500,000)	(500,000)
2018	0	0	0	0	(500,000)	0	(500,000)		0		0	(500,000)	(1,000,000)
2019	0	0	0	0	(1,000,000)	0	(1,000,000)		0		0	(500,000)	(1,500,000)
2020	0	0	0	0	(1,500,000)	0	(1,500,000)		0		0	(500,000)	(2,000,000)

* FIRST \$10,000,000 RELEASED WILL BE USED TO FUND THE DAMAGE FUND REQUIRED BY THE COMINCO/AIDEA AGREEMENT. THE FIRST AMOUNT ACTUALLY AVAILABLE WILL BE RELEASED DURING FY99. THE AMOUNT IS PROJECTED AT \$16,105,352.

NOTE: THESE PROJECTIONS ASSUME A WORST CASE SCENARIO - THAT MAA PAYMENTS CEASE AFTER THE TEN YEAR PAYMENT GUARANTEE

A M E N D M E N T

TO: DRAFT CS HB 123

Page 12, between lines 13 and 14 add:

" (D) a plant or facility demonstrating technological advances of new methods and procedures and prototype commercial applications for the exploration, development, production, transportation, conversion, and use of energy resources;

Historical Note

Codification. Section 5919 of this title, referred to in subsec. (a)(7), was, in the original, "section 19" and has been editorially translated as section 5919 of this title which relates to loan guarantees as the probable intent of Congress, notwithstanding enactment of another section 19, which is classified to section 5918 of this title and which relates to organizational conflicts.

1978 Amendment. Subsec. (a)(7). Pub.L. 95-238 added par. (7).

Transfer of Functions. "Secretary", meaning the Secretary of Energy, was substituted for "Administrator", meaning the Administrator of the Energy Research and Development Administration, in subssecs. (a) to (c), pursuant to sections 301(a) and 703 of Pub.L. 95-91, classified to sections 7151(a) and 7293 of this title, which terminated the Energy Research and Development Administration and transferred the functions vested in the Administrator to the Secretary of Energy, with certain exceptions.

Nonapplicability of Title II of Pub.L. 95-238 to Any Authorization or Appropriation for Military Application of Nuclear Energy, Etc.; Definitions. Nonapplicability of provisions of Title II of Pub.L. 95-238 with respect to any authorization or appropriation for any military application of nuclear energy, etc., see section 209 of Pub.L. 95-238, set out as a note under section 5b21 of this title.

Price-Support Program To Demonstrate Municipal Solid Waste Reprocessing For Production of Fuels and Energy Intensive Products. Pub.L. 95-39, Title I, § 107, June

3, 1977, 91 Stat. 185, provided that "The Administrator [see: Transfer of Functions above] is authorized, subject to the appropriation of funds pursuant to section 101(a)(1) of this Act [which was not classified to the Code], to establish and implement, under section 7(a)(4) of the Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5906(a)(4) [subsec. (a)(4) of this section]) and in accordance with section 7(c) of such Act (42 U.S.C. 5906(c) [subsec. (c) of this section]), a price-support program to demonstrate municipal solid waste reprocessing for the production of fuels and energy intensive products. Prior to entering into a contract for such demonstration, the Administrator shall submit to the Committee on Science and Technology of the House of Representatives and the Committee on Energy and Natural Resources of the Senate a full and complete report on the proposed commercial demonstration facility and the necessary project demonstration guarantees. Such contracts shall not be finalized under the authority granted by this section prior to the expiration of ninety calendar days (not including any day on which either House of Congress is in session because of an adjournment of more than three calendar days to a day certain from the date on which such report is received by such committees."

Legislative History. For legislative history and purpose of Pub.L. 93-577, see 1974 U.S. Code Cong. and Adm. News, p. 6861. See also, Pub.L. 95-238, 1978 U.S. Code Cong. and Adm. News, p. 150.

Cross References

Development of commercial production and utilization of photovoltaic components and systems through contracts entered in accordance with this section, see section 5585 of the title.

§ 5907. Demonstration projects

(a) Scope of authority of Administrator

The Administrator is authorized to—

- (1) identify opportunities to accelerate the commercial application of new energy technologies, and provide Federal assistance for or participation in demonstration projects (including pilot plants demonstrating technological advances and field demonstrations of new methods and procedures, and demonstrations of prototype commercial applications for the exploration, development, production, transportation, conversion, and utilization of energy resources); and

Clean Coal program

(2) enter into cooperative agreements to demonstrate the technical feasibility and commercial potential of new energy technologies on a prototype or full-scale basis.

(b) Criteria applicable in reviewing proposals

In reviewing potential projects, the Administrator shall consider, including but not limited to—

- (1) the anticipated, research, development, and demonstration to be achieved by the activities or facilities;
- (2) the economic, environmental, and social benefits of a successful demonstration may have for the community;
- (3) the relationship of the proposal to the activities authorized in section 5904(b)(2) of this title;
- (4) the availability of non-Federal participants to operate the facilities or perform the activities and to contribute to the financing of the project;
- (5) the total estimated cost including the cost of the project and the probable time schedule;
- (6) the proposed participants and the participation of the Federal Government and of other States;
- (7) the proposed cooperative arrangements between the participants, and form of management of the project.

(c) Federal and non-Federal share

- (1) A financial award under this section may be made to the Federal share of the estimated total direct cost of the project plus operation and maintenance costs.
- (2) For the purposes of this chapter the non-Federal share of the project, including, but not limited to, lands or interests in lands, project or personal property or services, the value of which is determined by the Administrator.

(d) Submission of proposals to Administrator; review of proposals and regulations

- (1) The Administrator shall, within six months after the date of the enactment of this chapter, promulgate regulations establishing procedure for the submission of proposals to the Administrator under this chapter. Such regulations shall establish the criteria for the selection of proposals which—

(A) provides that projects will be carried out in the most appropriate and varying circumstances as will assist in the development of the project, including transportation, conversion, conservation,

May 7, 1989

Senator Dick Eliason
Chairman
Senate Labor and Commerce Committee
Alaska State Senate

Re: HB 123; Proposed amendment
relating to international
airports

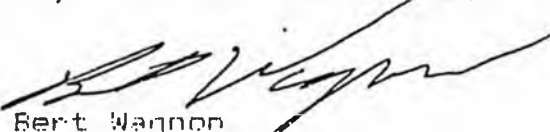
Dear Senator Eliason:

Enclosed you will please find an amendment to CSHB 123 (Jud) am relating to AIDEA cooperative assistance to international airports in the state. You are no doubt aware that the Department of Transportation and Public Facilities is aggressively marketing the international airports in Anchorage and Fairbanks as portals for international airports and freight. This effort is especially critical now that many airlines are converting to long range aircraft that are capable of bypassing the state in favor of airports located in the lower 48 states. The department is exploring innovative financing techniques to encourage commercial concerns to locate facilities on the international airports in the state.

Often it is necessary to improve airport land and utilities serving the airports to make it feasible for a potential lessee of airport land to determine to locate a facility in the state. The international airport revenue fund has a sufficient balance to serve as the source of financing for a lessee or public utility that desires to make necessary airport improvements. The managers of the airport revenue fund lack the commercial lending experience to properly service a loan to these entities. This amendment would allow AIDEA to act on behalf of the Department of Transportation and Public Facilities to make sure that any financing arrangement is commercially reasonable.

I am prepared to offer testimony in support of this amendment if you or a member of your committee desires.

Attachment (1)


Bert Wagnon
Executive Director
Alaska Industrial Development and
Export Authority

A M E N D M E N T

TO: CSHB 123 (Jud) am

Page 3, between lines 27 and 28:

*Sec. . AS 44.88.080 is amended by adding a new subsection to read:

(25) to make cooperative agreements with the Department of Transportation and Public Facilities acting on behalf of the international airport revenue fund established under AS 37.15.430 to acquire, equip, operate, maintain, construct or install facilities that will enhance the competitiveness of the international airports, including a cooperative agreement to lend amounts from the international airport revenue fund to finance the development or improvement of utilities serving the airports.

Renumber remaining sections accordingly.

SECTIONAL ANALYSIS
SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L & C)

Section 1. 44.88.010(a)(9):

This section removes dated language that no longer conforms to the Federal Tax Code. The deleted language was litany from the Tax Code which was removed by the Federal 1986 Tax Reform Act.

Section 2. 44.88.010(c):

This section inserts "municipal" to correct an oversight. Previous language stated federal and state but made no mention of local governments. Local governments have a significant role to play in economic development and this change recognizes that.

Section 3. 44.88.060:

The two additions in this section establish the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.

Section 4. 44.88.080:

This new section provides for an increased level of involvement with the International Airports to enhance their competitiveness and foster employment related to increased airport development.

Section 5. 44.88.090(a):

Technical clean up language. Conforming. Subsection (g) is moved and becomes part of 44.88.095.

Section 6. 44.88.095:

This is a new section which incorporates all the limitations into one section. With the exception of (f) and (g), all of these provisions are moved from other sections of 44.88 to this "limitation section".

44.88.095(e) was amended slightly by deleting the \$10 million cap for municipal approval. It was felt in committee that any project the Authority owned should be subject to municipal approval.

44.88.095(f) is new language requiring a public hearing in conjunction with the State agencies involved in permitting a project.

44.88.095(g) sets forth a \$10 million floor above which bonds may not be issued without legislative approval.

Section 7. This section prohibits the issuance of any bonds, other than refunding bonds, after January 1, 1992. This is accomplished by Section 22 which makes Section 7 effective January 1, 1992.

Section 8. 44.88.105(a):
Section 9. 44.88.105(d):

The deletion in this section eliminates the ceiling on bonds regarding the establishment of capital reserve funds. It also eliminates the State's moral obligation to supplement a capital reserve fund created after January 1, 1989 should it ever fall below the required amount.

With this elimination of moral obligation, bonds of the Authority issued after January 1, 1989, will stand on their own and do not contingently obligate the State in any form whatsoever. Since 1981 all bonds have had the benefit of the State's moral obligation. It is now appropriate that the Authority stand on its own financially with respect to future bond issues. The Authority's bonds that are already outstanding and were issued with the moral obligation will continue to have that benefit. Additionally, any outstanding bonds that currently enjoy a "moral obligation" would continue to do so if refunded.

Section 10. 44.88.155(b):
Drafting style

Section 11. 44.88.155(c):
Conforming change. The deletion in this section is in conjunction with the changes in Section 3 and simply moves the investment powers limitation into the revolving fund as opposed to applying only to an account within the fund.

Section 12. 44.88.155(d):
The deletion will allow the Authority to become active in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS. 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

The second change deletes 10% and inserts 20%. This will require banks to hold a larger portion of the loans they sell the Authority and hopefully foster prudent underwriting on the banks part.

The third deletion is conforming and deals with removing the SBA language which will allow the Authority to participate in purchasing the guaranteed portion of SBA loans through its investment powers.

Section 13. 44.88.165:

The statute regarding loan delinquencies is repealed and reenacted. It allows the Authority to regulate conditions whereby it may discontinue purchase of loan participations from a financial institution because of excessive loan delinquencies. This revision is necessary to allow more financial institutions to participate in the Authority's loan programs.

Section 14. 44.88.172(a):

Technical and style change.

Section 15. 44.88.535(b):

This changes the maximum percentage of a loan guaranty from 70% to 80%. This change will coincide with the Authority's loan participation program which is also at 80% under Section 12.

Section 16. 44.88.545:

Provides a change to the Loan Guaranty Program whereby the maximum guaranty will be \$1 million or less, as opposed to guaranteeing a loan of \$1 million or less.

Section 17. 44.88.560:

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program when the Authority considers it to be in its best interest to do so.

Section 18. 44.88.900(4):

This section clarifies the definition of "development" project by referring to the resource development oriented plants and facilities described in the definition of "project," including transportation related facilities as set forth in Section 19.

Section 19. 44.88.900(9):

There is one addition and deletion in this section. The addition includes certain transportation facilities in the definition of a project, while the deletion eliminates the obsolete language from the tax code prior to the 1986 Tax Reform Act.

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Section 20. Repealers:

AS 44.88.090(g) This section is deleted and reenacted under Bond Limitations. (g)(1) becomes 44.88.095(a) with a technical change only. The language in (g)(1) equates to \$400 million when the litany of bond authorization is followed back to enactment in 1980. As time progresses, this gets increasingly difficult to do and as a simplification the \$400 million is now directly stated in the CS. (g)(2) is moved and becomes AS 44.88.095(b).

AS 44.88.090(i) This language is deleted and will appear as a new 44.88.095(g) (Section 7 of the CS) with the one change being an effective date of January 1, 1992 created by Section 22.

AS 44.88.105(e) This section is repealed as it is no longer necessary. The CS provides on page 9, line 7, that 20% of a loan must be retained by the originator.

AS 44.88.105(g) This section is repealed as it is no longer necessary. The CS provides on page 6, line 6, that a project in excess of \$10 million requires legislative approval.

AS 44.88.157 This section is repealed in its entirety and not reenacted in the CS. The loan insurance sections were written in 1980 and have never been utilized. At the time of the original drafting it was believed that to sell Authority bonds the Authority must insure its loans (self-insure) as well as pledge its credit. This proved unnecessary in the marketplace.

AS 44.88.158 This repeals the S.B.A. purchase program from statute and its attendant restrictions. The rationale for this repeal is that the state's investment statutes now provide that the governmental guaranteed portion of S.B.A. loans can be purchased with Authority funds (AS 37.10.071). The Authority will be allowed to purchase that portion guaranteed by the U.S. Government with this repealer.

AS 44.88.159(c) Same as AS 44.88.158 (removing from statute restrictions on the S.B.A. purchase program).

AS 44.88.160 This section is repealed and reenacted in the CS on page 4, line 9, under Bonding Limitations. The one exception is AS 44.88.160(5) which is deleted in that it says the same thing as AS 44.88.160(1).

AS 44.88.172(b) This is deleted as the CS sets up a revolving fund on page 2, line 12, and all accounts become part of the revolving fund.

AS 44.88.172(c) This is repealed and now falls under Bonding Limitations, page 6, line 6, concerning legislative approval. Additionally, no bonds may be issued after January 1, 1992 by Section 7 (page 6, line 9).

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AS 44.88.175 This is now contained on page 5, line 1, Bonding Limitations. The existing \$10 million floor on local approval was removed so as now written any project financed under this section requires consent by the local government.

AS 44.88.176 This is relocated to the section on Bonding Limitations beginning on page 5, line 20.

AS 44.88.212(a) Deleted as it deals with the S.B.A. purchase program.

AS 44.88.900(3) Deleted as it deals with the S.B.A. purchase program.

Section 21. This repeals 44.88.095(b) pertaining to issuance of bonds in general effective January 1, 1992.

Section 22. This delayed effective date section takes effect January 1, 1992 which will prohibit the issuance of bonds after that date without legislative approval.

Section 23. Effective date under 01.10.070(C).

C.S. FOR HOUSE BILL NO. 123 (JUDICIARY)

Section 1. 44.88.010(a)(9):

This section removes dated language that no longer conforms to the Federal Tax Code. The deleted language was litany from the Tax Code which was removed by the 1986 Tax Reform Act.

Section 2. 44.88.010(c):

This section inserts "municipal" to correct an oversight. Previous language stated federal and state but made no mention of local governments. Local governments have a significant role to play in economic development and this change recognizes that.

Section 3. 44.88.060:

The two additions in this section establish the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.

Section 4. 44.88.080(14):

The addition is technical drafting style.

Section 5. 44.88.082:

This section prohibits joint-ownership of a project. The Authority may still finance or may own certain types of facilities but may not joint-venture such facilities.

Section 6. 44.88.090(a):

Technical clean up language. Conforming.

Section 7. 44.88.095:

This is a new section which incorporates all the limitations into one section. With the exception of (f) and (g), all of these provisions are moved from other sections of 44.88 to this "limitation section".

44.88.095(e) was amended slightly by deleting the \$10 million cap for municipal approval. It was felt in committee that any project the Authority owned should be subject to municipal approval.

44.88.095(f) is new language requiring a public hearing in conjunction with the State agencies involved in permitting a project.

Section 8. 44.88.095(g):

Provides that the Authority may continue to issue bonds until January 1, 1991 by the delayed effective date section at the end of the bill.

Section 9. 44.88.105(a):

Section 10. 44.88.105(d):

The deletion in this section eliminates the ceiling on bonds regarding the establishment of capital reserve funds. It also eliminates the State's moral obligation to supplement a capital reserve fund created after January 1, 1989 should it ever fall below the required amount.

With this elimination of moral obligation, bonds of the Authority issued after January 1, 1989, will stand on their own and do not contingently obligate the State in any form whatsoever. Since 1981 all bonds have had the benefit of the State's moral obligation. It is now appropriate that the Authority stand on its own financially with respect to future bond issues. Of course, the Authority's bonds that are already outstanding and were issued with the moral obligation will continue to have that benefit.

Section 11. 44.88.155(b):

Drafting style

Section 12. 44.88.155(c):

Conforming change. The deletion in this section is in conjunction with the changes in Section 3 and simply moves the investment powers limitation into the revolving fund.

Section 13. 44.88.155(d):

The deletion will allow the Authority to become active in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS. 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

The second change deletes 10% and inserts 20%. This will require banks to hold a larger portion of the loans they sell the Authority and hopefully foster prudent underwriting on the banks part.

The third deletion is conforming and deals with removing the SBA language which will allow the Authority to participate in purchasing the guaranteed portion of SBA loans through its investment powers.

Section 14. 44.88.165:

The statute regarding loan delinquencies is repealed and reenacted. It allows the Authority to regulate conditions whereby it may discontinue purchase of loan participations from a financial institution because of excessive loan delinquencies. This revision is necessary to allow more financial institutions to participate in the Authority's loan programs.

Section 15. 44.88.172(a):

Technical and style change.

Section 16. 44.88.545:

Provides a change to the Loan Guaranty Program whereby the guaranty will cover \$1 million or less, as opposed to guaranteeing a loan of \$1 million or less.

Section 17. 44.88.560:

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program when the Authority considers it to be in its best interest to do so.

Section 18. 44.88.900(4):

This section clarifies the definition of "development" project by referring to the resource development oriented plants and facilities described in the definition of "project," including transportation related facilities as set forth in Section 19.

Section 19. 44.88.900(9):

There is one addition and deletion in this section. The addition includes certain transportation facilities in the definition of a project, while the deletion eliminates the obsolete language from the tax code prior to the 1986 Tax Reform Act.

ALASKA INDUSTRIAL DEVELOPMENT and EXPORT AUTHORITY

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation administratively located in the Department of Commerce and Economic Development but with a separate and independent legal existence. Created in 1967, AIDEA promotes economic development within the State by

- (1) providing loans for industrial and commercial projects;
- (2) owning and operating certain types of infrastructure facilities;
- (3) guaranteeing loans for export transactions; and
- (4) guaranteeing business loans.

None of the bonds issued to finance the programs are general obligations of the State; however, the State's moral obligation stands behind the capital reserve funds which secure certain bonds issued by AIDEA.

a. Bond Programs

AIDEA has five bond programs. A sixth major program, AIDEA, a business loan guarantee program enacted into law in 1988, is not expected to use debt financing. Under the program, AIDEA may guarantee up to 70 percent of the principal of loans not exceeding \$1 million. AIDEA's bond programs are

i. Tax-Exempt Umbrella Bonds

The Tax-Exempt Umbrella Bond Program finances projects of \$10 million or less. Because of their small size, the projects financed under this program are grouped together when AIDEA issues bonds, hence the title "umbrella."

AIDEA does not directly loan bond proceeds. Proceeds of the bonds are used to purchase up to 90 percent of an eligible loan from financial institutions in the state if AIDEA's participation is \$1,000,000 or less, or up to 80 percent if the participation is over \$1,000,000. In order for AIDEA participations over \$1,000,000 to qualify for tax-exempt financing, there is an added requirement that capital expenditures on all the borrower's projects in a municipality cannot exceed \$10 million. The Tax-Exempt Umbrella Bond Program combines the Economic Development and Consolidated Bond Programs that were previously separate and which financed participations under and over \$1,000,000, respectively. The Bonds may be secured by any or all of the following:

- the full faith and credit of the Authority
- principal and interest payments received on the loans
- collateral held by the Authority on projects financed by the loans
- the State's moral obligation, attached to a Capital Reserve Fund
- a negative covenant on other commitment of assets.

The Authority has covenanted that it will not incur any General Obligation Indebtedness causing estimated Net Income to be less than 150 percent of the General Obligation Annual Debt Service Requirements in each year and to take no action to cause its Unrestricted Surplus to be less than the lesser of \$200 million or the amount of General Obligation Indebtedness outstanding.

During 1988, reductions in the cash flow from AIDE's loan portfolio reduced debt service coverage below 150 percent. The reduced cash flow stemmed from loan delinquencies, modifications and foreclosures associated with Alaska's economic recession. In order to observe the covenant regarding debt service coverage, AIDEA defeased \$78,295,000 of its Economic Development Bonds and Consolidated Bonds by deposit of \$91,269,000 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. As a result the lowest projected future coverage for any year as of June 30, 1988 was 181 percent.

The bonds are rated A by Moody's and A - by Standard & Poor's. They have the State's moral obligation attached.

ii. Taxable Umbrella Bonds

In response to escalating federal restrictions on tax-exempt bonds, AIDEA has implemented a taxable bond program. The provisions of the program are the same as for Tax-Exempt Umbrella Bonds except for the deletion of restrictions related to federal tax-exemption. AIDEA's taxable bonds have the State's moral obligation attached. The first bonds under this program in the amount of \$14,540,000 were issued during 1987 and \$14,310,000 were outstanding as of December 31, 1988.

iii. Revenue Bonds

In its third and largest loan program, the Revenue Bond Program, AIDEA acts as a conduit in the sale and issuance of tax-exempt bonds on behalf of private borrowers who secure the bonds. The bonds are sold by private placement to the financial institution originating the loan rather than by public sale to the highest bidder. Part of the demand for the program arose from lenders who desired the tax-exemption on the interest income. Borrowers were often enticed into the Revenue Bond program by floating rate loans at lower rates than the fixed rates available under the Umbrella programs. The elimination by the Tax Reform Act of 1986 of deductibility of all bank interest expense (for example, interest paid by a bank on time deposits) allocable to holding of tax-exempt obligations has greatly reduced demand for this program.

AIDEA does not participate financially in the Revenue Bond projects nor are the Authority's assets or credit pledged as security for the bonds. Bonds issued under this program are not considered to be obligations of the Authority or the State.

They are considered to be obligations of the private borrower only. Furthermore, the State's moral obligation does not stand behind these bonds.

Most bonds under this program are tax-exempt by virtue of the small issues exemption. A few have been exempt facility bonds. From inception to June 30, 1988, AIDEA has issued 284 Revenue Bonds totaling \$591,747,230. There were no Revenue Bonds issued during fiscal year 1988.

iv. Development Bonds

Alaska statutes authorize AIDEA to finance development projects that it intends to own and operate. The types of facilities the Authority may own or operate must be for use in manufacturing, natural resource extraction, or transportation of those products.

Bonds for projects to be owned or operated by AIDEA may be secured by the project, project revenues, or the assets of AIDEA's economic development fund. Bonds issued for such projects also are permitted to carry the State's moral obligation in the form of a capital reserve fund.

The only bonds authorized for this program are \$175,000,000 to provide financing for the DeLong Mountains Transportation Project. The project consists of a road and port owned and operated by AIDEA to facilitate the development of the Red Dog and other mines in Northwest Alaska. \$103,250,000 of such bonds were issued during 1987 and were outstanding as of December 31, 1988. The bonds are insured and rated triple A by both Moody's and Standard & Poor's. They have the State's moral obligation attached.

v. Export Assistance Bonds

Chapter 42, SLA 1987 authorized AIDEA to guarantee up to 90 percent of principal and interest on loans made to finance the export of raw materials, goods, or services from Alaska. The guarantees are against political or commercial loss.

AIDEA may issue bonds to fund its export guarantee program. The bonds may be secured by premiums paid by the borrower, bond proceeds, the insurance purchased from bond proceeds, or other assets of the authority.

b. Bond Authorization

AS 44.88.090(g) which took effect in fiscal year 1982 placed a statutory ceiling on all AIDEA annual bond issuance. The ceiling was set at \$400 million per fiscal year and has remained at that level. An additional requirement of AS 44.88.090(g) is legislative approval of any Revenue Bond or Export Assistance Bond in excess of \$50 million. AS 44.88.172(c) requires legislative approval of bonds issued for projects which AIDEA will own or operate. AS 44.88.090(i) requires legislative approval of all AIDEA bonds issued after January 1, 1990.

Senate CS for CS for HB 123 (2d L.S.E.)

Section 1:

Allows the authority a limited exemption to the procurement code pertaining to airports.

Section 2:

Allows the authority a limited exemption to the procurement code for the Healy Cogeneration Project.

Section 21:

Adds a new subsection (D) to provide stronger language for the Healy Cogeneration Project in the definition section.

Section 25:

A new Section 25 was inserted to authorize an aircraft maintenance facility in Anchorage.

Section 26:

A new Section 26 was inserted to authorize a dock project in Skagway.

Section 27:

A new Section 27 was inserted to authorize a dock project in Unalaska.

Section 28:

A new Section 28 was inserted to authorize the Healy Cogeneration Project.

Section 29:

A new Section 29 was inserted to require compliance with AS 44.88.173 (preparation of a finance plan).

CHANGES MADE IN SENATE TO HB 123

Title Change: Title of the bill was too restrictive to accommodate changes so was amended back to the original title. Senate Concurrent Resolution No. 35 deals with the title change.

Section 1 was added to accommodate the proposed aircraft maintenance facility in Anchorage. This provides a limited exemption to the procurement code so that the Authority may negotiate directly with various interested airlines.

Section 2 was added to allow an exemption to the procurement code for the teaming arrangement for the Healy Cogeneration Project.

The Senate removed Section 5 of CSHB 123 (Jud)am. This section would have prohibited any form of joint ownership of a project. Authority staff reviewed this prohibition with the Attorney General's Office and requested that it be deleted. The prohibition would prohibit projects such as Red Dog (involving a relationship between Cominco, Nana and AIDEA) as they could very well be constructed to involve joint ownership (i.e., lease of lands, use rights to a third party coupled with Authority ownership of leasehold improvements). Additionally, such a prohibition would prohibit the Authority's proposed financing for Unalaska's Dock Expansion project, as this involves a sale and lease back agreement between the City of Unalaska and AIDEA coupled with lease assignments from private shipping firms. The ability to enter into relationships with municipalities and private concerns is an important aspect of the Authority's ability to develop economically viable projects. The amendment also is contrary -- at least indirectly -- to the concept embodied in AS 44.88.155(d)(7) which requires a minimum level of bank participation in loans financed by AIDEA. If these loans go into default, AIDEA's (and AIDEA's bondholders') position can often be protected only by a joint venture ownership arrangement with the participating bank.

Section 6: This addition provides that the Authority may enter into cooperative agreements with DOT/PF concerning the international airports.

Section 11: A review of this language revealed an oversight that should have been corrected. The intent was that no new bonds of the Authority would have any expressed language entitling the holders to the moral obligation of the State of Alaska. A provision should have been included which grandfathered in refunding bonds (a bond issued to replace an already existing bond at no greater par amount and normally at a lesser interest rate).

As interest rates have fallen, it is possible that the Authority may, at some future date, desire to issue refunding bonds for some of its outstanding deb'. The Senate made this change on lines 8-10, page 8, Section 11.

Section 18: The Senate added a new Section 18 which will have the Authority transfer to the business assistance fund the amount of any discount to capitalize the guarantee program. Should the Authority suffer a loss on an acquired discounted loan it may reverse the transaction and apply such an amount to reserves.

Section 22: This was amended to add a new subsection (D) providing an expanded definition to include the Healy Cogeneration Project.

Section 25: A new Section 25 was inserted to authorize an aircraft maintenance facility in Anchorage.

Section 26: A new Section 26 was inserted to authorize a dock project in Skagway.

Section 27: A new Section 27 was inserted to authorize a dock project in Unalaska.

Section 28 was added to authorize the Healy Cogeneration Project.

Section 29: A new Section 29 was inserted to require compliance with AS 44.88.173 (preparation of a finance plan).

Section 30: A new Section 30 was inserted setting an effective date of August 30, 1988 for Section 18, the date the discounted loans were acquired.

Section 31: The Senate extended the bond authorization date from January 1, 1991 in the House bill to January 1, 1992 in the Senate bill as a year as passed.

Original sponsor(s): Rules/Governor

1 IN THE HOUSE BY THE LABOR & COMMERCE COMMITTEE
2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."

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

10 * Section 1. AS 36.30.850(b)(8) is amended to read:

11 (8) acquisitions or disposals of property and other contracts
12 relating to airports under AS 02.15.070, 02.15.090, [AND] 02.15.091,
13 and AS 44.88;

14 * Sec. 2. AS 44.88.010(a)(9) is amended to read:

15 (9) the achievement of the goal of full employment, and of
16 establishment and continuing operation and development of industrial,
17 manufacturing, export, small business, and business enterprises in the
18 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
19 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR
20 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
21 INDUSTRIAL PARKS, ! 'S COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
22 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
23 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
24 facilitated by the creation of an instrumentality of the state with
25 powers to incur debt, to own and operate facilities, to make and
26 insure loans to finance [,] and to assist private lenders to make
27 loans to finance [,] the establishment, operation, and development of
28 industrial, manufacturing, export, small business, and business enter-
29 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR

1 TRANSPORTATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL.
2 FACILITIES FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER.
3 FACILITIES FOR INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES
4 FOR LOCAL DISTRICT HEATING OR COOLING, PARKING FACILITIES, OR A STOR-
5 AGE OR TRAINING FACILITY RELATING TO A PLANT OR FACILITY];

6 * Sec. 3. AS 44.88.010(c) is amended to read:

7 (c) It is further declared to be the policy of the state, in the
8 interests of promoting the health, security, and general welfare of
9 all the people of the state, and a public purpose of the state, to
10 accomplish the objectives set out in (b) of this section through the
11 provision of financial support to a [IN COOPERATION WITH] federal,
12 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
13 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
14 AND SERVICES].

15 * Sec. 4. AS 44.88.060 is amended to read:

16 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
17 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
18 Authority revolving fund is established in the authority. The revolv-
19 ing fund consists of appropriations made to the revolving fund by the
20 legislature, money or other assets transferred to the revolving fund
21 by the authority, and unrestricted payments on loans made or purchased
22 by the authority. Unless otherwise expressly stated, the accounts
23 created in this chapter are accounts in the revolving fund. The
24 authority may create additional accounts either in the revolving fund
25 or outside the revolving fund. Subject to agreements made with the
26 holders of the authority's bonds or with other persons, the authority
27 may transfer amounts in an account in the revolving fund to another
28 account in the revolving fund. Amounts deposited in the revolving
29 fund may be pledged to the payment of bonds of the authority or

1 expended for the purposes of the authority under this chapter. The
2 authority has the powers and responsibilities established in AS 37.-
3 10.071 with respect to the investment of amounts held in the revolving
4 fund.

5 * Sec. 5. AS 44.88.080 is amended by adding a new paragraph to read:

6 (25) to make cooperative agreements with the Department of
7 Transportation and Public Facilities, acting on behalf of the inter-
8 national airports revenue fund established under AS 37.15.430, to
9 acquire, equip, operate, maintain, construct or install facilities
10 that will enhance the competitiveness of the international airports,
11 including a cooperative agreement to lend amounts from the interna-
12 tional airport revenue fund to finance the development or improvement
13 of utilities serving the airports.

14 * Sec. 6. AS 44.88.090(a) is amended to read:

15 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
16 borrow money and may issue bonds, including but not limited to bonds
17 on which the principal and interest are payable

18 (1) exclusively from the income and receipts or other money
19 derived from the project or development project financed with the
20 proceeds of the bonds or derived from the exporter or exporting trans-
21 action financed, guaranteed, or insured with the proceeds of the
22 bonds;

23 (2) exclusively from the income and receipts or other money
24 derived from designated projects or development projects or other
25 sources whether or not they are financed, insured, or guaranteed in
26 whole or in part with the proceeds of the bonds; or

27 (3) from its income and receipts or other assets generally,
28 or a designated part or parts of them.

29 * Sec. 7. AS 44.88 is amended by adding a new section to read:

1 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not
2 issue bonds in a 12-month period in an amount that exceeds
3 \$400,000,000.

4 (b) The authority may not issue revenue bonds, other than re-
5 funding bonds, to purchase a loan for a project under AS 44.88.155 -
6 44.88.159, to acquire a development project under AS 44.88.172 -
7 44.88.177 or to provide money to finance, guarantee, or insure an
8 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
9 greater than \$50,000,000 during any 12-month period unless the issu-
10 ance is included separately in the estimates required in the report of
11 the authority under AS 44.88.210(b) and unless the legislature, by
12 law, approves the issuance.

13 (c) Before entering into a lease or other agreement under
14 AS 44.88.090(e) regarding a project for which the authority agrees to
15 issue bonds in an amount in excess of \$6,000,000, there must be filed
16 with the authority a certified copy of a resolution of the governing
17 body of the political subdivision of the state, if any, in which the
18 project is to be located, consenting to the location of the project.
19 The consent need only refer to the general nature of the project
20 ultimately to be acquired, as set out in a request of the proposed
21 project applicant. Before entering into a lease or other agreement
22 under AS 44.88.090(e) regarding a project, the authority shall find,
23 on the basis of all information reasonably available to it, that

24 (1) the project and its development under this chapter will
25 be economically advantageous to the state and the general public
26 welfare and will contribute to the economic growth of the state;

27 (2) the project applicant is financially responsible;

28 (3) provision to meet increased demand upon public facili-
29 ties that might result from the project is reasonably assured; and

1 (4) the project will provide, or retain, employment reason-
2 ably related to the amount of the financing by the authority, con-
3 sidering the amount of investment per employee for comparable facil-
4 ities and other relevant factors.

5 (d) Before adopting a resolution approving a project to be
6 financed under AS 44.88.172 for which bonds must be issued, the au-
7 thority shall, on the basis of all information reasonably available to
8 it, make findings, with respect to the project, as described in
9 (c)(1) - (4) of this section, and also find that

10 (1) the project is economically and financially feasible
11 and able to produce revenue adequate to repay the bonds or loans with
12 which it is financed;

13 (2) the project complies with applicable law; and

14 (3) issuance of the bonds is not expected to adversely
15 affect the ability of the state or any political subdivision of the
16 state to market other bonds.

17 (e) Before entering into an agreement to finance or to develop a
18 proposed project financed under AS 44.88.172 for which bonds must be
19 issued, the authority shall obtain the approval of each Regional
20 Resource Advisory Council appointed under AS 44.88.174 or municipality
21 in the area in which the proposed project is to be located. Approval
22 under this subsection must be evidenced by a certified copy of a
23 resolution of the council or of the governing body of the municipal-
24 ity. Before considering a resolution regarding the approval or re-
25 jection of the development or financing of a proposed project under
26 this subsection, a Regional Resource Advisory Council shall conduct a
27 public hearing in the region. If a proposed project is located in a
28 municipality, the governing body of the municipality shall conduct a
29 hearing on the proposed project.

1 (f) Before entering into an agreement to finance or to develop a
2 proposed project financed under AS 44.88.172 for which bonds must be
3 issued, the authority shall compile and make available to the public a
4 document that summarizes the projected economic, social, and environ-
5 mental effects of the project; and, in conjunction with the Department
6 of Fish and Game, the Department of Natural Resources, the Department
7 of Environmental Conservation, and the Department of Labor, the au-
8 thority shall conduct a public hearing on the projected effects of the
9 project.

10 (g) Without prior legislative approval, the authority may not
11 issue bonds in an amount greater than \$10,000,000 to assist in the
12 financing of a development project under AS 44.88.172 - 44.88.177.

13 * Sec. 8. AS 44.88.095(g) is repealed and reenacted to read:

14 (g) The authority may not issue bonds, other than refunding
15 bonds, without securing the prior approval of the legislature.

16 * Sec. 9. AS 44.88.105(a) is amended to read:

17 (a) For the purpose of securing one or more issues of its bonds,
18 the authority may establish one or more special funds, called "capital
19 reserve funds", and shall pay into those capital reserve funds the
20 proceeds of the sale of its bonds and other money which may be made
21 available to the authority from other sources for the purposes of the
22 capital reserve funds. A capital reserve fund may be established only
23 if the authority determines that the establishment of the fund would
24 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
25 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
26 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
27 reserve fund, except as provided in this section, may be used as
28 required only for (1) the payment of the principal of, and interest
29 on, bonds or of the sinking fund payments with respect to those bonds;

1 (2) the purchase or redemption of the bonds; or (3) the payment of a
2 redemption premium required to be paid when the bonds are redeemed
3 before maturity. However, money in a capital reserve fund may not be
4 withdrawn if the withdrawal would reduce the amount in the capital
5 reserve fund to less than the capital reserve fund requirement, except
6 for the purpose of making payment, when due, of principal, interest,
7 redemption premiums on the bonds, and sinking fund payments when other
8 money of the authority is not available for the payments. Income or
9 interest earned by, or increment to, a capital reserve fund, from the
10 investment of all or part of the fund, may be transferred by the
11 authority to other funds or accounts of the authority if the transfer
12 does not reduce the amount of the capital reserve fund below the
13 capital reserve fund requirement.

14 * Sec. 10. AS 44.88.105(d) is amended to read:

15 (d) The chairman of the authority shall annually, no later than
16 January 2, certify in writing to the governor and the legislature the
17 amount, if any, required to restore a capital reserve fund to the
18 capital reserve fund requirement. The legislature may appropriate to
19 the authority the amount certified by the chairman of the authority.
20 The authority shall deposit the amounts appropriated under this sub-
21 section during a fiscal year in the proper capital reserve fund.
22 Nothing in this section creates a debt or liability of the state. In
23 this subsection, "capital reserve fund" means a capital reserve fund
24 that

25 (1) is created under this section on or before January 1,
26 1989; or

27 (2) secures refunding bonds if the refunding bonds are
28 issued to refund bonds that are secured by a capital reserve fund
29 created under this section on or before January 1, 1989.

1 * Sec. 11. AS 44.88.155(b) is amended to read:

2 (b) The authority may establish in the enterprise development
3 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
4 COUNT, AND OTHER] accounts it considers appropriate.

5 * Sec. 12. AS 44.88.155(c) is amended to read:

6 (c) Money and other assets of the enterprise development account
7 may be used to secure bonds of the authority issued to finance the
8 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
9 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
10 chase loans for projects.

11 * Sec. 13. AS 44.88.155(d) is amended to read:

12 (d) A loan purchased in whole or in part by the authority with
13 assets of the enterprise development account or with proceeds of bonds
14 secured by assets of the enterprise development account, other than a
15 loan which is financed with the proceeds of bonds of the authority and
16 secured only by a project applicant or a project,

17 (1) may not exceed

18 [(A)] \$10,000,000; [OR

19 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

20 158;]

21 (2) may not exceed the cost of the project or 75 percent of
22 the appraised value of the project, whichever is less, unless the
23 amount of the loan in excess of this limit is federally insured or
24 guaranteed or is insured by a qualified mortgage insurance company;

25 (3) may not be for a term longer than three-quarters of the
26 authority's estimate of the life of the project or 25 years from the
27 date the loan is made, whichever is earlier;

28 (4) shall contain complete amortization provisions satis-
29 factory to the authority requiring periodic payments by the borrower;

1 (5) shall be in the form and contain the terms and provi-
2 sions with respect to insurance, repairs, alterations, payment of
3 taxes and assessments, default reserves, delinquency charges, default
4 remedies, acceleration of maturity, secondary liens, and other matters
5 the authority prescribes;

6 (6) shall be secured as to repayment by a mortgage or other
7 security instrument in the manner the authority determines is feasible
8 to assure timely repayment under a loan agreement entered into with
9 the borrower;

10 (7) may not be made unless

11 (A) at least 20 [10] percent of the principal amount
12 of the loan is retained by the originator of the loan as long as
13 the loan is outstanding; or

14 (B) 100 percent of the principal amount of the loan is
15 guaranteed by the United States or an agency or instrumentality
16 of the United States;

17 (8) must be

18 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
19 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
20 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

21 (B)] financed from the proceeds of bonds; or

22 (B) [(C)] expected by the authority to be financed
23 from the proceeds of bonds.

24 * Sec. 14. AS 44.88.165 is repealed and reenacted to read:

25 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
26 regulations to describe the circumstances under which it will discor-
27 tinue purchasing loans from a financial institution because of exces-
28 sive delinquencies among the loans previously purchased by the author-
29 ity from the financial institution. In adopting the regulations, the

1 authority must consider the authority's delinquency experience with
2 loans it purchased from all financial institutions. The authority may
3 include in the regulations other remedies it considers appropriate as
4 alternatives to the discontinuance of purchasing loans from the finan-
5 cial institution.

6 * Sec. 15. AS 44.88.172(a) is amended to read:

7 (a) The economic development account is established in the
8 revolving fund. The economic development account consists of money or
9 assets appropriated, loaned, or transferred to the authority for
10 deposit in the account [,] and other money or assets deposited in the
11 account by the authority. While money is on deposit in the economic
12 development account, the money [THE ACCOUNT] may be used only to
13 finance, acquire, manage, and operate development projects that the
14 authority intends to own and operate. The term "operate" includes
15 operation directly by the authority [,] or by an agent of the author-
16 ity.

17 * Sec. 16. AS 44.88.535(b) is amended to read:

18 (b) The authority may provide a guarantee from the fund for up
19 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
20 44.88.599. The ratio of the guarantee to the outstanding principal of
21 the loan may not increase over the term of the loan.

22 * Sec. 17. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.542. DISCOUNTED LOAN PURCHASES. If the authority
24 purchases at a discount the principal amount of a loan initially
25 retained by an originating bank that is in financial distress or
26 insolvent, the authority shall transfer from reserves to the business
27 assistance fund established under AS 44.88.500 an amount representing
28 the discount. If the authority subsequently suffers a loss on a loan
29 covered by this section, an amount equal to the loss may be

1 transferred from the business assistance fund to the reserves of the
2 authority.

3 * Sec. 18. AS 44.88.545 is amended to read:

4 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-
5 ROWERS. The authority may not provide a guarantee

6 (1) [A LOAN] of more than \$1,000,000;

7 (2) [LOANS] to an individual borrower that cumulatively
8 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

9 * Sec. 19. AS 44.88.560 is amended to read:

10 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

11 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
12 599;

13 (2) establish terms and conditions for loan guarantees and
14 refinancing agreements subject to the requirements of AS 44.88.500 -
15 44.88.599;

16 (3) make and execute contracts and other instruments to
17 implement AS 44.88.500 - 44.88.599;

18 (4) charge

19 (A) one percent of the amount guaranteed for the
20 service it provides under AS 44.88.500 - 44.88.599; and

21 (B) any other reasonable fee that the authority may
22 establish by regulation;

23 (5) acquire real or personal property by purchase, trans-
24 fer, or foreclosure when the acquisition is necessary to protect an
25 interest in the fund; and

26 (6) exercise any other power necessary to implement AS 44.-
27 88.500 - 44.88.599;

28 (7) to the extent the authority considers it to be in its
29 best interest to do so, use money in the business assistance fund to

1 pay expenses relating to the liquidation of collateral securing loans
2 guaranteed by the business assistance fund.

3 * Sec. 20. AS 44.88.900(4) is repealed and reenacted to read:

4 (4) "development project" has the meaning given to "proj-
5 ect" in (9)(A) of this section;

6 * Sec. 21. AS 44.88.900(9) is amended to read:

7 (9) "project" means

8 (A) a plant or facility used or intended for use
9 [(i)] in connection with making, processing, pre-
10 paring, transporting, or producing in any manner, goods,
11 products, or substances of any kind or nature or in connec-
12 tion with developing or utilizing a natural resource, or
13 extracting, smelting, transporting, converting, assembling,
14 or producing in any manner, minerals, raw materials, chemi-
15 cals, compounds, alloys, fibers, commodities and materials,
16 products, or substances of any kind or nature;

17 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
18 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
19 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
20 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
21 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
22 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
23 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
24 FACILITY DESCRIBED IN THIS PARAGRAPH;]

25 (B) a plant or facility used or intended for use in
26 connection with a business enterprise;

27 (C) commercial activity by a small enterprise;

28 (D) a plant or facility demonstrating technological
29 advances of new methods and procedures and prototype commercial

1 applications for the exploration, development, production, trans-
2 portation, conversion, and use of energy resources;

3 * Sec. 22. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
4 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
5 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

6 * Sec. 23. AS 44.88.095(b) is repealed.

7 * Sec. 24. The Alaska Industrial Development and Export Authority may
8 issue bonds to finance the acquisition, design, and construction of a
9 multi-bay aircraft maintenance facility located at Anchorage International
10 Airport, to be owned by the authority. The principal amount of the bonds
11 may not exceed \$50,000,000. This section grants the legislative approval
12 required by AS 44.88.095 and 44.88.172(c).

13 * Sec. 25. The Alaska Industrial Development and Export Authority may
14 issue bonds to finance the acquisition, design, and reconstruction of a
15 public use ore terminal in Skagway to be owned by the authority. The
16 principal amount of the bonds may not exceed \$25,000,000. This section
17 grants the legislative approval required by AS 44.88.095 and 44.88.172(c).

18 * Sec. 26. The Alaska Industrial Development and Export Authority may
19 issue bonds to finance the acquisition, design, and construction of im-
20 provements to the Ballyhoo dock in Unalaska to be owned by the authority.
21 The principal amount of the bonds may not exceed \$10,000,000. This section
22 grants the legislative approval required by AS 44.88.095 and 44.88.172(c).

23 * Sec. 27. Before bonds authorized in secs. 25 and 26 of this Act are
24 issued, the Alaska Industrial Development and Export Authority shall comply
25 with the requirements of AS 44.88.173.

26 * Sec. 28. Section 17 of this Act is retroactive to August 30, 1988.

27 * Sec. 29. Sections 8 and 23 of this Act take effect January 1, 1992.

28 * Sec. 30. Sections 1 - 7, 9 - 22, and 24 - 28 of this Act take effect
29 immediately under AS 01.10.070(c).

Original sponsor(s): Rules/Governor

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

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11 (8) acquisitions or disposals of property and other contracts
12 relating to airports under AS 02.15.070, 02.15.090, [AND] 02.15.091,
13 and AS 44.88;

14 * Sec. 2. AS 36.30.850(b) is amended by adding a new paragraph to read:

15 (22) contracts of the Alaska Industrial Development and
16 Export Authority for a clean coal technology demonstration project
17 that

18 (A) is attempting to develop a coal-fired electric
19 generation project;

20 (B) uses technology that is capable of commercializa-
21 tion during the 1990's; and

22 (C) qualifies for federal financial participation
23 under P.L. 99-190 as amended.

24 * Sec. 3. AS 44.88.010(a)(9) is amended to read:

25 (9) the achievement of the goal of full employment, and of
26 establishment and continuing operation and development of industrial,
27 manufacturing, export, small business, and business enterprises in the
28 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
29 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR

1 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
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3 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
4 FACILITY RELATING TO A PLANT OR FACILITY,) will be accelerated and
5 facilitated by the creation of an instrumentality of the state with
6 powers to incur debt, to own and operate facilities, to make and
7 insure loans to finance [,] and to assist private lenders to make
8 loans to finance [,] the establishment, operation, and development of
9 industrial, manufacturing, export, small business, and business enter-
10 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTA-
11 TION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
12 FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
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14 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
15 FACILITY RELATING TO A PLANT OR FACILITY];

16 * Sec. 4. AS 44.88.010(c) is amended to read:

17 (c) It is further declared to be the policy of the state, in the
18 interests of promoting the health, security, and general welfare of
19 all the people of the state, and a public purpose of the state, to
20 accomplish the objectives set out in (b) of this section through the
21 provision of financial support to a [IN COOPERATION WITH] federal,
22 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
23 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
24 AND SERVICES].

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26 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
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28 Authority revolving fund is established in the authority. The revolv-
29 ing fund consists of appropriations made to the revolving fund by the

CS deletes "The authority may not enter into an agreement for joint ownership of a project"

1 legislature, money or other assets transferred to the revolving fund
 2 by the authority, and unrestricted payments on loans made or purchased
 3 by the authority. Unless otherwise expressly stated, the accounts
 4 created in this chapter are accounts in the revolving fund. The
 5 authority may create additional accounts either in the revolving fund
 6 or outside the revolving fund. Subject to agreements made with the
 7 holders of the authority's bonds or with other persons, the authority
 8 may transfer amounts in an account in the revolving fund to another
 9 account in the revolving fund. Amounts deposited in the revolving
 10 fund may be pledged to the payment of bonds of the authority or ex-
 11 pended for the purposes of the authority under this chapter. The
 12 authority has the powers and responsibilities established in AS 37.-
 13 10.071 with respect to the investment of amounts held in the revolving
 14 fund.

15 * Sec. 6. AS 44.88.080 is amended by adding a new paragraph to read:

16 (25) to make cooperative agreements with the Department of
 17 Transportation and Public Facilities, acting on behalf of the inter-
 18 national airports revenue fund established under AS 37.15.430, to
 19 acquire, equip, operate, maintain, construct or install facilities
 20 that will enhance the competitiveness of the international airports,
 21 including a cooperative agreement to lend amounts from the interna-
 22 tional airport revenue fund to finance the development or improvement
 23 of utilities serving the airports.

24 * Sec. 7. AS 44.88.090(a) is amended to read:

25 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
 26 borrow money and may issue bonds, including but not limited to bonds
 27 on which the principal and interest are payable

28 (1) exclusively from the income and receipts or other money
 29 derived from the project or development project financed with the

1 proceeds of the bonds or derived from the exporter or exporting trans-
2 action financed, guaranteed, or insured with the proceeds of the
3 bonds;

4 (2) exclusively from the income and receipts or other money
5 derived from designated projects or development projects or other
6 sources whether or not they are financed, insured, or guaranteed in
7 whole or in part with the proceeds of the bonds; or

8 (3) from its income and receipts or other assets generally,
9 or a designated part or parts of them.

10 * Sec. 8. AS 44.88 is amended by adding a new section to read:

11 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not
12 issue bonds in a 12-month period in an amount that exceeds
13 \$400,000,000.

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15 funding bonds, to purchase a loan for a project under AS 44.88.155 -
16 44.88.159, to acquire a development project under AS 44.88.172 -
17 44.88.177 or to provide money to finance, guarantee, or insure an
18 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
19 greater than \$50,000,000 during any 12-month period unless the issu-
20 ance is included separately in the estimates required in the report of
21 the authority under AS 44.88.210(b) and unless the legislature, by
22 law, approves the issuance.

23 (c) Before entering into a lease or other agreement under
24 AS 44.88.090(e) regarding a project for which the authority agrees to
25 issue bonds in an amount in excess of \$6,000,000, there must be filed
26 with the authority a certified copy of a resolution of the governing
27 body of the political subdivision of the state, if any, in which the
28 project is to be located, consenting to the location of the project.
29 The consent need only refer to the general nature of the project

1 ultimately to be acquired, as set out in a request of the proposed
2 project applicant. Before entering into a lease or other agreement
3 under AS 44.88.090(e) regarding a project, the authority shall find,
4 on the basis of all information reasonably available to it, that

5 (1) the project and its development under this chapter will
6 be economically advantageous to the state and the general public
7 welfare and will contribute to the economic growth of the state;

8 (2) the project applicant is financially responsible;

9 (3) provision to meet increased demand upon public facili-
10 ties that might result from the project is reasonably assured; and

11 (4) the project will provide, or retain, employment reason-
12 ably related to the amount of the financing by the authority, con-
13 sidering the amount of investment per employee for comparable facil-
14 ities and other relevant factors.

15 (d) Before adopting a resolution approving a project to be
16 financed under AS 44.88.172 for which bonds must be issued, the au-
17 thority shall, on the basis of all information reasonably available to
18 it, make findings, with respect to the project, as described in
19 (c)(1) - (4) of this section, and also find that

20 (1) the project is economically and financially feasible
21 and able to produce revenue adequate to repay the bonds or loans with
22 which it is financed;

23 (2) the project complies with applicable law; and

24 (3) issuance of the bonds is not expected to adversely
25 affect the ability of the state or any political subdivision of the
26 state to market other bonds.

27 (e) Before entering into an agreement to finance or to develop a
28 proposed project financed under AS 44.88.172 for which bonds must be
29 issued, the authority shall obtain the approval of each Regional

1 Resource Advisory Council appointed under AS 44.88.174 or municipality
2 in the area in which the proposed project is to be located. Approval
3 under this subsection must be evidenced by a certified copy of a
4 resolution of the council or of the governing body of the municipal-
5 ity. Before considering a resolution regarding the approval or re-
6 jection of the development or financing of a proposed project under
7 this subsection, a Regional Resource Advisory Council shall conduct a
8 public hearing in the region. If a proposed project is located in a
9 municipality, the governing body of the municipality shall conduct a
10 hearing on the proposed project.

11 (f) Before entering into an agreement to finance or to develop a
12 proposed project financed under AS 44.88.172 for which bonds must be
13 issued, the authority shall compile and make available to the public a
14 document that summarizes the projected economic, social, and environ-
15 mental effects of the project; and, in conjunction with the Department
16 of Fish and Game, the Department of Natural Resources, the Department
17 of Environmental Conservation, and the Department of Labor, the au-
18 thority shall conduct a public hearing on the projected effects of the
19 project.

20 (g) Without prior legislative approval, the authority may not
21 issue bonds in an amount greater than \$10,000,000 to assist in the
22 financing of a development project under AS 44.88.172 - 44.88.177.

23 * Sec. 9. AS 44.88.095(g) is repealed and reenacted to read:

24 (g) The authority may not issue bonds, other than refunding
25 bonds, without securing the prior approval of the legislature.

26 * Sec. 10. AS 44.88.105(a) is amended to read:

27 (a) For the purpose of securing one or more issues of its bonds,
28 the authority may establish one or more special funds, called "capital
29 reserve funds", and shall pay into those capital reserve funds the

1 proceeds of the sale of its bonds and other money which may be made
2 available to the authority from other sources for the purposes of the
3 capital reserve funds. A capital reserve fund may be established only
4 if the authority determines that the establishment of the fund would
5 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
6 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
7 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
8 reserve fund, except as provided in this section, may be used as
9 required only for (1) the payment of the principal of, and interest
10 on, bonds or of the sinking fund payments with respect to those bonds;
11 (2) the purchase or redemption of the bonds; or (3) the payment of a
12 redemption premium required to be paid when the bonds are redeemed
13 before maturity. However, money in a capital reserve fund may not be
14 withdrawn if the withdrawal would reduce the amount in the capital
15 reserve fund to less than the capital reserve fund requirement, except
16 for the purpose of making payment, when due, of principal, interest,
17 redemption premiums on the bonds, and sinking fund payments when other
18 money of the authority is not available for the payments. Income or
19 interest earned by, or increment to, a capital reserve fund, from the
20 investment of all or part of the fund, may be transferred by the
21 authority to other funds or accounts of the authority if the transfer
22 does not reduce the amount of the capital reserve fund below the
23 capital reserve fund requirement. .

24 * Sec. 11. AS 44.88.105(d) is amended to read:

25 (d) The chairman of the authority shall annually, no later than
26 January 2, certify in writing to the governor and the legislature the
27 amount, if any, required to restore a capital reserve fund to the
28 capital reserve fund requirement. The legislature may appropriate to
29 the authority the amount certified by the chairman of the authority.

1 The authority shall deposit the amounts appropriated under this sub-
2 section during a fiscal year in the proper capital reserve fund.
3 Nothing in this section creates a debt or liability of the state. In
4 this subsection, "capital reserve fund" means a capital reserve fund
5 that

6 (1) is created under this section on or before January 1,
7 1989; or

8 (2) secures refunding bonds if the refunding bonds are
9 issued to refund bonds that are secured by a capital reserve fund
10 created under this section on or before January 1, 1989.

11 * Sec. 12. AS 44.88.155(b) is amended to read:

12 (b) The authority may establish in the enterprise development
13 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
14 COUNT, AND OTHER] accounts it considers appropriate.

15 * Sec. 13. AS 44.88.155(c) is amended to read:

16 (c) Money and other assets of the enterprise development account
17 may be used to secure bonds of the authority issued to finance the
18 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
19 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
20 chase loans for projects.

21 * Sec. 14. AS 44.88.155(d) is amended to read:

22 (d) A loan purchased in whole or in part by the authority with
23 assets of the enterprise development account or with proceeds of bonds
24 secured by assets of the enterprise development account, other than a
25 loan which is financed with the proceeds of bonds of the authority and
26 secured only by a project applicant or a project,

27 (1) may not exceed

28 [(A)] \$10,000,000; [OR

29 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER

1 AS 44.88.158;]

2 (2) may not exceed the cost of the project or 75 percent of
3 the appraised value of the project, whichever is less, unless the
4 amount of the loan in excess of this limit is federally insured or
5 guaranteed or is insured by a qualified mortgage insurance company;

6 (3) may not be for a term longer than three-quarters of the
7 authority's estimate of the life of the project or 25 years from the
8 date the loan is made, whichever is earlier;

9 (4) shall contain complete amortization provisions satis-
10 factory to the authority requiring periodic payments by the borrower;

11 (5) shall be in the form and contain the terms and provi-
12 sions with respect to insurance, repairs, alterations, payment of
13 taxes and assessments, default reserves, delinquency charges, default
14 remedies, acceleration of maturity, secondary liens, and other matters
15 the authority prescribes;

16 (6) shall be secured as to repayment by a mortgage or other
17 security instrument in the manner the authority determines is feasible
18 to assure timely repayment under a loan agreement entered into with
19 the borrower;

20 (7) may not be made unless

21 (A) at least 20 [10] percent of the principal amount
22 of the loan is retained by the originator of the loan as long as
23 the loan is outstanding; or

24 (B) 100 percent of the principal amount of the loan is
25 guaranteed by the United States or an agency or instrumentality
26 of the United States;

27 (8) must be

28 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
29 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,

1 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

2 (B)] financed from the proceeds of bonds; or

3 (B) [(C)] expected by the authority to be financed
4 from the proceed. bonds.

5 * Sec. 15. AS 44.88.165 is repealed and reenacted to read:

6 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
7 regulations to describe the circumstances under which it will discon-
8 tinue purchasing loans from a financial institution because of exces-
9 sive delinquencies among the loans previously purchased by the author-
10 ity from the financial institution. In adopting the regulations, the
11 authority must consider the authority's delinquency experience with
12 loans it purchased from all financial institutions. The authority may
13 include in the regulations other remedies it considers appropriate as
14 alternatives to the discontinuance of purchasing loans from the finan-
15 cial institution.

16 * Sec. 16. AS 44.88.172(a) is amended to read:

17 (a) The economic development account is established in the
18 revolving fund. The economic development account consists of money or
19 assets appropriated, loaned, or transferred to the authority for
20 deposit in the account [,] and other money or assets deposited in the
21 account by the authority. While money is on deposit in the economic
22 development account, the money [THE ACCOUNT] may be used only to
23 finance, acquire, manage, and operate development projects that the
24 authority intends to own and operate. The term "operate" includes
25 operation directly by the authority [,] or by an agent of the author-
26 ity.

27 * Sec. 17. AS 44.88.535(b) is amended to read:

28 (b) The authority may provide a guarantee from the fund for up
29 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -

1 44.88.599. The ratio of the guarantee to the outstanding principal of
2 the loan may not increase over the term of the loan.

3 * Sec. 18. AS 44.88 is amended by adding a new section to read:

4 Sec. 44.88.542. DISCOUNTED LOAN PURCHASES. If the authority
5 purchases at a discount the principal amount of a loan initially
6 retained by an originating bank that is in financial distress or
7 insolvent, the authority shall transfer from reserves to the business
8 assistance fund established under AS 44.88.500 an amount representing
9 the discount. If the authority subsequently suffers a loss on a loan
10 covered by this section, an amount equal to the loss may be trans-
11 ferred from the business assistance fund to the reserves of the au-
12 thority.

13 * Sec. 19. AS 44.88.545 is amended to read:

14 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-
15 ROWERS. The authority may not provide a guarantee

16 (1) [A LOAN] of more than \$1,000,000;

17 (2) [LOANS] to an individual borrower that cumulatively
18 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

19 * Sec. 20. AS 44.88.560 is amended to read:

20 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

21 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
22 599;

23 (2) establish terms and conditions for loan guarantees and
24 refinancing agreements subject to the requirements of AS 44.88.500 -
25 44.88.599;

26 (3) make and execute contracts and other instruments to
27 implement AS 44.88.500 - 44.88.599;

28 (4) charge

29 (A) one percent of the amount guaranteed for the

1 service it provides under AS 44.88.500 - 44.88.599; and

2 (B) any other reasonable fee that the authority may
3 establish by regulation;

4 (5) acquire real or personal property by purchase, trans-
5 fer, or foreclosure when the acquisition is necessary to protect an
6 interest in the fund; and

7 (6) exercise any other power necessary to implement AS 44.-
8 88.500 - 44.88.599;

9 (7) to the extent the authority considers it to be in its
10 best interest to do so, use money in the business assistance fund to
11 pay expenses relating to the liquidation of collateral securing loans
12 guaranteed by the business assistance fund.

13 * Sec. 21. AS 44.88.900(4) is repealed and reenacted to read:

14 (4) "development project" has the meaning given to "proj-
15 ect" in (9)(A) of this section;

16 * Sec. 22. AS 44.88.900(9) is amended to read:

17 (9) "project" means

18 (A) a plant or facility used or intended for use
19 [(i)] in connection with making, processing, pre-
20 paring, transporting, or producing in any manner, goods,
21 products, or substances of any kind or nature or in connec-
22 tion with developing or utilizing a natural resource, or
23 extracting, smelting, transporting, converting, assembling,
24 or producing in any manner, minerals, raw materials, chemi-
25 cals, compounds, alloys, fibers, commodities and materials,
26 products, or substances of any kind or nature;

27 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
28 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
29 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR

1 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
2 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
3 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
4 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
5 FACILITY DESCRIBED IN THIS PARAGRAPH;]

6 (B) a plant or facility used or intended for use in
7 connection with a business enterprise;

8 (C) commercial activity by a small enterprise;

9 (D) a plant or facility demonstrating technological
10 advances of new methods and procedures and prototype commercial
11 applications for the exploration, development, production, trans-
12 portation, conversion, and use of energy resources;

13 * Sec. 23. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
14 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
15 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

16 * Sec. 24. AS 44.88.095(b) is repealed.

17 * Sec. 25. The Alaska Industrial Development and Export Authority may
18 issue bonds to finance the acquisition, design, and construction of a
19 multi-bay aircraft maintenance facility located at Anchorage International
20 Airport, to be owned by the authority. The principal amount of the bonds
21 may not exceed \$50,000,000. This section grants the legislative approval
22 required by AS 44.88.095.

23 * Sec. 26. The Alaska Industrial Development and Export Authority may
24 issue bonds to finance the acquisition, design, and reconstruction of a
25 public use ore terminal in Skagway to be owned by the authority. The
26 principal amount of the bonds may not exceed \$25,000,000. This section
27 grants the legislative approval required by AS 44.88.095.

28 * Sec. 27. The Alaska Industrial Development and Export Authority may
29 issue bonds to finance the acquisition, design, and construction of

1 improvements to the Ballyhoo dock in Unalaska to be owned by the authority.
2 The principal amount of the bonds may not exceed \$10,000,000. This section
3 grants the legislative approval required by AS 44.88.095.

4 * Sec. 28. The Alaska Industrial Development and Export Authority is
5 authorized, as required by AS 44.88.095, to issue bonds for the Healy
6 cogeneration project in a principal amount not to exceed \$85,000,000.

7 * Sec. 29. Before bonds authorized in secs. 25 - 28 of this Act are
8 issued, the Alaska Industrial Development and Export Authority shall comply
9 with the requirements of AS 44.88.173.

10 * Sec. 30. Section 18 of this Act is retroactive to August 30, 1988.

11 * Sec. 31. Sections 9 and 24 of this Act take effect January 1, 1992.

12 * Sec. 32. Sections 1 - 8, 10 - 23, and 25 - 30 of this Act take effect
13 immediately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 1, 1990

SUBJECT: Withholding of additional revenue proceeds
(Draft SCS CSHB 123 (2dL&C), go0799hM,
4-30-90)

TO: Senator Dick Eliason
Chair, Senate Labor & Commerce Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft of SCS CSHB 123 (2dL&C) that you requested. Please be aware that there is a question whether sec. 24 of the bill (authorizing AIDEA to withhold additional moneys from the DeLong Mountain project revenue bond income stream) amounts to an unconstitutional distribution of state money because the income stream may be considered money of the state and because state money can only be transferred by appropriation. If you wish additional information on this issue, please advise.

TLB:pl
WKP4/099

Enclosure

go0799hM
Bannister
5/1/90

Original sponsor(s): Rules/Governor

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."

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

10 * Section 1. AS 36.30.850(b)(8) is amended to read:

11 (8) acquisitions or disposals of property and other contracts
12 relating to airports under AS 02.15.070, 02.15.090, [AND] 02.15.091,
13 and AS 44.88;

14 * Sec. 2. AS 44.88.010(a)(9) is amended to read:

15 (9) the achievement of the goal of full employment, and of
16 establishment and continuing operation and development of industrial,
17 manufacturing, export, small business, and business enterprises in the
18 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
19 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR
20 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
21 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
22 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
23 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
24 facilitated by the creation of an instrumentality of the state with
25 powers to incur debt, to own and operate facilities, to make and
26 insure loans to finance [,] and to assist private lenders to make
27 loans to finance [,] the establishment, operation, and development of
28 industrial, manufacturing, export, small business, and business enter-
29 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR

1 TRANSPORTATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL,
2 FACILITIES FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER,
3 FACILITIES FOR INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES
4 FOR LOCAL DISTRICT HEATING OR COOLING, PARKING FACILITIES, OR A STOR-
5 AGE OR TRAINING FACILITY RELATING TO A PLANT OR FACILITY];

6 * Sec. 3. AS 44.88.010(c) is amended to read:

7 (c) It is further declared to be the policy of the state, in the
8 interests of promoting the health, security, and general welfare of
9 all the people of the state, and a public purpose of the state, to
10 accomplish the objectives set out in (b) of this section through the
11 provision of financial support to a [IN COOPERATION WITH] federal,
12 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
13 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
14 AND SERVICES].

15 * Sec. 4. AS 44.88.060 is amended to read:

16 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
17 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
18 Authority revolving fund is established in the authority. The revolv-
19 ing fund consists of appropriations made to the revolving fund by the
20 legislature, money or other assets transferred to the revolving fund
21 by the authority, and unrestricted payments on loans made or purchased
22 by the authority. Unless otherwise expressly stated, the accounts
23 created in this chapter are accounts in the revolving fund. The
24 authority may create additional accounts either in the revolving fund
25 or outside the revolving fund. Subject to agreements made with the
26 holders of the authority's bonds or with other persons, the authority
27 may transfer amounts in an account in the revolving fund to another
28 account in the revolving fund. Amounts deposited in the revolving
29 fund may be pledged to the payment of bonds of the authority or

1 expended for the purposes of the authority under this chapter. The
2 authority has the powers and responsibilities established in AS 37.-
3 10.071 with respect to the investment of amounts held in the revolving
4 fund.

5 * Sec. 5. AS 44.88.080 is amended by adding a new paragraph to read:

6 (25) to make cooperative agreements with the Department of
7 Transportation and Public Facilities, acting on behalf of the inter-
8 national airports revenue fund established under AS 37.15.430, to
9 acquire, equip, operate, maintain, construct or install facilities
10 that will enhance the competitiveness of the international airports,
11 including a cooperative agreement to lend amounts from the interna-
12 tional airport revenue fund to finance the development or improvement
13 of utilities serving the airports.

14 * Sec. 6. AS 44.88.090(a) is amended to read:

15 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
16 borrow money and may issue bonds, including but not limited to bonds
17 on which the principal and interest are payable

18 (1) exclusively from the income and receipts or other money
19 derived from the project or development project financed with the
20 proceeds of the bonds or derived from the exporter or exporting trans-
21 action financed, guaranteed, or insured with the proceeds of the
22 bonds;

23 (2) exclusively from the income and receipts or other money
24 derived from designated projects or development projects or other
25 sources whether or not they are financed, insured, or guaranteed in
26 whole or in part with the proceeds of the bonds; or

27 (3) from its income and receipts or other assets generally,
28 or a designated part or parts of them.

29 * Sec. 7. AS 44.88 is amended by adding a new section to read:

1 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not
2 issue bonds in a 12-month period in an amount that exceeds
3 \$400,000,000.

4 (b) The authority may not issue revenue bonds, other than re-
5 funding bonds, to purchase a loan for a project under AS 44.88.155 -
6 44.88.159, to acquire a development project under AS 44.88.172 -
7 44.88.177 or to provide money to finance, guarantee, or insure an
8 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
9 greater than \$50,000,000 during any 12-month period unless the issu-
10 ance is included separately in the estimates required in the report of
11 the authority under AS 44.88.210(b) and unless the legislature, by
12 law, approves the issuance.

13 (c) Before entering into a lease or other agreement under
14 AS 44.88.090(e) regarding a project for which the authority agrees to
15 issue bonds in an amount in excess of \$6,000,000, there must be filed
16 with the authority a certified copy of a resolution of the governing
17 body of the political subdivision of the state, if any, in which the
18 project is to be located, consenting to the location of the project.
19 The consent need only refer to the general nature of the project
20 ultimately to be acquired, as set out in a request of the proposed
21 project applicant. Before entering into a lease or other agreement
22 under AS 44.88.090(e) regarding a project, the authority shall find,
23 on the basis of all information reasonably available to it, that

24 (1) the project and its development under this chapter will
25 be economically advantageous to the state and the general public
26 welfare and will contribute to the economic growth of the state;

27 (2) the project applicant is financially responsible;

28 (3) provision to meet increased demand upon public facili-
29 ties that might result from the project is reasonably assured; and

1 (4) the project will provide, or retain, employment reason-
2 ably related to the amount of the financing by the authority, con-
3 sidering the amount of investment per employee for comparable facil-
4 ities and other relevant factors.

5 (d) Before adopting a resolution approving a project to be
6 financed under AS 44.88.172 for which bonds must be issued, the au-
7 thority shall, on the basis of all information reasonably available to
8 it, make findings, with respect to the project, as described in
9 (c)(1) - (4) of this section, and also find that

10 (1) the project is economically and financially feasible
11 and able to produce revenue adequate to repay the bonds or loans with
12 which it is financed;

13 (2) the project complies with applicable law; and

14 (3) issuance of the bonds is not expected to adversely
15 affect the ability of the state or any political subdivision of the
16 state to market other bonds.

17 (e) Before entering into an agreement to finance or to develop a
18 proposed project financed under AS 44.88.172 for which bonds must be
19 issued, the authority shall obtain the approval of each Regional
20 Resource Advisory Council appointed under AS 44.88.174 or municipality
21 in the area in which the proposed project is to be located. Approval
22 under this subsection must be evidenced by a certified copy of a
23 resolution of the council or of the governing body of the municipal-
24 ity. Before considering a resolution regarding the approval or re-
25 jection of the development or financing of a proposed project under
26 this subsection, a Regional Resource Advisory Council shall conduct a
27 public hearing in the region. If a proposed project is located in a
28 municipality, the governing body of the municipality shall conduct a
29 hearing on the proposed project.

1 (f) Before entering into an agreement to finance or to develop a
2 proposed project financed under AS 44.88.172 for which bonds must be
3 issued, the authority shall compile and make available to the public a
4 document that summarizes the projected economic, social, and environ-
5 mental effects of the project; and, in conjunction with the Department
6 of Fish and Game, the Department of Natural Resources, the Department
7 of Environmental Conservation, and the Department of Labor, the au-
8 thority shall conduct a public hearing on the projected effects of the
9 project.

10 (g) Without prior legislative approval, the authority may not
11 issue bonds in an amount greater than \$10,000,000 to assist in the
12 financing of a development project under AS 44.88.172 - 44.88.177.

13 * Sec. 8. AS 44.88.095(g) is repealed and reenacted to read:

14 (g) The authority may not issue bonds, other than refunding
15 bonds, without securing the prior approval of the legislature.

16 * Sec. 9. AS 44.88.105(a) is amended to read:

17 (a) For the purpose of securing one or more issues of its bonds,
18 the authority may establish one or more special funds, called "capital
19 reserve funds", and shall pay into those capital reserve funds the
20 proceeds of the sale of its bonds and other money which may be made
21 available to the authority from other sources for the purposes of the
22 capital reserve funds. A capital reserve fund may be established only
23 if the authority determines that the establishment of the fund would
24 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
25 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
26 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
27 reserve fund, except as provided in this section, may be used as
28 required only for (1) the payment of the principal of, and interest
29 on, bonds or of the sinking fund payments with respect to those bonds;

1 (2) the purchase or redemption of the bonds; or (3) the payment of a
2 redemption premium required to be paid when the bonds are redeemed
3 before maturity. However, money in a capital reserve fund may not be
4 withdrawn if the withdrawal would reduce the amount in the capital
5 reserve fund to less than the capital reserve fund requirement, except
6 for the purpose of making payment, when due, of principal, interest,
7 redemption premiums on the bonds, and sinking fund payments when other
8 money of the authority is not available for the payments. Income or
9 interest earned by, or increment to, a capital reserve fund, from the
10 investment of all or part of the fund, may be transferred by the
11 authority to other funds or accounts of the authority if the transfer
12 does not reduce the amount of the capital reserve fund below the
13 capital reserve fund requirement.

14 * Sec. 10. AS 44.88.105(d) is amended to read:

15 (d) The chairman of the authority shall annually, no later than
16 January 2, certify in writing to the governor and the legislature the
17 amount, if any, required to restore a capital reserve fund to the
18 capital reserve fund requirement. The legislature may appropriate to
19 the authority the amount certified by the chairman of the authority.
20 The authority shall deposit the amounts appropriated under this sub-
21 section during a fiscal year in the proper capital reserve fund.
22 Nothing in this section creates a debt or liability of the state. In
23 this subsection, "capital reserve fund" means a capital reserve fund
24 that

25 (1) is created under this section on or before January 1,
26 1989; or

27 (2) secures refunding bonds if the refunding bonds are
28 issued to refund bonds that are secured by a capital reserve fund
29 created under this section on or before January 1, 1989.

1 * Sec. 11. AS 44.88.155(b) is amended to read:

2 (b) The authority may establish in the enterprise development
3 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
4 COUNT, AND OTHER] accounts it considers appropriate.

5 * Sec. 12. AS 44.88.155(c) is amended to read:

6 (c) Money and other assets of the enterprise development account
7 may be used to secure bonds of the authority issued to finance the
8 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
9 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
10 chase loans for projects.

11 * Sec. 13. AS 44.88.155(d) is amended to read:

12 (d) A loan purchased in whole or in part by the authority with
13 assets of the enterprise development account or with proceeds of bonds
14 secured by assets of the enterprise development account, other than a
15 loan which is financed with the proceeds of bonds of the authority and
16 secured only by a project applicant or a project,

17 (1) may not exceed

18 [(A)] \$10,000,000; [OR

19 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

20 158;]

21 (2) may not exceed the cost of the project or 75 percent of
22 the appraised value of the project, whichever is less, unless the
23 amount of the loan in excess of this limit is federally insured or
24 guaranteed or is insured by a qualified mortgage insurance company;

25 (3) may not be for a term longer than three-quarters of the
26 authority's estimate of the life of the project or 25 years from the
27 date the loan is made, whichever is earlier;

28 (4) shall contain complete amortization provisions satis-
29 factory to the authority requiring periodic payments by the borrower;

1 (5) shall be in the form and contain the terms and provi-
2 sions with respect to insurance, repairs, alterations, payment of
3 taxes and assessments, default reserves, delinquency charges, default
4 remedies, acceleration of maturity, secondary liens, and other matters
5 the authority prescribes;

6 (6) shall be secured as to repayment by a mortgage or other
7 security instrument in the manner the authority determines is feasible
8 to assure timely repayment under a loan agreement entered into with
9 the borrower;

10 (7) may not be made unless

11 (A) at least 20 [10] percent of the principal amount
12 of the loan is retained by the originator of the loan as long as
13 the loan is outstanding; or

14 (B) 100 percent of the principal amount of the loan is
15 guaranteed by the United States or an agency or instrumentality
16 of the United States;

17 (8) must be

18 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
19 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
20 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

21 (B)] financed from the proceeds of bonds; or

22 (B) [(C)] expected by the authority to be financed
23 from the proceeds of bonds.

24 * Sec. 14. AS 44.88.165 is repealed and reenacted to read:

25 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
26 regulations to describe the circumstances under which it will discon-
27 tinue purchasing loans from a financial institution because of exces-
28 sive delinquencies among the loans previously purchased by the author-
29 ity from the financial institution. In adopting the regulations, the

1 authority must consider the authority's delinquency experience with
2 loans it purchased from all financial institutions. The authority may
3 include in the regulations other remedies it considers appropriate as
4 alternatives to the discontinuance of purchasing loans from the finan-
5 cial institution.

6 * Sec. 15. AS 44.88.172(a) is amended to read:

7 (a) The economic development account is established in the
8 revolving fund. The economic development account consists of money or
9 assets appropriated, loaned, or transferred to the authority for
10 deposit in the account [,] and other money or assets deposited in the
11 account by the authority. While money is on deposit in the economic
12 development account, the money [THE ACCOUNT] may be used only to
13 finance, acquire, manage, and operate development projects that the
14 authority intends to own and operate. The term "operate" includes
15 operation directly by the authority [,] or by an agent of the author-
16 ity.

17 * Sec. 16. AS 44.88.535(b) is amended to read:

18 (b) The authority may provide a guarantee from the fund for up
19 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
20 44.88.599. The ratio of the guarantee to the outstanding principal of
21 the loan may not increase over the term of the loan.

22 * Sec. 17. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.542. DISCOUNTED LOAN PURCHASES. If the authority
24 purchases at a discount the principal amount of a loan initially
25 retained by an originating bank that is in financial distress or
26 insolvent, the authority shall transfer from reserves to the business
27 assistance fund established under AS 44.88.500 an amount representing
28 the discount. If the authority subsequently suffers a loss on a loan
29 covered by this section, an amount equal to the loss may be

1 transferred from the business assistance fund to the reserves of the
2 authority.

3 * Sec. 18. AS 44.88.545 is amended to read:

4 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-
5 ROWERS. The authority may not provide a guarantee

6 (1) [A LOAN] of more than \$1,000,000;

7 (2) [LOANS] to an individual borrower that cumulatively
8 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

9 * Sec. 19. AS 44.88.560 is amended to read:

10 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

11 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
12 599;

13 (2) establish terms and conditions for loan guarantees and
14 refinancing agreements subject to the requirements of AS 44.88.500 -
15 44.88.599;

16 (3) make and execute contracts and other instruments to
17 implement AS 44.88.500 - 44.88.599;

18 (4) charge

19 (A) one percent of the amount guaranteed for the
20 service it provides under AS 44.88.500 - 44.88.599; and

21 (B) any other reasonable fee that the authority may
22 establish by regulation;

23 (5) acquire real or personal property by purchase, trans-
24 fer, or foreclosure when the acquisition is necessary to protect an
25 interest in the fund; and

26 (6) exercise any other power necessary to implement AS 44.-
27 88.500 - 44.88.599;

28 (7) to the extent the authority considers it to be in its
29 best interest to do so, use money in the business assistance fund to

1 pay expenses relating to the liquidation of collateral securing loans
2 guaranteed by the business assistance fund.

3 * Sec. 20. AS 44.88.900(4) is repealed and reenacted to read:

4 (4) "development project" has the meaning given to "proj-
5 ect" in (9)(A) of this section;

6 * Sec. 21. AS 44.88.900(9) is amended to read:

7 (9) "project" means

8 (A) a plant or facility used or intended for use

9 [(i)] in connection with making, processing, pre-
10 paring, transporting, or producing in any manner, goods,
11 products, or substances of any kind or nature or in connec-
12 tion with developing or utilizing a natural resource, or
13 extracting, smelting, transporting, converting, assembling,
14 or producing in any manner, minerals, raw materials, chemi-
15 cals, compounds, alloys, fibers, commodities and materials,
16 products, or substances of any kind or nature;

17 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
18 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
19 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
20 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
21 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
22 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
23 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
24 FACILITY DESCRIBED IN THIS PARAGRAPH;]

25 (B) a plant or facility used or intended for use in
26 connection with a business enterprise;

27 (C) commercial activity by a small enterprise;

28 (D) a plant or facility demonstrating technological
29 advances of new methods and procedures and prototype commercial

1 applications for the exploration, development, production, trans-
2 portation, conversion, and use of energy resources;

3 * Sec. 22. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
4 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
5 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

6 * Sec. 23. AS 44.88.095(b) is repealed.

7 * Sec. 24. Section 3, ch. 68, SLA 1985 is amended by adding a new
8 subsection to read:

9 (b) In addition to the money of the Alaska Industrial Develop-
10 ment Authority is allowed to withhold from the money to be delivered
11 to the Department of Revenue under (a)(2) of this section, if the debt
12 service of the authority is forecasted to be below the debt service
13 coverage requirement, the authority may withhold from the money gen-
14 erated by the DeLong Mountain Transportation project an amount, not to
15 exceed \$5,000,000 for a fiscal year, that equals the debt service
16 requirement on bonds issued to finance the projects of the authority
17 authorized by the legislature.

18 * Sec. 25. The Alaska Industrial Development and Export Authority may
19 issue bonds to finance the acquisition, design, and construction of a
20 multi-bay aircraft maintenance facility located at Anchorage International
21 Airport, to be owned by the authority. The principal amount of the bonds
22 may not exceed \$50,000,000. This section grants the legislative approval
23 required by AS 44.88.095 and 44.88.172(c).

24 * Sec. 26. Section 17 of this Act is retroactive to August 30, 1988.

25 * Sec. 27. Sections 8 and 23 of this Act take effect January 1, 1992.

26 * Sec. 28. Sections 1 - 7, 9 - 22, and 25 - 26 of this Act take effect
27 immediately under AS 01.10.070(c).

As Compared to

go0799hm
Bannister
4/28/90

Original sponsor(s): Rules/Governor

SCS CSHB123 (L+C)

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."

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

10 * Section 1. AS 44.88.010(a)(9) is amended to read:

11 (9) the achievement of the goal of full employment, and of
12 establishment and continuing operation and development of industrial,
13 manufacturing, export, small business, and business enterprises in the
14 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
15 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR
16 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
17 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
18 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
19 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
20 facilitated by the creation of an instrumentality of the state with
21 powers to incur debt, to own and operate facilities, to make and
22 insure loans to finance [,] and to assist private lenders to make
23 loans to finance [,] the establishment, operation, and development of
24 industrial, manufacturing, export, small business, and business enter-
25 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTA-
26 TION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
27 FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
28 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
29 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING

1 FACILITY RELATING TO A PLANT OR FACILITY];

2 * Sec. 2. AS 44.88.010(c) is amended to read:

3 (c) It is further declared to be the policy of the state, in the
4 interests of promoting the health, security, and general welfare of
5 all the people of the state, and a public purpose of the state, to
6 accomplish the objectives set out in (b) of this section through the
7 provision of financial support to a [IN COOPERATION WITH] federal,
8 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
9 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
10 AND SERVICES].

11 * Sec. 3. AS 44.88.060 is amended to read:

12 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
13 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
14 Authority revolving fund is established in the authority. The revolv-
15 ing fund consists of appropriations made to the revolving fund by the
16 legislature, money or other assets transferred to the revolving fund
17 by the authority, and unrestricted payments on loans made or purchased
18 by the authority. Unless otherwise expressly stated, the accounts
19 created in this chapter are accounts in the revolving fund. The
20 authority may create additional accounts either in the revolving fund
21 or outside the revolving fund. Subject to agreements made with the
22 holders of the authority's bonds or with other persons, the authority
23 may transfer amounts in an account in the revolving fund to another
24 account in the revolving fund. Amounts deposited in the revolving
25 fund may be pledged to the payment of bonds of the authority or ex-
26 pended for the purposes of the authority under this chapter. The
27 authority has the powers and responsibilities established in AS 37.-
28 10.071 with respect to the investment of amounts held in the revolving
29 fund.

CS deletes - "The authority may not enter into an agreement for joint ownership of a project" (recommended by Bert)

* Sec. 4. AS 44.88.080 is amended by adding a new paragraph to read:

(25) to make cooperative agreements with the Department of Transportation and Public Facilities, acting on behalf of the international airports revenue fund established under AS 37.15.430, to acquire, equip, operate, maintain, construct or install facilities that will enhance the competitiveness of the international airports, including a cooperative agreement to lend amounts from the international airport revenue fund to finance the development or improvement of utilities serving the airports.

* Sec. 5. AS 44.88.090(a) is amended to read:

(a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may borrow money and may issue bonds, including but not limited to bonds on which the principal and interest are payable

(1) exclusively from the income and receipts or other money derived from the project or development project financed with the proceeds of the bonds or derived from the exporter or exporting transaction financed, guaranteed, or insured with the proceeds of the bonds;

(2) exclusively from the income and receipts or other money derived from designated projects or development projects or other sources whether or not they are financed, insured, or guaranteed in whole or in part with the proceeds of the bonds; or

(3) from its income and receipts or other assets generally, or a designated part or parts of them.

* Sec. 6. AS 44.88 is amended by adding a new section to read:

Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not issue bonds in a 12-month period in an amount that exceeds \$400,000,000.

(b) The authority may not issue revenue bonds, other than

1 refunding bonds, to purchase a loan for a project under AS 44.88.155 -
2 44.88.159, to acquire a development project under AS 44.88.172 -
3 44.88.177 or to provide money to finance, guarantee, or insure an
4 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
5 greater than \$50,000,000 during any 12-month period unless the issu-
6 ance is included separately in the estimates required in the report of
7 the authority under AS 44.88.210(b) and unless the legislature, by
8 law, approves the issuance.

9 (c) Before entering into a lease or other agreement under
10 AS 44.88.090(e) regarding a project for which the authority agrees to
11 issue bonds in an amount in excess of \$6,000,000, there must be filed
12 with the authority a certified copy of a resolution of the governing
13 body of the political subdivision of the state, if any, in which the
14 project is to be located, consenting to the location of the project.
15 The consent need only refer to the general nature of the project
16 ultimately to be acquired, as set out in a request of the proposed
17 project applicant. Before entering into a lease or other agreement
18 under AS 44.88.090(e) regarding a project, the authority shall find,
19 on the basis of all information reasonably available to it, that

20 (1) the project and its development under this chapter will
21 be economically advantageous to the state and the general public
22 welfare and will contribute to the economic growth of the state;

23 (2) the project applicant is financially responsible;

24 (3) provision to meet increased demand upon public facili-
25 ties that might result from the project is reasonably assured; and

26 (4) the project will provide, or retain, employment reason-
27 ably related to the amount of the financing by the authority, con-
28 sidering the amount of investment per employee for comparable facil-
29 ities and other relevant factors.

1 (d) Before adopting a resolution approving a project to be
2 financed under AS 44.88.172 for which bonds must be issued, the au-
3 thority shall, on the basis of all information reasonably available to
4 it, make findings, with respect to the project, as described in
5 (c)(1) - (4) of this section, and also find that

6 (1) the project is economically and financially feasible
7 and able to produce revenue adequate to repay the bonds or loans with
8 which it is financed;

9 (2) the project complies with applicable law; and

10 (3) issuance of the bonds is not expected to adversely
11 affect the ability of the state or any political subdivision of the
12 state to market other bonds.

13 (e) Before entering into an agreement to finance or to develop a
14 proposed project financed under AS 44.88.172 for which bonds must be
15 issued, the authority shall obtain the approval of each Regional
16 Resource Advisory Council appointed under AS 44.88.174 or municipality
17 in the area in which the proposed project is to be located. Approval
18 under this subsection must be evidenced by a certified copy of a
19 resolution of the council or of the governing body of the municipal-
20 ity. Before considering a resolution regarding the approval or re-
21 jection of the development or financing of a proposed project under
22 this subsection, a Regional Resource Advisory Council shall conduct a
23 public hearing in the region. If a proposed project is located in a
24 municipality, the governing body of the municipality shall conduct a
25 hearing on the proposed project.

26 (f) Before entering into an agreement to finance or to develop a
27 proposed project financed under AS 44.88.172 for which bonds must be
28 issued, the authority shall compile and make available to the public a
29 document that summarizes the projected economic, social, and

1 environmental effects of the project; and, in conjunction with the
2 Department of Fish and Game, the Department of Natural Resources, the
3 Department of Environmental Conservation, and the Department of Labor,
4 the authority shall conduct a public hearing on the projected effects
5 of the project.

6 (g) Without prior legislative approval, the authority may not
7 issue bonds in an amount greater than \$10,000,000 to assist in the
8 financing of a development project under AS 44.88.172 - 44.88.177.

9 * Sec. 7. AS 44.88.095(g) is repealed and reenacted to read:

10 (g) The authority may not issue bonds, other than refunding
11 bonds, without securing the prior approval of the legislature.

12 * Sec. 8. AS 44.88.105(a) is amended to read:

13 (a) For the purpose of securing one or more issues of its bonds,
14 the authority may establish one or more special funds, called "capital
15 reserve funds", and shall pay into those capital reserve funds the
16 proceeds of the sale of its bonds and other money which may be made
17 available to the authority from other sources for the purposes of the
18 capital reserve funds. A capital reserve fund may be established only
19 if the authority determines that the establishment of the fund would
20 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
21 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
22 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
23 reserve fund, except as provided in this section, may be used as
24 required only for (1) the payment of the principal of, and interest
25 on, bonds or of the sinking fund payments with respect to those bonds;
26 (2) the purchase or redemption of the bonds; or (3) the payment of a
27 redemption premium required to be paid when the bonds are redeemed
28 before maturity. However, money in a capital reserve fund may not be
29 withdrawn if the withdrawal would reduce the amount in the capital

1 reserve fund to less than the capital reserve fund requirement, except
 2 for the purpose of making payment, when due, of principal, interest,
 3 redemption premiums on the bonds, and sinking fund payments when other
 4 money of the authority is not available for the payments. Income or
 5 interest earned by, or increment to, a capital reserve fund, from the
 6 investment of all or part of the fund, may be transferred by the
 7 authority to other funds or accounts of the authority if the transfer
 8 does not reduce the amount of the capital reserve fund below the
 9 capital reserve fund requirement.

10 * Sec. 9. AS 44.88.105(d) is amended to read:

11 (d) The chairman of the authority shall annually, no later than
 12 January 2, certify in writing to the governor and the legislature the
 13 amount, if any, required to restore a capital reserve fund to the
 14 capital reserve fund requirement. The legislature may appropriate to
 15 the authority the amount certified by the chairman of the authority.
 16 The authority shall deposit the amounts appropriated under this sub-
 17 section during a fiscal year in the proper capital reserve fund.
 18 Nothing in this section creates a debt or liability of the state. In
 19 this subsection, "capital reserve fund" means a capital reserve fund
 20 that

21 (1) is created under this section on or before January 1,
 22 1989; or

23 (2) secures refunding bonds if the refunding bonds are
 24 issued to refund bonds that are secured by a capital reserve fund
 25 created under this section on or before January 1, 1989. recommended
 26 by Bert Wagon

27 * Sec. 10. AS 44.88.155(b) is amended to read:

28 (b) The authority may establish in the enterprise development
 29 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
 COUNT, AND OTHER] accounts it considers appropriate.

1 * Sec. 11. AS 44.88.155(c) is amended to read:

2 (c) Money and other assets of the enterprise development account
3 may be used to secure bonds of the authority issued to finance the
4 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
5 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
6 chase loans for projects.

7 * Sec. 12. AS 44.88.155(d) is amended to read:

8 (d) A loan purchased in whole or in part by the authority with
9 assets of the enterprise development account or with proceeds of bonds
10 secured by assets of the enterprise development account, other than a
11 loan which is financed with the proceeds of bonds of the authority and
12 secured only by a project applicant or a project,

13 (1) may not exceed

14 [(A)] \$10,000,000; [OR

15 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

16 158;]

17 (2) may not exceed the cost of the project or 75 percent of
18 the appraised value of the project, whichever is less, unless the
19 amount of the loan in excess of this limit is federally insured or
20 guaranteed or is insured by a qualified mortgage insurance company;

21 (3) may not be for a term longer than three-quarters of the
22 authority's estimate of the life of the project or 25 years from the
23 date the loan is made, whichever is earlier;

24 (4) shall contain complete amortization provisions satis-
25 factory to the authority requiring periodic payments by the borrower;

26 (5) shall be in the form and contain the terms and provi-
27 sions with respect to insurance, repairs, alterations, payment of
28 taxes and assessments, default reserves, delinquency charges, default
29 remedies, acceleration of maturity, secondary liens, and other matters

1 the authority prescribes:

2 (6) shall be secured as to repayment by a mortgage or other
3 security instrument in the manner the authority determines is feasible
4 to assure timely repayment under a loan agreement entered into with
5 the borrower;

6 (7) may not be made unless

7 (A) at least 20 [10] percent of the principal amount
8 of the loan is retained by the originator of the loan as long as
9 the loan is outstanding; or

10 (B) 100 percent of the principal amount of the loan is
11 guaranteed by the United States or an agency or instrumentality
12 of the United States;

13 (8) must be

14 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
15 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
16 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

17 (B)] financed from the proceeds of bonds; or

18 (B) [(C)] expected by the authority to be financed
19 from the proceeds of bonds.

20 * Sec. 13. AS 44.88.165 is repealed and reenacted to read:

21 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
22 regulations to describe the circumstances under which it will discon-
23 tinue purchasing loans from a financial institution because of exces-
24 sive delinquencies among the loans previously purchased by the author-
25 ity from the financial institution. In adopting the regulations, the
26 authority must consider the authority's delinquency experience with
27 loans it purchased from all financial institutions. The authority may
28 include in the regulations other remedies it considers appropriate as
29 alternatives to the discontinuance of purchasing loans from the

1 financial institution.

2 * Sec. 14. AS 44.88.172(a) is amended to read:

3 (a) The economic development account is established in the
4 revolving fund. The economic development account consists of money or
5 assets appropriated, loaned, or transferred to the authority for
6 deposit in the account [,] and other money or assets deposited in the
7 account by the authority. While money is on deposit in the economic
8 development account, the money [THE ACCOUNT] may be used only to
9 finance, acquire, manage, and operate development projects that the
10 authority intends to own and operate. The term "operate" includes
11 operation directly by the authority [,] or by an agent of the author-
12 ity.

technical

13 * Sec. 15. AS 44.88.535(b) is amended to read:

14 (b) The authority may provide a guarantee from the fund for up
15 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
16 44.88.599. The ratio of the guarantee to the outstanding principal of
17 the loan may not increase over the term of the loan.

18 * Sec. 16. AS 44.88 is amended by adding a new section to read:

19 Sec. 44.88.542. DISCOUNTED LOAN PURCHASES. If the authority
20 purchases at a discount the principal amount of a loan initially
21 retained by an originating bank that is in financial distress or
22 insolvent, the authority shall transfer from reserves to the business
23 assistance fund established under AS 44.88.500 an amount representing
24 the discount. If the authority subsequently suffers a loss on a loan
25 covered by this section, an amount equal to the loss may be trans-
26 ferred from the business assistance fund to the reserves of the au-
27 thority. *recommended by Sen. Faulk*

28 * Sec. 17. AS 44.88.545 is amended to read:

29 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO

1 BORROWERS. The authority may not provide a guarantee

2 (1) [A LOAN] of more than \$1,000,000;

3 (2) [LOANS] to an individual borrower that cumulatively
4 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

5 * Sec. 18. AS 44.88.560 is amended to read:

6 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

7 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
8 599;

9 (2) establish terms and conditions for loan guarantees and
10 refinancing agreements subject to the requirements of AS 44.88.500 -
11 44.88.599;

12 (3) make and execute contracts and other instruments to
13 implement AS 44.88.500 - 44.88.599;

14 (4) charge

15 (A) one percent of the amount guaranteed for the
16 service it provides under AS 44.88.500 - 44.88.599; and

17 (B) any other reasonable fee that the authority may
18 establish by regulation;

19 (5) acquire real or personal property by purchase, trans-
20 fer, or foreclosure when the acquisition is necessary to protect an
21 interest in the fund; and

22 (6) exercise any other power necessary to implement AS 44.-
23 88.500 - 44.88.599;

24 (7) to the extent the authority considers it to be in its
25 best interest to do so, use money in the business assistance fund to
26 pay expenses relating to the liquidation of collateral securing loans
27 guaranteed by the business assistance fund.

28 * Sec. 19. AS 44.88.900(4) is repealed and reenacted to read:

29 (4) "development project" has the meaning given to

1 "project" in (9)(A) of this section;

2 * Sec. 20. AS 44.88.900(9) is amended to read:

3 (9) "project" means

4 (A) a plant or facility used or intended for use

5 [(i)] in connection with making, processing, pre-
6 paring, transporting, or producing in any manner, goods,
7 products, or substances of any kind or nature or in connec-
8 tion with developing or utilizing a natural resource, or
9 extracting, smelting, transporting, converting, assembling,
10 or producing in any manner, minerals, raw materials, chemi-
11 cals, compounds, alloys, fibers, commodities and materials,
12 products, or substances of any kind or nature;

13 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
14 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
15 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
16 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
17 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
18 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
19 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
20 FACILITY DESCRIBED IN THIS PARAGRAPH;]

21 (B) a plant or facility used or intended for use in
22 connection with a business enterprise;

23 (C) commercial activity by a small enterprise;

24 (D) a plant or facility demonstrating technological
25 advances of new methods and procedures and prototype commercial
26 applications for the exploration, development, production, trans-
27 portation, conversion, and use of energy resources; *recommended*
by Sen. Coghill

28 * Sec. 21. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
29 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),

1 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

2 * Sec. 22. AS 44.88.095(b) is repealed.

3 * Sec. 23. Section 3(2), ch. 68, SLA 1985 is repealed. *recommended by Sen*
Faiks

4 * Sec. 24. Section 16 of this Act is retroactive to August 30, 1988.

5 * Sec. 25. Sections 7 and 22 of this Act take effect January 1, 1992.

6 * Sec. 26. Sections 1 - 6, 8 - 21, and 24 of this Act take effect *recommended by Bert Wagnon*

7 immediately under AS 01.10.070(c).

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Changes Highlighted

go0799hM.
Bannister
4/20/90

Original sponsor(s): Rules/Governor

(Compared to SCS CSHB123(L+C))

1 IN THE HOUSE

BY THE LABOR & COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (2d L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."

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

10 * Section 1. AS 44.88.010(a)(9) is amended to read:

11 (9) the achievement of the goal of full employment, and of
12 establishment and continuing operation and development of industrial,
13 manufacturing, export, small business, and business enterprises in the
14 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
15 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR
16 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
17 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
18 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
19 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
20 facilitated by the creation of an instrumentality of the state with
21 powers to incur debt, to own and operate facilities, to make and
22 insure loans to finance [,] and to assist private lenders to make
23 loans to finance [,] the establishment, operation, and development of
24 industrial, manufacturing, export, small business, and business enter-
25 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTA-
26 TION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
27 FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
28 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
29 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING

1 FACILITY RELATING TO A PLANT OR FACILITY];

2 * Sec. 2. AS 44.88.010(c) is amended to read:

3 (c) It is further declared to be the policy of the state, in the
4 interests of promoting the health, security, and general welfare of
5 all the people of the state, and a public purpose of the state, to
6 accomplish the objectives set out in (b) of this section through the
7 provision of financial support to a [IN COOPERATION WITH] federal,
8 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
9 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
10 AND SERVICES].

11 * Sec. 3. AS 44.88.060 is amended to read:

12 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
13 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
14 Authority revolving fund is established in the authority. The revolv-
15 ing fund consists of appropriations made to the revolving fund by the
16 legislature, money or other assets transferred to the revolving fund
17 by the authority, and unrestricted payments on loans made or purchased
18 by the authority. Unless otherwise expressly stated, the accounts
19 created in this chapter are accounts in the revolving fund. The
20 authority may create additional accounts either in the revolving fund
21 or outside the revolving fund. Subject to agreements made with the
22 holders of the authority's bonds or with other persons, the authority
23 may transfer amounts in an account in the revolving fund to another
24 account in the revolving fund. Amounts deposited in the revolving
25 fund may be pledged to the payment of bonds of the authority or ex-
26 pended for the purposes of the authority under this chapter. The
27 authority has the powers and responsibilities established in AS 37.-
28 10.071 with respect to the investment of amounts held in the revolving
29 fund.

deleted- "The authority may not enter into an agreement for joint ownership of a project.

1 * Sec. 4. AS 44.88.080 is amended by adding a new paragraph to read:

2 (25) to make cooperative agreements with the Department of
3 Transportation and Public Facilities, acting on behalf of the inter-
4 national airports revenue fund established under AS 37.35.430, to
5 acquire, equip, operate, maintain, construct or install facilities
6 that will enhance the competitiveness of the international airports,
7 including a cooperative agreement to lend amounts from the interna-
8 tional airport revenue fund to finance the development or improvement
9 of utilities serving the airports.

10 * Sec. 5. AS 44.38.090(a) is amended to read:

11 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
12 borrow money and may issue bonds, including but not limited to bonds
13 on which the principal and interest are payable

14 (1) exclusively from the income and receipts or other money
15 derived from the project or development project financed with the
16 proceeds of the bonds or derived from the exporter or exporting trans-
17 action financed, guaranteed, or insured with the proceeds of the
18 bonds;

19 (2) exclusively from the income and receipts or other money
20 derived from designated projects or development projects or other
21 sources whether or not they are financed, insured, or guaranteed in
22 whole or in part with the proceeds of the bonds; or

23 (3) from its income and receipts or other assets generally,
24 or a designated part or parts of them.

25 * Sec. 6. AS 44.88 is amended by adding a new section to read:

26 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not
27 issue bonds in a 12-month period in an amount that exceeds
28 \$400,000,000.

29 (b) The authority may not issue revenue bonds, other than

1 refunding bonds, to purchase a loan for a project under AS 44.88.155 -
2 44.88.159, to acquire a development project under AS 44.88.172 -
3 44.88.177 or to provide money to finance, guarantee, or insure an
4 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
5 greater than \$50,000,000 during any 12-month period unless the issu-
6 ance is included separately in the estimates required in the report of
7 the authority under AS 44.88.210(b) and unless the legislature, by
8 law, approves the issuance.

9 (c) Before entering into a lease or other agreement under
10 AS 44.88.090(e) regarding a project for which the authority agrees to
11 issue bonds in an amount in excess of \$6,000,000, there must be filed
12 with the authority a certified copy of a resolution of the governing
13 body of the political subdivision of the state, if any, in which the
14 project is to be located, consenting to the location of the project.
15 The consent need only refer to the general nature of the project
16 ultimately to be acquired, as set out in a request of the proposed
17 project applicant. Before entering into a lease or other agreement
18 under AS 44.88.090(e) regarding a project, the authority shall find,
19 on the basis of all information reasonably available to it, that

20 (1) the project and its development under this chapter will
21 be economically advantageous to the state and the general public
22 welfare and will contribute to the economic growth of the state;

23 (2) the project applicant is financially responsible;

24 (3) provision to meet increased demand upon public facili-
25 ties that might result from the project is reasonably assured; and

26 (4) the project will provide, or retain, employment reason-
27 ably related to the amount of the financing by the authority, con-
28 sidering the amount of investment per employee for comparable facil-
29 ities and other relevant factors.

1 (d) Before adopting a resolution approving a project to be
2 financed under AS 44.88.172 for which bonds must be issued, the au-
3 thority shall, on the basis of all information reasonably available to
4 it, make findings, with respect to the project, as described in
5 (c)(1) - (4) of this section, and also find that

6 (1) the project is economically and financially feasible
7 and able to produce revenue adequate to repay the bonds or loans with
8 which it is financed;

9 (2) the project complies with applicable law; and

10 (3) issuance of the bonds is not expected to adversely
11 affect the ability of the state or any political subdivision of the
12 state to market other bonds.

13 (e) Before entering into an agreement to finance or to develop a
14 proposed project financed under AS 44.88.172 for which bonds must be
15 issued, the authority shall obtain the approval of each Regional
16 Resource Advisory Council appointed under AS 44.88.174 or municipality
17 in the area in which the proposed project is to be located. Approval
18 under this subsection must be evidenced by a certified copy of a
19 resolution of the council or of the governing body of the municipal-
20 ity. Before considering a resolution regarding the approval or re-
21 jection of the development or financing of a proposed project under
22 this subsection, a Regional Resource Advisory Council shall conduct a
23 public hearing in the region. If a proposed project is located in a
24 municipality, the governing body of the municipality shall conduct a
25 hearing on the proposed project.

26 (f) Before entering into an agreement to finance or to develop a
27 proposed project financed under AS 44.88.172 for which bonds must be
28 issued, the authority shall compile and make available to the public a
29 document that summarizes the projected economic, social, and

1 environmental effects of the project; and, in conjunction with the
2 Department of Fish and Game, the Department of Natural Resources, the
3 Department of Environmental Conservation, and the Department of Labor,
4 the authority shall conduct a public hearing on the projected effects
5 of the project.

6 (g) Without prior legislative approval, the authority may not
7 issue bonds in an amount greater than \$10,000,000 to assist in the
8 financing of a development project under AS 44.88.172 - 44.88.177.

9 * Sec. 7. AS 44.88.095(g) is repealed and reenacted to read:

10 (g) The authority may not issue bonds, other than refunding
11 bonds, without securing the prior approval of the legislature.

12 * Sec. 8. AS 44.88.105(a) is amended to read:

13 (a) For the purpose of securing one or more issues of its bonds,
14 the authority may establish one or more special funds, called "capital
15 reserve funds", and shall pay into those capital reserve funds the
16 proceeds of the sale of its bonds and other money which may be made
17 available to the authority from other sources for the purposes of the
18 capital reserve funds. A capital reserve fund may be established only
19 if the authority determines that the establishment of the fund would
20 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
21 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
22 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
23 reserve fund, except as provided in this section, may be used as
24 required only for (1) the payment of the principal of, and interest
25 on, bonds or of the sinking fund payments with respect to those bonds;
26 (2) the purchase or redemption of the bonds; or (3) the payment of a
27 redemption premium required to be paid when the bonds are redeemed
28 before maturity. However, money in a capital reserve fund may not be
29 withdrawn if the withdrawal would reduce the amount in the capital

1 reserve fund to less than the capital reserve fund requirement, except
2 for the purpose of making payment, when due, of principal, interest,
3 redemption premiums on the bonds, and sinking fund payments when other
4 money of the authority is not available for the payments. Income or
5 interest earned by, or increment to, a capital reserve fund, from the
6 investment of all or part of the fund, may be transferred by the
7 authority to other funds or accounts of the authority if the transfer
8 does not reduce the amount of the capital reserve fund below the
9 capital reserve fund requirement.

10 * Sec. 9. AS 44.88.105(d) is amended to read:

11 (d) The chairman of the authority shall annually, no later than
12 January 2, certify in writing to the governor and the legislature the
13 amount, if any, required to restore a capital reserve fund to the
14 capital reserve fund requirement. The legislature may appropriate to
15 the authority the amount certified by the chairman of the authority.
16 The authority shall deposit the amounts appropriated under this sub-
17 section during a fiscal year in the proper capital reserve fund.
18 Nothing in this section creates a debt or liability of the state. In
19 this subsection, "capital reserve fund" means a capital reserve fund
20 that

21 (1) is created under this section on or before January 1,
22 1989; or

23 (2) secures refunding bonds if the refunding bonds are
24 issued to refund bonds that are secured by a capital reserve fund
25 created under this section on or before January 1, 1989.

26 * Sec. 10. AS 44.88.155(b) is amended to read:

27 (b) The authority may establish in the enterprise development
28 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
29 COUNT, AND OTHER] accounts it considers appropriate.

1 * Sec. 11. AS 44.88.155(c) is amended to read:

2 (c) Money and other assets of the enterprise development account
3 may be used to secure bonds of the authority issued to finance the
4 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
5 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
6 chase loans for projects.

7 * Sec. 12. AS 44.88.155(d) is amended to read:

8 (d) A loan purchased in whole or in part by the authority with
9 assets of the enterprise development account or with proceeds of bonds
10 secured by assets of the enterprise development account, other than a
11 loan which is financed with the proceeds of bonds of the authority and
12 secured only by a project applicant or a project,

13 (1) may not exceed

14 [(A)] \$10,000,000; [OR

15 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

16 158;]

17 (2) may not exceed the cost of the project or 75 percent of
18 the appraised value of the project, whichever is less, unless the
19 amount of the loan in excess of this limit is federally insured or
20 guaranteed or is insured by a qualified mortgage insurance company;

21 (3) may not be for a term longer than three-quarters of the
22 authority's estimate of the life of the project or 25 years from the
23 date the loan is made, whichever is earlier;

24 (4) shall contain complete amortization provisions satis-
25 factory to the authority requiring periodic payments by the borrower;

26 (5) shall be in the form and contain the terms and provi-
27 sions with respect to insurance, repairs, alterations, payment of
28 taxes and assessments, default reserves, delinquency charges, default
29 remedies, acceleration of maturity, secondary liens, and other matters

1 the authority prescribes;

2 (6) shall be secured as to repayment by a mortgage or other
3 security instrument in the manner the authority determines is feasible
4 to assure timely repayment under a loan agreement entered into with
5 the borrower;

6 (7) may not be made unless

7 (A) at least 20 [10] percent of the principal amount
8 of the loan is retained by the originator of the loan as long as
9 the loan is outstanding; or

10 (B) 100 percent of the principal amount of the loan is
11 guaranteed by the United States or an agency or instrumentality
12 of the United States;

13 (8) must be

14 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
15 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
16 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

17 (B)] financed from the proceeds of bonds; or

18 (B) [(C)] expected by the authority to be financed
19 from the proceeds of bonds.

20 * Sec. 13. AS 44.88.165 is repealed and reenacted to read:

21 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
22 regulations to describe the circumstances under which it will discon-
23 tinue purchasing loans from a financial institution because of exces-
24 sive delinquencies among the loans previously purchased by the author-
25 ity from the financial institution. In adopting the regulations, the
26 authority must consider the authority's delinquency experience with
27 loans it purchased from all financial institutions. The authority may
28 include in the regulations other remedies it considers appropriate as
29 alternatives to the discontinuance of purchasing loans from the

1 financial institution.

2 * Sec. 14. AS 44.88.172(a) is amended to read:

3 (a) The economic development account is established in the
4 revolving fund. The economic development account consists of money or
5 assets appropriated, loaned, or transferred to the authority for
6 deposit in the account [,] and other money or assets deposited in the
7 account by the authority. While money is on deposit in the economic
8 development account, the money [THE ACCOUNT] may be used only to
9 finance, acquire, manage, and operate development projects that the
10 authority intends to own and operate. The term "operate" includes
11 operation directly by the authority [,] or by an agent of the author-
12 ity.

13 * Sec. 15. AS 44.88.535(b) is amended to read:

14 (b) The authority may provide a guarantee from the fund for up
15 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
16 44.88.599. The ratio of the guarantee to the outstanding principal of
17 the loan may not increase over the term of the loan.

18 * Sec.16. AS 44.88.545 is amended to read:

19 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-
20 ROWERS. The authority may not provide a guarantee

21 (1) [A LOAN] of more than \$1,000,000;

22 (2) [LOANS] to an individual borrower that cumulatively
23 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

24 * Sec. 17. AS 44.88.560 is amended to read:

25 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

26 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
27 599;

28 (2) establish terms and conditions for loan guarantees and
29 refinancing agreements subject to the requirements of AS 44.88.500 -

1 44.88.599;

2 (3) make and execute contracts and other instruments to
3 implement AS 44.88.500 - 44.88.599;

4 (4) charge

5 (A) one percent of the amount guaranteed for the
6 service it provides under AS 44.88.500 - 44.88.599; and

7 (B) any other reasonable fee that the authority may
8 establish by regulation;

9 (5) acquire real or personal property by purchase, trans-
10 fer, or foreclosure when the acquisition is necessary to protect an
11 interest in the fund; and

12 (6) exercise any other power necessary to implement AS 44.-
13 88.500 - 44.88.599;

14 (7) to the extent the authority considers it to be in its
15 best interest to do so, use money in the business assistance fund to
16 pay expenses relating to the liquidation of collateral securing loans
17 guaranteed by the business assistance fund.

18 * Sec. 18. AS 44.88.900(4) is repealed and reenacted to read:

19 (4) "development project" has the meaning given to "proj-
20 ect" in (9)(A) of this section;

21 * Sec. 19. AS 44.88.900(9) is amended to read:

22 (9) "project" means

23 (A) a plant or facility used or intended for use
24 [(i)] in connection with making, processing, pre-
25 paring, transporting, or producing in any manner, goods,
26 products, or substances of any kind or nature or in connec-
27 tion with developing or utilizing a natural resource, or
28 extracting, smelting, transporting, converting, assembling,
29 or producing in any manner, minerals, raw materials,

1 chemicals, compounds, alloys, fibers, commodities and mate-
2 rials, products, or substances of any kind or nature;

3 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
4 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
5 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
6 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
7 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
8 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
9 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
10 FACILITY DESCRIBED IN THIS PARAGRAPH;]

11 (B) a plant or facility used or intended for use in
12 connection with a business enterprise;

13 (C) commercial activity by a small enterprise;

14 * Sec. 20. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
15 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
16 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

17 * Sec. 21. AS 44.88.095(b) is repealed.

18 * Sec. 22. Sections 7 and 21 of this Act take effect January 1, 1992.

19 * Sec. 23. Sections 1 - 6 and 8 - 20 of this Act take effect immedi-
20 ately under AS 01.10.070(c).

STATE OF ALASKA
THE LEGISLATURE

FOURTH STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 7, 1989

SUBJECT: Additional changes to SCS CSHB 123(L&C)

TO: Senator Dick Eliason
Chair, Labor and Commerce Committee

FROM: Theresa L. Bannister *TB*
Legislative Counsel

This memo accompanies the draft of the above-referenced bill that you requested. Your addition of a section would normally require renumbering the subsequent bill sections. However, your draft did not need the usual renumbering, since CSHB 123(Jud) am needed some technical adjustments due to the amendments made by the house. Your draft does not contain the section (former sec. 4) that was deleted on the floor of the house, although it appears in the CSHB 123 (Jud) am version. The effective date sections (secs. 23 and 24) have been adjusted to reflect the amendments and your new section.

If I may be of further assistance, please advise.

TB:kb
wkk5/017

Enclosure

go0799hD
Bannister
5/7/89

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 123 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."

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

10 * Section 1. AS 44.88.010(a)(9) is amended to read:

11 (9) the achievement of the goal of full employment, and of
12 establishment and continuing operation and development of industrial,
13 manufacturing, export, small business, and business enterprises in the
14 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
15 FACILITIES FOR POLLUTION CONTRCL AND WASTE DISPOSAL, FACILITIES FOR
16 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
17 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
18 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
19 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
20 facilitated by the creation of an instrumentality of the state with
21 powers to incur debt, to own and operate facilities, to make and
22 insure loans to finance [,] and to assist private lenders to make
23 loans to finance [,] the establishment, operation, and development of
24 industrial, manufacturing, export, small business, and business enter-
25 prises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTA-
26 TION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES
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3 (c) It is further declared to be the policy of the state, in the
4 interests of promoting the health, security, and general welfare of
5 all the people of the state, and a public purpose of the state, to
6 accomplish the objectives set out in (b) of this section through the
7 provision of financial support to a [IN COOPERATION WITH] federal,
8 state, municipal, or [AND] private entity [INSTITUTIONS FOR THE PUR-
9 POSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW MATERIALS,
10 AND SERVICES].

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12 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
13 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
14 Authority revolving fund is established in the authority. The revolv-
15 ing fund consists of appropriations made to the revolving fund by the
16 legislature, money or other assets transferred to the revolving fund
17 by the authority, and unrestricted payments on loans made or purchased
18 by the authority. Unless otherwise expressly stated, the accounts
19 created in this chapter are accounts in the revolving fund. The
20 authority may create additional accounts either in the revolving fund
21 or outside the revolving fund. Subject to agreements made with the
22 holders of the authority's bonds or with other persons, the authority
23 may transfer amounts in an account in the revolving fund to another
24 account in the revolving fund. Amounts deposited in the revolving
25 fund may be pledged to the payment of bonds of the authority or ex-
26 pended for the purposes of the authority under this chapter. The
27 authority has the powers and responsibilities established in AS 37.-
28 10.071 with respect to the investment of amounts held in the revolving
29 fund.

1 * Sec. 4. AS 44.88.080 is amended by adding a new paragraph to read:

2 (25) to make cooperative agreements with the Department of
3 Transportation and Public Facilities, acting on behalf of the
4 international airports revenue fund established under AS 37.15.430, to
5 acquire, equip, operate, maintain, construct or install facilities
6 that will enhance the competitiveness of the international airports,
7 including a cooperative agreement to lend amounts from the
8 international airport revenue fund to finance the development or
9 improvement of utilities serving the airports.

10 * Sec. 5. AS 44.88 is amended by adding a new section to read:

11 Sec. 44.88.082. JOINT OWNERSHIP PROHIBITED. The authority may
12 not enter into an agreement for joint ownership of a project.

13 * Sec. 6. AS 44.88.090(a) is amended to read:

14 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
15 borrow money and may issue bonds, including but not limited to bonds
16 on which the principal and interest are payable

17 (1) exclusively from the income and receipts or other money
18 derived from the project or development project financed with the
19 proceeds of the bonds or derived from the exporter or exporting trans-
20 action financed, guaranteed, or insured with the proceeds of the
21 bonds;

22 (2) exclusively from the income and receipts or other money
23 derived from designated projects or development projects or other
24 sources whether or not they are financed, insured, or guaranteed in
25 whole or in part with the proceeds of the bonds; or

26 (3) from its income and receipts or other assets generally,
27 or a designated part or parts of them.

28 * Sec. 7. AS 44.88 is amended by adding a new section to read:

29 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not

1 issue bonds in a 12-month period in an amount that exceeds
2 \$400,000,000.

3 (b) The authority may not issue revenue bonds, other than re-
4 funding bonds, to purchase a loan for a project under AS 44.88.155 -
5 44.88.159, to acquire a development project under AS 44.88.172 -
6 44.88.177 or to provide money to finance, guarantee, or insure an
7 exporting transaction under AS 44.88.300 - 44.88.390 in an amount
8 greater than \$50,000,000 during any 12-month period unless the issu-
9 ance is included separately in the estimates required in the report of
10 the authority under AS 44.88.210(b) and unless the legislature, by
11 law, approves the issuance.

12 (c) Before entering into a lease or other agreement under
13 AS 44.88.090(e) regarding a project for which the authority agrees to
14 issue bonds in an amount in excess of \$6,000,000, there must be filed
15 with the authority a certified copy of a resolution of the governing
16 body of the political subdivision of the state, if any, in which the
17 project is to be located, consenting to the location of the project.
18 The consent need only refer to the general nature of the project
19 ultimately to be acquired, as set out in a request of the proposed
20 project applicant. Before entering into a lease or other agreement
21 under AS 44.88.090(e) regarding a project, the authority shall find,
22 on the basis of all information reasonably available to it, that

23 (1) the project and its development under this chapter will
24 be economically advantageous to the state and the general public
25 welfare and will contribute to the economic growth of the state;

26 (2) the project applicant is financially responsible;

27 (3) provision to meet increased demand upon public facili-
28 ties that might result from the project is reasonably assured; and

29 (4) the project will provide, or retain, employment reason-

1 ably related to the amount of the financing by the authority, con-
2 sidering the amount of investment per employee for comparable facil-
3 ities and other relevant factors.

4 (d) Before adopting a resolution approving a project to be
5 financed under AS 44.88.172 for which bonds must be issued, the au-
6 thority shall, on the basis of all information reasonably available to
7 it, make findings, with respect to the project, as described in
8 (c)(1) - (4) of this section, and also find that

9 (1) the project is economically and financially feasible
10 and able to produce revenue adequate to repay the bonds or loans with
11 which it is financed;

12 (2) the project complies with applicable law; and

13 (3) issuance of the bonds is not expected to adversely
14 affect the ability of the state or any political subdivision of the
15 state to market other bonds.

16 (e) Before entering into an agreement to finance or to develop a
17 proposed project financed under AS 44.88.172 for which bonds must be
18 issued, the authority shall obtain the approval of each Regional
19 Resource Advisory Council appointed under AS 44.88.174 or municipality
20 in the area in which the proposed project is to be located. Approval
21 under this subsection must be evidenced by a certified copy of a
22 resolution of the council or of the governing body of the municipal-
23 ity. Before considering a resolution regarding the approval or re-
24 jection of the development or financing of a proposed project under
25 this subsection, a Regional Resource Advisory Council shall conduct a
26 public hearing in the region. If a proposed project is located in a
27 municipality, the governing body of the municipality shall conduct a
28 hearing on the proposed project.

29 (f) Before entering into an agreement to finance or to develop a

1 proposed project financed under AS 44.88.172 for which bonds must be
2 issued, the authority shall compile and make available to the public a
3 document that summarizes the projected economic, social, and environ-
4 mental effects of the project; and, in conjunction with the Department
5 of Fish and Game, the Department of Natural Resources, the Department
6 of Environmental Conservation, and the Department of Labor, the au-
7 thority shall conduct a public hearing on the projected effects of the
8 project.

9 (g) Without prior legislative approval, the authority may not
10 issue bonds in an amount greater than \$10,000,000 to assist in the
11 financing of a development project under AS 44.88.172 - 44.88.177.

12 * Sec. 8. AS 44.88.095(g) is repealed and reenacted to read:

13 (g) The authority may not issue bonds, other than refunding
14 bonds, without securing the prior approval of the legislature.

15 * Sec. 9. AS 44.88.105(a) is amended to read:

16 (a) For the purpose of securing one or more issues of its bonds,
17 the authority may establish one or more special funds, called "capital
18 reserve funds", and shall pay into those capital reserve funds the
19 proceeds of the sale of its bonds and other money which may be made
20 available to the authority from other sources for the purposes of the
21 capital reserve funds. A capital reserve fund may be established only
22 if the authority determines that the establishment of the fund would
23 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
24 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
25 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
26 reserve fund, except as provided in this section, may be used as
27 required only for (1) the payment of the principal of, and interest
28 on, bonds or of the sinking fund payments with respect to those bonds;
29 (2) the purchase or redemption of the bonds; or (3) the payment of a

1 redemption premium required to be paid when the bonds are redeemed
2 before maturity. However, money in a capital reserve fund may not be
3 withdrawn if the withdrawal would reduce the amount in the capital
4 reserve fund to less than the capital reserve fund requirement, except
5 for the purpose of making payment, when due, of principal, interest,
6 redemption premiums on the bonds, and sinking fund payments when other
7 money of the authority is not available for the payments. Income or
8 interest earned by, or increment to, a capital reserve fund, from the
9 investment of all or part of the fund, may be transferred by the
10 authority to other funds or accounts of the authority if the transfer
11 does not reduce the amount of the capital reserve fund below the
12 capital reserve fund requirement.

13 * Sec. 10. AS 44.88.105(d) is amended to read:

14 (d) With respect to a capital reserve fund created under this
15 section on or before January 1, 1989, the [THE] chairman of the au-
16 thority shall annually, no later than January 2, certify in writing to
17 the governor and the legislature the amount, if any, required to
18 restore the [A] capital reserve fund to the capital reserve fund
19 requirement. The legislature may appropriate to the authority the
20 amount certified by the chairman of the authority. The authority
21 shall deposit the amounts appropriated under this subsection during a
22 fiscal year in the proper capital reserve fund. Nothing in this
23 section creates a debt or liability of the state.

24 * Sec. 11. AS 44.88.155(b) is amended to read:

25 (b) The authority may establish in the enterprise development
26 account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE AC-
27 COUNT, AND OTHER] accounts it considers appropriate.

28 * Sec. 12. AS 44.88.155(c) is amended to read:

29 (c) Money and other assets of the enterprise development account

1 may be used to secure bonds of the authority issued to finance the
2 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
3 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
4 chase loans for projects.

5 * Sec. 13. AS 44.88.155(d) is amended to read:

6 (d) A loan purchased in whole or in part by the authority with
7 assets of the enterprise development account or with proceeds of bonds
8 secured by assets of the enterprise development account, other than a
9 loan which is financed with the proceeds of bonds of the authority and
10 secured only by a project applicant or a project,

11 (1) may not exceed

12 [(A)] \$10,000,000; [OR

13 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-
14 158;]

15 (2) may not exceed the cost of the project or 75 percent of
16 the appraised value of the project, whichever is less, unless the
17 amount of the loan in excess of this limit is federally insured or
18 guaranteed or is insured by a qualified mortgage insurance company;

19 (3) may not be for a term longer than three-quarters of the
20 authority's estimate of the life of the project or 25 years from the
21 date the loan is made, whichever is earlier;

22 (4) shall contain complete amortization provisions satis-
23 factory to the authority requiring periodic payments by the borrower;

24 (5) shall be in the form and contain the terms and provi-
25 sions with respect to insurance, repairs, alterations, payment of
26 taxes and assessments, default reserves, delinquency charges, default
27 remedies, acceleration of maturity, secondary liens, and other matters
28 the authority prescribes;

29 (6) shall be secured as to repayment by a mortgage or other

1 security instrument in the manner the authority determines is feasible
2 to assure timely repayment under a loan agreement entered into with
3 the borrower;

4 (7) may not be made unless

5 (A) at least 20 [10] percent of the principal amount
6 of the loan is retained by the originator of the loan as long as
7 the loan is outstanding; or

8 (B) 100 percent of the principal amount of the loan is
9 guaranteed by the United States or an agency or instrumentality
10 of the United States;

11 (8) must be

12 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
13 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
14 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

15 (B)] financed from the proceeds of bonds; or

16 (B) [(C)] expected by the authority to be financed
17 from the proceeds of bonds.

18 * Sec. 14. AS 44.88.165 is repealed and reenacted to read:

19 Sec. 44.88.165. DELINQUENT LOANS. The authority shall adopt
20 regulations to describe the circumstances under which it will discon-
21 tinue purchasing loans from a financial institution because of exces-
22 sive delinquencies among the loans previously purchased by the author-
23 ity from the financial institution. In adopting the regulations, the
24 authority must consider the authority's delinquency experience with
25 loans it purchased from all financial institutions. The authority may
26 include in the regulations other remedies it considers appropriate as
27 alternatives to the discontinuance of purchasing loans from the finan-
28 cial institution.

29 * Sec. 15. AS 44.88.172(a) is amended to read:

1 (a) The economic development account is established in the
2 revolving fund. The economic development account consists of money or
3 assets appropriated, loaned, or transferred to the authority for
4 deposit in the account [,] and other money or assets deposited in the
5 account by the authority. While money is on deposit in the economic
6 development account, the money [THE ACCOUNT] may be used only to
7 finance, acquire, manage, and operate development projects that the
8 authority intends to own and operate. The term "operate" includes
9 operation directly by the authority [,] or by an agent of the author-
10 ity.

11 * Sec. 16. AS 44.88.585(b) is amended to read:

12 (b) The authority may provide a guarantee from the fund for up
13 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
14 44.88.599. The ratio of the guarantee to the outstanding principal of
15 the loan may not increase over the term of the loan.

16 * Sec.17. AS 44.88.545 is amended to read:

17 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO BOR-
18 ROWERS. The authority may not provide a guarantee

19 (1) [A LOAN] of more than \$1,000,000;

20 (2) [LOANS] to an individual borrower that cumulatively
21 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

22 * Sec. 18. AS 44.88.560 is amended to read:

23 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

24 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
25 599;

26 (2) establish terms and conditions for loan guarantees and
27 refinancing agreements subject to the requirements of AS 44.88.500 -
28 44.88.599;

29 (3) make and execute contracts and other instruments to

1 implement AS 44.88.500 - 44.88.599;

2 (4) charge

3 (A) [(i)] one percent of the amount guaranteed for the
4 service it provides under AS 44.88.500 - 44.88.599; and

5 (B) [(ii)] any other reasonable fee that the authority
6 may establish by regulation;

7 (5) acquire real or personal property by purchase, trans-
8 fer, or foreclosure when the acquisition is necessary to protect an
9 interest in the fund; and

10 (6) exercise any other power necessary to implement AS 44.-
11 88.500 - 44.88.599;

12 (7) to the extent the authority considers it to be in its
13 best interest to do so, use money in the business assistance fund to
14 pay expenses relating to the liquidation of collateral securing loans
15 guaranteed by the business assistance fund.

16 * Sec. 19. AS 44.88.900(4) is repealed and reenacted to read:

17 (4) "development project" has the meaning given to "proj-
18 ect" in (9)(A) of this section;

19 * Sec. 20. AS 44.88.900(9) is amended to read:

20 (9) "project" means

21 (A) a plant or facility used or intended for use
22 [(i)] in connection with making, processing, pre-
23 paring, transporting, or producing in any manner, goods,
24 products, or substances of any kind or nature or in connec-
25 tion with developing or utilizing a natural resource, or
26 extracting, smelting, transporting, converting, assembling,
27 or producing in any manner, minerals, raw materials, chemi-
28 cals, compounds, alloys, fibers, commodities and materials,
29 products, or substances of any kind or nature;

1 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
2 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
3 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
4 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
5 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
6 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
7 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
8 FACILITY DESCRIBED IN THIS PARAGRAPH;]

9 (B) a plant or facility used or intended for use in
10 connection with a business enterprise;

11 (C) commercial activity by a small enterprise;

12 * Sec. 21. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
13 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
14 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

15 * Sec. 22. AS 44.88.095(b) is repealed.

16 * Sec. 23. Sections 8 and 22 of this Act take effect January 1, 1991.

17 * Sec. 24. Sections 1 - 7 and 9 - 21 of this Act take effect immedi-
18 ately under AS 01.10.070(c).

CS FOR
HOUSE BILL
123

"An Act Relating to the Alaska Industrial
Development and Export Authority; and providing for
an effective date."



ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT
AUTHORITY

The Alaska Industrial Development and Export Authority

PROMOTES EMPLOYMENT THROUGH FINANCING

Since 1981, Authority Financing has resulted in an estimated 13,582 jobs and 804 projects with a value of \$871,932,230.

	Employment per Region	Projects per Region	Dollar Value per Region
Northern	437	27	30,535,250
Interior	1,480	91	99,875,250
Southwest	788	41	52,095,250
Anchorage	7,178	422	458,710,805
Southcentral	1,804	135	97,815,500
Southeast	1,895	85	135,100,000
Total	13,582	804	871,932,230

*HOW WILL CS FOR HOUSE
BILL 123, SPONSORED BY
THE GOVERNOR, FURTHER
THE AUTHORITY'S EFFORTS
IN PROMOTING RESOURCE
DEVELOPMENT ?*

The Authority will be able to own, operate, or construct facilities

*solely,
by partnership,
by joint venture,
or through other agreements with persons for shared
ownership.*

Example:

To enhance development of the Beluga coal fields, a common transportation system accessible by all lease holders could provide a stimulus for further movement of this project. Financing and/or partial ownership with the lease holders in this common system could reduce the costs of moving the coal to tidewater.

The Authority will be able to provide financial support in the form of

*loans,
guarantees,
equity investments.*

Example:

In reference to the Beluga Coal Fields, the Authority could function as a lender for the project, or could have an equity interest in the coal transportation system in conjunction with others and be repaid by charging fees on the amount of coal transported. Flexibility and a menu of options are necessary as each project will be different and present unique problems to overcome.

In addition to these current statutory bonding limitations:

The Authority cannot issue bonds in a total amount over \$400 million during a 12 month period.

The Authority cannot issue bonds for a particular project within a 12 month period over \$50 million.

Project bonds over \$6 million require location approval from the city or borough where the project will be located.

Project bonds over \$10 million require a public hearing as well as municipal approval.

In all cases, the Authority must find that;

The project is economically advantageous to the State and public welfare.

The project applicant is financially responsible.

Increased demand on public utilities will be satisfied.

The project will provide or retain employment reasonably related to the amount of Authority financing.

The project is feasible enough to repay the bonds or loans.

The bond issuance will not adversely affect the marketability of other state bonds.

House Bill 123 proposes the following:

The Authority can issue bonds up to \$25 million to assist in the acquisition of a development project without prior legislative approval, as opposed to \$10 million currently.

The State's moral obligation on any future bonds issued by the Authority is eliminated.

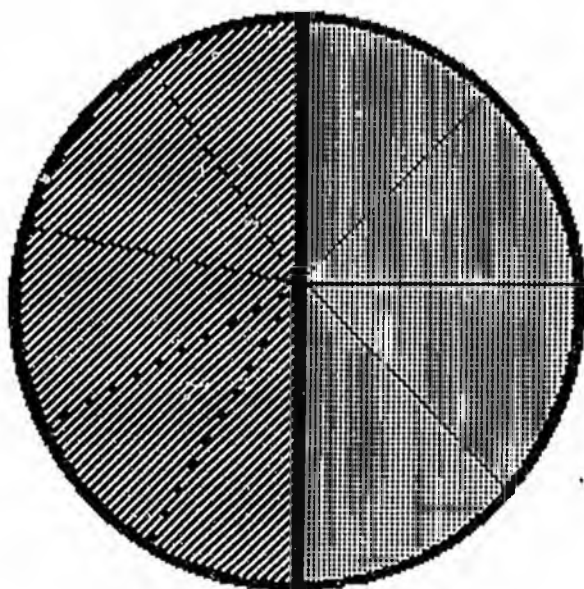
The principle amount of a loan retained by the originator is increased from 10% to 20%.

The Authority can regulate conditions where it will no longer purchase loan participations from a financial institution as a result of excessive delinquencies.

The Authority will be able to utilize assets in pursuing the promotion of resource development projects by revising the scope of the Revolving Fund.

The revolving fund is comprised of two primary accounts: the *Enterprise Development Account* and the *Economic Development Account*. The Enterprise Development account is utilized for daily operations and obligations of the Authority and the Economic Development Account is utilized for major development projects like Red Dog. All accounts are independent and monies cannot be transferred between accounts.

THE REVOLVING FUND



-  **Economic Development Account**
 - Capital Reserve Account
 - Sustaining Capital Account
 - Operation & Maintenance Account
 - Construction Revenue Account
 - Project Economic Development Account

-  **Enterprise Development Account**
 - Capital Reserve Account
 - Business Assistance Account
 - Loan Collection Account
 - Investment Account

Proposed:

"Pool" all the non-promised monies of both major accounts together to function as a general fund.

House Bill 123 proposes the following changes to the Authority's Commercial Business Loan Program to effectively market the program to banking institutions.

The guaranteed portion of the loan is increased from 70% to 80%.

The guaranty will cover \$1 million or less, as opposed to guarantying a loan of \$1 million or less.

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program as deemed necessary.

The changes proposed in this legislation will not require additional funding.

SECTIONAL ANALYSIS

CS for House Bill 123

"An Act Relating to the Alaska Industrial Development and Export Authority; and providing for an effective date"

DISCUSSION:

The purpose of this legislation is to further the Alaska Industrial Development and Export Authority's efforts in promoting employment through resource development projects. The Authority has historically functioned as a correspondent to Alaskan banks, financing real estate mortgages in the service sector of the economy. This legislation is an attempt to redirect the Authority's efforts to achieve the goal of increased employment through primary sector industrial development. This redirection is an attempt to create new jobs and promote population growth within the State. This in turn will provide assistance to the service sector which currently is suffering from a lack of demand.

The congressional changes to the tax code in 1986 significantly altered the type of projects that can be financed with the proceeds of tax-exempt bonds. The only projects currently eligible are manufacturing plants (through December 31, 1989) and certain facilities referred to as "exempt facilities." Financing for airports, docks, and wharves is still available if the project is owned by a governmental entity. This change in the tax law has reduced the attractiveness and demand for Authority tax-exempt financing.

The definition of a development project in AS 44.88.900(9)(A) limits Authority ownership. The current definition stresses the primary resource industries, and accentuates transportation and infrastructure associated with those projects.

This legislation does not eliminate the essential framework whereby the Authority acts as a correspondent to Alaskan banks. The current banking situation has curtailed many of the existing banks correspondent relationships. It is critical that the Authority remain as an institute correspondent during these difficult times.

Pursuant to its purpose, all provisions of the bill accomplish at least one of the following four objectives.

1. Increase efforts in promoting resource development projects.
2. Amend existing statutes to allow utilization of the Authority's assets in pursuing the promotion of development projects.
3. Conform existing statutes to the 1986 Tax Act.
4. Reorganize, refine, and consolidate statutes of the Authority.

Section 1. AS 44.88.010(a)(9):

Three changes are made in this section: two deletions of dated language that is no longer applicable, and an addition allowing the Authority to participate in different types of ownership.

The deletions conform state law to the federal law changes made as a result of the 1986 Tax Reform Act.

The addition defines the necessary relationship possibilities between the Authority and other persons or entities. Each project will face unique problems, and flexibility is needed to address and overcome them. Without this flexibility, the Authority's effectiveness in promoting resource development projects will be limited.

Section 2. AS 44.88.010(c):

There are two changes in this section: the addition that sets forth the Authority's scope of providing financial support for or with various persons or entities, and the deletion removes language that is unnecessary and could be viewed as applying only to exports.

Section 3. AS 44.88.060:

The two additions in this section establish the scope of the revolving fund. The revolving fund is currently made up of two separate accounts: the Enterprise Development Account where loans are originated and financed through banks, and the Economic Development Account designated for major development projects. The additions allow the Authority to create additional accounts within the unrestricted accounts of the revolving fund, and transfer monies between accounts subject to bond-holder agreements. The investment powers are moved into the revolving fund, allowing it to function as the general fund and be invested in accordance with Title 37.

Section 4. AS 44.88.070:

The addition in this section sets forth the Authority's scope of owning and operating development projects: solely or by partnership, joint venture, or other agreement with another person. This definition is necessary as the projects contemplated will require the flexibility to deal with different forms of ownership and operation.

Section 5. AS 44.88.080(14):

The two additions in this section broaden and conform the Authority's scope of powers with regard to development projects that are not standardized.

Section 6. AS 44.88.090(a):

The deletion in this section removes language that is unnecessary in this legislation as proposed.

Section 7. AS 44.88:

This addition creates a new section, 44.88.095, BONDING LIMITATIONS. It consolidates all the Authority's statutory limitations regarding the issuance of bonds into one section. The provisions do not change and are merely moved from another section with one exception; the Authority will have the ability to issue bonds up to \$25 million as opposed to \$10 million to assist in the financing or operation of a development project without prior legislative approval. Local approval is still required under this section.

Section 8. AS 44.88.105(a):

The deletion in this section eliminates the ceiling on bonds regarding the establishment of capital reserve funds. It also eliminates the state's moral obligation to supplement a capital reserve fund created after January 1, 1989 should it ever fall below the required amount.

With this elimination of moral obligation, bonds of the Authority issued after January 1, 1989, will stand on their own and do not contingently obligate the State in any form whatsoever. Since 1981 all bonds have had the benefit of the State's moral obligation. It is now appropriate that the Authority stand on its own financially with respect to future bond issues. Of course, the Authority's bonds that are already outstanding and were issued with the moral obligation will continue to have that benefit.

Section 9. AS 44.88.105(d):

This addition is in conjunction with the changes of section 8 and sets forth the date, January 1, 1989, after which no additional moral obligation bonds could be issued.

Section 10. AS 44.88.155(b):

The change in this section allows the Authority to establish accounts within the enterprise development account considered appropriate by the Authority.

Section 11. AS 44.88.155(c)

The deletion in this section is in conjunction with the changes in section 3, it simply moves the investment powers into the revolving fund.

Section 12. AS 44.88.155(d):

There are two changes and one deletion in this section.

The first change allows the Authority to participate in the financing of projects that previously have been beyond the Authority's financial scope. Increasing the loan limit on a project from \$10 million to \$25 million will allow the Authority to participate in larger projects strictly as a correspondent. Several tourism-related projects have been beyond the \$10 million limit. This change would allow Authority participation in these projects.

The second change requires that the principle amount of a loan held by the originator be increased from 10% to 20% as long as the loan is outstanding. This would promote caution when banks contemplate selling their loans to the Authority. They will be responsible for holding a more significant portion of the credit and hopefully act accordingly.

The deletion will allow the Authority to become active in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS. 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

Section 13. AS 44.88.165:

The statute regarding loan delinquencies is repealed and reenacted. It allows the Authority to regulate conditions whereby it may discontinue purchase of loan participations from a financial institution because of excessive loan delinquencies. This revision is necessary to allow more financial institutions to participate in the authority's loan programs.

Section 14. AS 44.88.172(a):

The additions to this section establish the Economic Development Account within the Revolving Fund. They set forth the scope for which the Economic Development Account will be used.

The changes to the following three sections affect the Authority's commercial business loan guarantee program. These changes are necessary to make this program more marketable to banking institutions.

Section 15. AS 44.88.535(b):

The guaranteed portion of the loan is increased from 70% to 80%.

Section 16. AS 44.88.545:

The guaranty will cover \$1 million or less, as opposed to guaranteeing a loan of \$1 million or less.

Section 17. AS 44.88.560:

The Authority is given the power to pay liquidation costs of collateral securing loans that are guaranteed by this program when the Authority considers it to be in its best interest to do so.

Section 18. AS 44.88.900(4):

This section clarifies the definition of "development" project by referring to the resource development oriented plants and facilities described in the definition of "project", including transportation related facilities as set forth in section 19.

Section 19. AS 44.88.900(9):

There is one addition and deletion in this section. The addition includes certain transportation facilities in the definition of a project, while the deletion eliminates the obsolete language from the tax code prior to the 1986 Tax Reform Act.

Section 20. Repealed statutes:

AS 44.88.090(g), 44.88.160, 44.88.172(c), 44.88.175, and 44.88.176 are reenacted in substantially the same form and placed in Section 6, Bonding Limitations.

AS 44.88.090(i) is repealed to allow the Authority to issue bonds after January 1, 1990.

AS 44.88.105(e) and (g) relate to the moral obligation provisions, that under this legislation, would terminate on January 1, 1989. The provisions of 44.88.105(e) duplicate those added by section 10, AS 44.88.155(d)(7)(A) of this legislation.

AS 44.88.157 creates a loan insurance account and permits the Authority to insure loans purchased under its general financing provisions. This section is unnecessary because it has not been used since its inception.

AS 44.88.159(c), 44.88.212(a), and 44.88.900(3) refer to AS 44.88.158, the small business enterprise loan account that is repealed under this legislation.

AS 44.88.158 provides authority that is already given in the investment powers (AS 37.10.071) in the revolving loan fund.

The deletion in section 10, page 8, line 10 will allow the Authority to become active once again in purchasing the guaranteed portion of federal SBA loans from banks. The revised investment statute, AS 37.10.071, will permit the Authority to invest its funds in the guaranteed portion of federal SBA loans once the program restrictions are removed from statute. This flexibility is essential. The SBA modifies its program periodically, and casting the program in statute does not provide enough flexibility to maintain a market presence in these guarantees.

AS 44.88.172(b) does not allow use of the Authority's assets for resource development projects and is repealed.

Section 21:

This section provides for an immediate effective date.

HB 123

HOUSE BILL NO. 123 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

was read the first time and referred to the Labor & Commerce, Judiciary and Finance Committees.

January 27, 1989

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HB 123

A zero fiscal note with analysis by the Department of Commerce & Economic Development was published January 27, 1989.

The Governor's transmittal letter, dated January 27, 1989, appears below:

"Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill authorizing the Alaska Industrial Development and Export Authority (AIDEA) to finance development enterprises.

The most significant provisions of this bill relate to AIDEA's ability to finance resource development projects that AIDEA intends to own or operate (such as the Red Dog Mine project). In this regard, the bill would permit AIDEA to issue up to \$25,000,000 of its bonds for such a project without requiring passage of a law approving the project. It would also permit AIDEA to transfer amounts among its various accounts to provide more financing flexibility. (Although the provisions (proposed AS 44.88.095(b) and (f)) requiring legislative approval before certain bonds exceeding specified amounts may be issued raise a constitutional question under the separation-of-powers doctrine, I know of the legislature's concern about bond issuance and I believe that it might be helpful to set out this procedure in the statutes, as a courtesy to the legislature.)

Another significant provision would require originating financial institutions to retain a higher percentage of a loan before it may sell it to AIDEA. Under existing law, a financial institution must retain 10 percent of a loan. AS 44.88.155(d). Under this bill, the originating financial institution must retain 20 percent of the loan. By increasing this requirement along with the amount that AIDEA can invest in or loan on projects, it is hoped that financial institutions will carefully select the projects for which they will extend credit.

This bill will allow AIDEA to gather together all funds and accounts established by law and administer them as a part of the revolving fund of the authority. AIDEA would be given the power to transfer freely between accounts within the development fund so that it has the flexibility to adapt to the appropriate structure of a financing proposal presented to it for financing. AIDEA would be given the power to create separate accounts necessary to guarantee repayment of a bond issue if that action becomes necessary to make the bonds marketable.

The bill also amends a provision in existing law which represents to investors in AIDEA bonds that the state might step in and make bond payments if the authority is unable to do so. This section acknowledges the state's moral obligation to back AIDEA's revenue bonds if the authority becomes

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insolvent. The bill would change this moral obligation representation to apply only to bonds issued on or before January 1, 1989.

The bill would expressly confer on AIDEA the power to share ownership of projects with private enterprises by either forming a partnership, joint venture, or other form of cooperative ownership agreement.

The bill would also amend the provision in existing law that prohibits AIDEA from purchasing loans from financial institutions that experience a two percent or greater delinquency rate on loans made by the institution. The bill would allow AIDEA to set the target delinquency rate by regulation. By adopting this technique, AIDEA will be given the flexibility to adjust the delinquency rate to reflect existing economic conditions. The inflexible rule in effect under existing law sets the rate too low to allow the majority of banks in the state to qualify for AIDEA financing.

I urge your favorable consideration on this bill.

Sincerely,

/s/

Steve Cowper
Governor"

DESCRIPTION OF CHANGES

CS for House Bill 123 (Labor and Commerce)
"An Act Relating to the Alaska Industrial Development
and Export Authority; and providing for an effective date."

1. Section 2, AS 44.88.010(c):

Page 2, line 12; [federal, state] replaced with public.

This change allows participation with other entities such as municipalities.

2. Section 6, AS 44.88.090(a):

Page 3, lines 16 through 29 were added to the bill and the following change was made.

Page 3, line 16; (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may borrow money...

This change allows for easier reading and comprehension in relation to the Bonding Limitations section in this legislation.

3. Section 7, AS 44.88.095:

- A. Page 4, lines 7 and 8; ...to aquire a development project or an interest in a development project.

This addition clarifies the type of project applicable in this section.

- B. Page 4, line 22; Before entering into a lease or other agreement under AS 44.88.090(e) regarding a project...

This addition conforms to the definition section and allows for proper word usage.

- C. Page 5

Sections d and e are switched in order of placement within the bill to allow easier reading and comprehension.

- D. Page 6, line 3; "without prior legislative approval" was moved from the end of the paragraph to the beginning as a matter of grammatical preference.

- E. Page 6, line 5; [aquisition] replaced with financing.

This change conforms to the definition section and allows for proper word usage.

4. Section 10, AS 44.88.155(b):

Page 7, lines 15 through 18 were added to the bill and the following change was made.

Lines 17 and 18; the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE ACCOUNT, AND OTHER] accounts it considers appropriate.

This change was made in conjunction with section 11 allowing flexibility of accounts within the Revolving Fund.

5. Section 12, AS 44.88.155(d):

Page 8, lines 26 and 27; ...the loan is retained by the originator of the loan as long as the loan is outstanding; or...

This addition clarifies the terms and conditions of the loan pertaining to the originator.

Page 9, lines 6 and 7; (B)] financed from the proceeds of bonds; or (B) [C] expected by the authority...

This technical change allows for easier reading and comprehension.

6. Section 13, AS 44.88.165:

Page 9, line 15; ...authority must consider the authority's delinquency experience.

This addition clarifies that the Authority's experience will be considered as opposed to another.

7. The following sections were added to House Bill 123 in response to public interest and the referenced changes were made.

A. Section 15, AS 44.88.535(b):

Page 10, lines 4 and 5; (b) The authority may provide a guarantee from the fund for up to 80 [70] percent of the loan.

B. Section 16, AS 44.88.545:

Page 10, line 10; The authority may not provide a guarantee
line 11; (1) [A LOAN] of more than \$1,000,000
line 12; (2) [LOANS] to an individual borrower that
cumulatively exceeds [EXCEED] \$1,000,000
of guaranteed indebtedness.

7. Continued

C. Section 17, AS 44.88.560:

Page 11, lines 4 through 7; (7) to the extent the authority considers it to be in its best interest to do so, use money in the business assistance fund to pay expenses relating to the liquidation of collateral securing loans guaranteed by the business assistance fund.

These changes provide for a more marketable Loan Guarantee Program by allowing the Authority to make a guarantee up to \$1,000,000 as opposed to guarantying a loan up to \$1,000,000 and pay for asset liquidation costs as deemed necessary by the Authority.

8. Section 18, AS 44.88.900(4):

Page 11, lines 9 and 10; "developemnt project" has the meaning given to "project" in (9)(a) of this section.

A rearrangement of words allows for easier reading and comprehension.

HB 123

HOUSE BILL NO. 123 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

was read the first time and referred to the Labor & Commerce, Judiciary and Finance Committees.

January 27, 1989

HOUSE JOURNAL

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HB 123

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I urge your favorable consideration on this bill.

Sincerely,

/s/

Steve Cowper
Governor

Original sponsor: Rules/Governor

1 IN THE HOUSE
2
3 CS FOR HOUSE BILL NO. 123 (L&C)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 SIXTEENTH LEGISLATURE - FIRST SESSION
6 A BILL
7 For an Act entitled: "An Act relating to the Alaska Industrial Development
8 and Export Authority; and providing for an effective
9 date."
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
11 * Section 1. AS 44.88.010(a)(9) is amended to read:
12 (9) the achievement of the goal of full employment, and of
13 establishment and continuing operation and development of industrial,
14 manufacturing, export, small business, and business enterprises in the
15 state [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR TRANSPORTATION,
16 FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL, FACILITIES FOR
17 THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER, FACILITIES FOR
18 INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES FOR LOCAL DIS-
19 TRICT HEATING OR COOLING, PARKING FACILITIES, OR A STORAGE OR TRAINING
20 FACILITY RELATING TO A PLANT OR FACILITY,] will be accelerated and
21 facilitated by the creation of an instrumentality of the state with
22 powers to incur debt, to own and operate facilities, to enter into
23 partnership, joint venture, and other agreements with other persons
24 with respect to the ownership, operation, or construction of facil-
25 ities, and to make and insure loans to finance, and to assist private
26 lenders to make loans to finance, the establishment, operation, and
27 development of industrial, manufacturing, export, small business, and
28 business enterprises [, INCLUDING, WITHOUT LIMITATION, FACILITIES FOR
29 TRANSPORTATION, FACILITIES FOR POLLUTION CONTROL AND WASTE DISPOSAL,
FACILITIES FOR THE LOCAL FURNISHING OF GAS, FACILITIES FOR WATER,

1 FACILITIES FOR INDUSTRIAL PARKS, MASS COMMUTING VEHICLES, FACILITIES
2 FOR LOCAL DISTRICT HEATING OR COOLING, PARKING FACILITIES, OR A STOR-
3 AGE OR TRAINING FACILITY RELATING TO A PLANT OR FACILITY];

4 * Sec. 2. AS 44.88.010(c) is amended to read:

5 (c) It is further declared to be the policy of the state, in the
6 interests of promoting the health, security, and general welfare of
7 all the people of the state, and a public purpose of the state, to
8 accomplish the objectives set out in (b) of this section through the
9 provision of financial support, in the form of loans, guarantees,
10 equity investments, or other methods provided in this chapter, for or
11 in cooperation with, or through joint venture, partnership, or other
12 agreements with, public [FEDERAL, STATE,] and private institutions
13 [FOR THE PURPOSE OF INCREASING THE EXPORT OF ALASKA GOODS, TALENT, RAW
14 MATERIALS, AND SERVICES].

15 * Sec. 3. AS 44.88.060 is amended to read:

16 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT
17 AUTHORITY REVOLVING FUND. The Alaska Industrial Development and
18 Export Authority revolving fund is established in the authority. The
19 revolving fund consists of appropriations made to the revolving fund
20 by the legislature, money or other assets transferred to the revolving
21 fund by the authority, and unrestricted payments on loans made or
22 purchased by the authority. Unless otherwise expressly stated, the
23 accounts created in this chapter are accounts in the revolving fund.
24 The authority may create additional accounts either in the revolving
25 fund or outside the revolving fund. Subject to agreements made with
26 the holders of the authority's bonds or with other persons, the
27 authority may transfer amounts in an account in the revolving fund to
28 another account in the revolving fund. Amounts deposited in the
29 revolving fund may be pledged to the payment of bonds of the authority

1 or expended for the purposes of the authority under this chapter. The
2 authority has the powers and responsibilities established in AS 37.10.
3 071 with respect to the investment of amounts held in the revolving
4 fund.

5 * Sec. 4. AS 44.88.070(2) is amended to read:

6 (2) owning and operating, either solely or by partnership,
7 joint venture, or other agreement with another person, the enterprises
8 and other facilities described in AS 44.88.172;

9 * Sec. 5. AS 44.88.080(14) is amended to read:

10 (14) to acquire, manage, and operate projects, and to enter
11 into agreements with other persons for shared ownership, operation, or
12 construction of projects, as the authority considers necessary or
13 appropriate to serve a public purpose or to exercise its powers under
14 this chapter;

15 * Sec. 6. AS 44.88.090(a) is amended to read:

16 (a) The [SUBJECT TO (g) OF THIS SECTION, THE] authority may
17 borrow money and may issue bonds, including but not limited to bonds
18 on which the principal and interest are payable

19 (1) exclusively from the income and receipts or other money
20 derived from the project or development project financed with the
21 proceeds of the bonds or derived from the exporter or exporting trans-
22 action financed, guaranteed, or insured with the proceeds of the
23 bonds;

24 (2) exclusively from the income and receipts or other money
25 derived from designated projects or development projects or other
26 sources whether or not they are financed, insured, or guaranteed in
27 whole or in part with the proceeds of the bonds; or

28 (3) from its income and receipts or other assets generally,
29 or a designated part or parts of them.

1 * Sec. 7. AS 44.88 is amended by adding a new section to read:

2 Sec. 44.88.095. BONDING LIMITATIONS. (a) The authority may not
3 issue bonds in a 12-month period in an amount that exceeds
4 \$400,000,000.

5 (b) The authority may not issue revenue bonds, other than re-
6 funding bonds, to purchase a loan for a project under AS 44.88.155 -
7 44.88.159, to acquire a development project or an interest in a devel-
8 opment project under AS 44.88.172 - 44.88.177 or to provide money to
9 finance, guarantee, or insure an exporting transaction under AS 44.-
10 88.300 - 44.88.390 in an amount greater than \$50,000,000 during any
11 12-month period unless the issuance is included separately in the
12 estimates required in the report of the authority under AS 44.88.-
13 210(b) and unless the legislature, by law, approves the issuance.

14 (c) Before entering into a lease or other agreement under
15 AS 44.88.090(e) regarding a project for which the authority agrees to
16 issue bonds in an amount in excess of \$6,000,000, there must be filed
17 with the authority a certified copy of a resolution of the governing
18 body of the political subdivision of the state, if any, in which the
19 project is to be located, consenting to the location of the project.
20 The consent need only refer to the general nature of the project
21 ultimately to be acquired, as set out in a request of the proposed
22 project applicant. Before entering into a lease or other agreement
23 under AS 44.88.090(e) regarding a project, the authority shall find,
24 on the basis of all information reasonably available to it, that

25 (1) the project and its development under this chapter will
26 be economically advantageous to the state and the general public
27 welfare and will contribute to the economic growth of the state;

28 (2) the project applicant is financially responsible;

29 (3) provision to meet increased demand upon public facili-

1 ties that might result from the project is reasonably assured; and

2 (4) the project will provide, or retain, employment reason-
3 ably related to the amount of the financing by the authority, con-
4 sidering the amount of investment per employee for comparable facil-
5 ities and other relevant factors.

6 (d) Before adopting a resolution approving a project to be
7 financed under AS 44.88.172 for which bonds must be issued, the au-
8 thority shall, on the basis of all information reasonably available to
9 it, make findings, with respect to the project, as described in
10 (c)(1) - (4) of this section, and also find that

11 (1) the project is economically and financially feasible
12 and able to produce revenue adequate to repay the bonds or loans with
13 which it is financed;

14 (2) the project complies with applicable law; and

15 (3) issuance of the bonds is not expected to adversely
16 affect the ability of the state or any political subdivision of the
17 state to market other bonds.

18 (e) Before entering into an agreement to finance or to develop a
19 proposed project with a cost in excess of \$10,000,000 financed under
20 AS 44.88.172 for which bonds must be issued, the authority shall
21 obtain the approval of each Regional Resource Advisory Council
22 appointed under AS 44.88.174 or municipality in the area in which the
23 proposed project is to be located. Approval under this subsection
24 must be evidenced by a certified copy of a resolution of the council
25 or of the governing body of the municipality. Before considering a
26 resolution regarding the approval or rejection of the development or
27 financing of a proposed project under this subsection, a Regional
28 Resource Advisory Council shall conduct a public hearing in the
29 region. If a proposed project is located in a municipality, the

1 governing body of the municipality shall conduct a hearing on the
2 proposed project.

3 (f) Without prior legislative approval, the authority may not
4 issue bonds in an amount greater than \$25,000,000 to assist in the
5 financing of a development project under AS 44.88.172 - 44.88.177.

6 * Sec. 8. AS 44.88.105(a) is amended to read:

7 (a) For the purpose of securing one or more issues of its bonds,
8 the authority may establish one or more special funds, called "capital
9 reserve funds", and shall pay into those capital reserve funds the
10 proceeds of the sale of its bonds and other money which may be made
11 available to the authority from other sources for the purposes of the
12 capital reserve funds. A capital reserve fund may be established only
13 if the authority determines that the establishment of the fund would
14 enhance the marketability of the bonds [, AND IF THOSE COSTS OF A
15 PROJECT, AS DEFINED IN AS 44.88.900, WHICH ARE TO BE FINANCED WITH THE
16 PROCEEDS OF THE BONDS, DO NOT EXCEED \$10,000,000]. Money in a capital
17 reserve fund, except as provided in this section, may be used as
18 required only for (1) the payment of the principal of, and interest
19 on, bonds or of the sinking fund payments with respect to those bonds;
20 (2) the purchase or redemption of the bonds; or (3) the payment of a
21 redemption premium required to be paid when the bonds are redeemed
22 before maturity. However, money in a capital reserve fund may not be
23 withdrawn if the withdrawal would reduce the amount in the capital
24 reserve fund to less than the capital reserve fund requirement, except
25 for the purpose of making payment, when due, of principal, interest,
26 redemption premiums on the bonds, and sinking fund payments when other
27 money of the authority is not available for the payments. Income or
28 interest earned by, or increment to, a capital reserve fund, from the
29 investment of all or part of the fund, may be transferred by the

1 authority to other funds or accounts of the authority if the transfer
2 does not reduce the amount of the capital reserve fund below the
3 capital reserve fund requirement.

4 * Sec. 9. AS 44.88.105(d) is amended to read:

5 (d) With respect to a capital reserve fund created under this
6 section on or before January 1, 1989, the [THE] chairman of the
7 authority shall annually, no later than January 2, certify in writing
8 to the governor and the legislature the amount, if any, required to
9 restore the [A] capital reserve fund to the capital reserve fund
10 requirement. The legislature may appropriate to the authority the
11 amount certified by the chairman of the authority. The authority
12 shall deposit the amounts appropriated under this subsection during a
13 fiscal year in the proper capital reserve fund. Nothing in this
14 section creates a debt or liability of the state.

15 * Sec. 10. AS 44.88.155(b) is amended to read:

16 (b) The authority may establish in the enterprise develop-
17 ment account the [A SMALL ENTERPRISE LOAN ACCOUNT, A LOAN INSURANCE
18 ACCOUNT, AND OTHER] accounts it considers appropriate.

19 * Sec. 11. AS 44.88.155(c) is amended to read:

20 (c) Money and other assets of the enterprise development account
21 may be used to secure bonds of the authority issued to finance the
22 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
23 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
24 chase loans for projects.

25 * Sec. 12. AS 44.88.155(d) is amended to read:

26 (d) A loan purchased in whole or in part by the authority with
27 assets of the enterprise development account or with proceeds of bonds
28 secured by assets of the enterprise development account, other than a
29 loan which is financed with the proceeds of bonds of the authority and

1 secured only by a project applicant or a project,

2 (1) may not exceed \$25,000,000

3 [(A) \$10,000,000; OR

4 (B) \$500,000 IF THE LOAN IS PURCHASED UNDER AS 44.88.-

5 158];

6 (2) may not exceed the cost of the project or 75 percent of
7 the appraised value of the project, whichever is less, unless the
8 amount of the loan in excess of this limit is federally insured or
9 guaranteed or is insured by a qualified mortgage insurance company;

10 (3) may not be for a term longer than three-quarters of the
11 authority's estimate of the life of the project or 25 years from the
12 date the loan is made, whichever is earlier;

13 (4) shall contain complete amortization provisions satis-
14 factory to the authority requiring periodic payments by the borrower;

15 (5) shall be in the form and contain the terms and provi-
16 sions with respect to insurance, repairs, alterations, payment of
17 taxes and assessments, default reserves, delinquency charges, default
18 remedies, acceleration of maturity, secondary liens, and other matters
19 the authority prescribes;

20 (6) shall be secured as to repayment by a mortgage or other
21 security instrument in the manner the authority determines is feasible
22 to assure timely repayment under a loan agreement entered into with
23 the borrower;

24 (7) may not be made unless

25 (A) at least 20 [10] percent of the principal amount
26 of the loan is retained by the originator or the loan as long as
27 the loan is outstanding; or

28 (B) 100 percent of the principal amount of the loan is
29 guaranteed by the United States or an agency or instrumentality

1 of the United States;

2 (8) must be

3 (A) [AT LEAST PARTIALLY GUARANTEED BY THE UNITED
4 STATES OR AN AGENCY OR INSTRUMENTALITY OF THE UNITED STATES,
5 SUBJECT TO THE PROVISIONS OF AS 44.88.158;

6 (B)] financed from the proceeds of bonds; or

7 (B) [(C)] expected by the authority to be financed
8 from the proceeds of bonds.

9 * Sec. 13. AS 44.88.165 is repealed and reenacted to read:

10 Sec. 44.88.165: DELINQUENT LOANS. The authority shall adopt
11 regulations to describe the circumstances under which it will discon-
12 tinue purchasing loans from a financial institution because of exces-
13 sive delinquencies among the loans previously purchased by the author-
14 ity from the financial institution. In adopting the regulations, the
15 authority must consider the authority's delinquency experience with
16 loans it purchased from all financial institutions. The authority may
17 include in the regulations other remedies it considers appropriate as
18 alternatives to the discontinuance of purchasing loans from the finan-
19 cial institution.

20 * Sec. 14. AS 44.88.172(a) is amended to read:

21 (a) The economic development account is established in the
22 revolving fund. The economic development account consists of money or
23 assets appropriated, loaned, or transferred to the authority for
24 deposit in the account [,] and other money or assets deposited in the
25 account by the authority. While money is on deposit in the economic
26 development account, the money [THE ACCOUNT] may be used only to
27 finance, acquire, manage, and operate development projects that the
28 authority intends to own and operate either solely or by partnership,
29 joint venture, or other agreement with another person. The term

1 "operate" includes operation directly by the authority [,] or by an
2 agent of the authority.

3 * Sec. 15. AS 44.88.535(b) is amended to read:

4 (b) The authority may ~~provide~~ a guarantee from the fund for up
5 to 80 [70] percent of a loan that qualifies under AS 44.88.500 -
6 44.88.599. The ratio of the guarantee to the outstanding principal of
7 the loan may not increase over the term of the loan.

8 * Sec. 16. AS 44.88.545 is amended to read:

9 Sec. 44.88.545. LIMITATIONS OF GUARANTEES WITH RESPECT TO
10 BORROWERS. The authority may not provide a guarantee

11 (1) [A LOAN] of more than \$1,000,000;

12 (2) [LOANS] to an individual borrower that cumulatively
13 exceeds [EXCEED] \$1,000,000 of guaranteed indebtedness.

14 * Sec. 17. AS 44.88.560 is amended to read:

15 Sec. 44.88.560. POWERS OF THE AUTHORITY. The authority may

16 (1) adopt regulations to implement AS 44.88.500 - 44.88.-
17 599;

18 (2) establish terms and conditions for loan guarantees and
19 refinancing agreements subject to the requirements of AS 44.88.500 -
20 44.88.599;

21 (3) make and execute contracts and other instruments to
22 implement AS 44.88.500 - 44.88.599;

23 (4) charge

24 (i) one percent of the amount guaranteed for the
25 service it provides under AS 44.88.500 - 44.88.599; and

26 (ii) any other reasonable fee that the authority may
27 establish by regulation;

28 (5) acquire real or personal property by purchase,
29 transfer, or foreclosure when the acquisition is necessary to protect

1 an interest in the fund; and

2 (6) exercise any other power necessary to implement AS 44.-
3 88.500 - 44.88.599;

4 (7) to the extent the authority considers it to be in its
5 best interest to do so, use money in the business assistance fund to
6 pay expenses relating to the liquidation of collateral securing loans
7 guaranteed by the business assistance fund.

8 * Sec. 18. AS 44.88.900(4) is repealed and reenacted to read:

9 (4) "development project" has the meaning given to "proj-
10 ect" in (9)(A) of this section;

11 * Sec. 19. AS 44.88.900(9) is amended to read:

12 (9) "project" means

13 (A) a plant or facility used or intended for use
14 [(i)] in connection with making, processing, pre-
15 paring, transporting, or producing in any manner, goods,
16 products, or substances of any kind or nature or in connec-
17 tion with developing or utilizing a natural resource, or
18 extracting, smelting, transporting, converting, assembling,
19 or producing in any manner, minerals, raw materials, chemi-
20 cals, compounds, alloys, fibers, commodities and materials,
21 products, or substances of any kind or nature;

22 [(ii) AS AN INDUSTRIAL PARK; IN CONNECTION WITH
23 TRANSPORTATION; FOR THE PREVENTION, LIMITATION OR CONTROL OF
24 POLLUTION; FOR THE DISPOSAL OF SEWAGE OR SOLID WASTE; FOR
25 THE LOCAL FURNISHING OF GAS; FOR THE FURNISHING OF WATER; AS
26 OR IN CONNECTION WITH MASS COMMUTING VEHICLES; FOR LOCAL
27 DISTRICT HEATING OR COOLING; AS A PARKING FACILITY; OR AS A
28 STORAGE OR TRAINING FACILITY DIRECTLY RELATED TO A PLANT OR
29 FACILITY DESCRIBED IN THIS PARAGRAPH;]

1 (B) a plant or facility used or intended for use in
2 connection with a business enterprise;

3 (C) commercial activity by a small enterprise;

4 * Sec. 20. AS 44.88.090(g), 44.88.090(i), 44.88.105(e), 44.88.105(g),
5 44.88.157, 44.88.158, 44.88.159(c), 44.88.160, 44.88.172(b), 44.88.172(c),
6 44.88.175, 44.88.176, 44.88.212(a), and 44.88.900(3) are repealed.

7 * Sec. 21. This Act takes effect immediately under AS 01.10.070(c).

4300 B STREET | SUITE 105 | ANCHORAGE | ALASKA 99503
MEMBER NEW YORK STOCK EXCHANGE, INC AND OTHER PRINCIPAL EXCHANGES



907 • 563 • 4300

May 8, 1989

Senator Dick Eliason
Room 417, Capitol
Juneau, Alaska 99811

Dear Senator Eliason,

Your support of Senate Bill 249 to expand the authority and the flexibility of the Alaska Industrial Development and Export Authority is needed. This bill enhances the opportunity for Alaska to facilitate more resource based financings which could create thousands of new jobs and help diversify our economy. Any comments or suggestions on how I could help the administration on this bill would be appreciated.

Sincerely

A handwritten signature in cursive script that reads 'Allan R. Johnston'.

Allan R. Johnston
Regional Manager

"People Serving People"



THE
GEORGE
WASHINGTON
UNIVERSITY

School of Government and Business Administration / Washington, D.C. 20052

*Department of
Business Administration
(202)676-6115*

Mr. Allan R. Johnston
Vice President
Wedbush Securities
1009 Cushman Street
Fairbanks, Alaska 99701

April 22, 1988

Dear Mr. Johnston:

Thank you for your letter of March 4, as well as the reference materials on oil and other commodity-indexed bond issues. I am sorry that I am late in commenting on your ideas because of my long trip to London, Manila and Seoul over a six-week period.

I am very enthusiastic about the prospect of Alaska to be more active in international trade and finance as part of its move toward diversifying its economic base both in terms of industry and geography. Since Alaska is abundantly endowed with natural resources such as oil, natural gas, timber and other mineral deposits, it would be ideal for Alaskan entities to float commodity-based bond issues on international markets.

For example, bond issues linked with oil or other Alaskan commodities would have several advantages:

1. It would serve as a low-cost financing source for Alaska, since commodity indexed bonds carry much lower interest rate than regular bonds.
2. It would serve as a partial hedging mechanism for Alaska against the fluctuation in the market prices of these commodities.
3. It would spread the name of Alaska in international financial markets and indirectly promote more investor interest in the State of Alaska.
4. Finally, such experiment would increase the financial market expertise of Alaskan financial institutions.

For the above reasons, I strongly support the idea of floating commodity-indexed bonds by Alaskan public and private sector agencies involved in natural resource development in Alaska. Please keep me posted on further developments there.

Sincerely yours,

Yoon S. Park
Professor of Business Admin.

School of Management
Michael L. Rice, Dean



UNIVERSITY OF ALASKA FAIRBANKS
Fairbanks, Alaska 99775

Mr. Allan R. Johnston
Regional Manager
Wedbush Securities
714 Fourth Avenue
Fairbanks Alaska 99701

Dear Allan,

I have just read your report : *Oil Indexed Bond Concept* . The concept is a sound one. Clearly East Asian countries such as Japan have a very real interest in assuring long-run access to petroleum resources at reasonable cost. Our problem, just as clearly, is one of assuring long-run markets for Alaska's petroleum reserves and at reasonable margins. This is a perfect opportunity for a new financial instrument to reduce the high volatility of oil prices for both parties.

The implications of making a market in the new instrument for the development of Anchorage as a major international financial center are both interesting and possible. This would be a benefit to Alaska quite above and beyond the obvious good financial effects on our oil-based revenue.

I am impressed with your idea. If there is any way the School of Management can be helpful in seeing this idea become a reality please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael L. Rice".

Michael L. Rice, Dean
School of Management

FRANK H. MURKOWSKI
ALASKA

COMMITTEES:
VETERANS' AFFAIRS (RANKING MEMBER)
ENERGY AND NATURAL RESOURCES
FOREIGN RELATIONS
INDIAN AFFAIRS
INTELLIGENCE

United States Senate

WASHINGTON, DC 20510
(202) 224-6666

ANCHORAGE
U.S. FEDERAL BUILDING
701 C STREET, BOX 1, 99513
(907) 271-2736

FAIRBANKS
U.S. FEDERAL BUILDING
101 12TH AVENUE, BOX 7, 99701
(907) 466-0733

JUNEAU
U.S. FEDERAL BUILDING
BOX 1647, 99802
(907) 886-7400

February 25, 1988

Mr. Allan R. Johnston
Vice President
Wedbush Securities, Inc.
1009 Cushman Street
Fairbanks, Alaska 99701

Dear Allan:

Thank you for forwarding to me a copy of Dr. Park's paper "Advancing Alaska's Strategic Position in International Trade and Finance" as well as your ideas for an oil-indexed bond.

Although your proposal is still in its infancy, I believe your ideas definitely merit further consideration. If Alaska is going to develop as an economic hub of the Pacific Rim, a financial service center such as the one proposed in Dr. Park's paper would be a good step in this direction.

With respect to your idea of an oil-indexed bond I believe that such an instrument may also have potential. You will have to develop this idea further, though, with representatives from the financial community. I would like to be kept informed of your efforts in this regard. I appreciate your interest in exploring new ideas that may lead to the diversification of Alaska's economy.

Once again, thank you for taking the time to share your ideas with me.

Sincerely,



Frank H. Murkowski
United States Senator

United Brotherhood of Carpenters and Joiners of America

LOCAL UNION NO. 1243

Farthest North Local in the World

DON K. SWARNER
Business Representative
Financial Secretary-Treasurer

907 462-2308
907 462-2862



215 FIFTH AVENUE
P.O. BOX 347
FAIRBANKS, ALASKA
99707

June 9, 1988

Allan R. Johnston
Wedbush Securities, Inc.
714 Fourth Avenue, #305
Fairbanks, Alaska 99701

Dear Allan:

The low-interest resource-backed bond proposal we discussed today sounds quite fascinating. If development projects were more economic by your financing method, then it would seem natural that more jobs would be created in the state. I would hope that the increased profitability of these projects would encourage a fair wage for the Alaskans employed by these projects. I support your endeavor in pursuing alternative sources of capital to stabilize the Alaskan economy.

Please keep me advised on your progress and let me know if there is anything I can do to help.

Sincerely,

Don Swarner, Bus. Rep./F.S.

DKS:jf

**LABORERS INTERNATIONAL UNION OF NORTH AMERICA****LOCAL NUMBER 942**FAIRBANKS OFFICE: 316 BARNETTE ST., ALASKA 99701-4588, PHONE (907) 458-4584
JUNEAU OFFICE: 710 W. 9th AVE., JUNEAU, ALASKA 99801, PHONE (907) 588-2880**WILLIE LEWIS**
President**JOE J. THOMAS**
Business Manager
Secretary-Treasurer

January 10, 1989

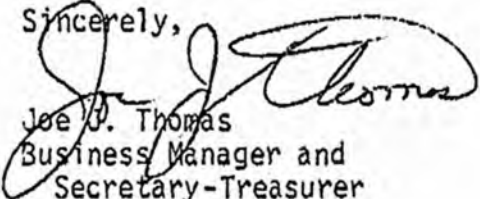
Allan R. Johnston, Regional Manager
Wedbush Securities, Inc.
714 Fourth Avenue, Suite 305
Fairbanks, Alaska 99701

Dear Allan:

Thank you for stopping by and discussing your low interest resource-backed bond proposal with me. If your assumptions are correct, then this financing vehicle should help increase employment opportunities as well as add more continuity and stability to existing projects. I am certainly in favor of new ideas that will create fair paying jobs for my members and I'd like you to keep me informed on your progress.

If I can help in any way, please feel free to call on me.

Sincerely,


Joe J. Thomas
Business Manager and
Secretary-Treasurer
Laborers' Local No. 942

JJT/cs



United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry

of the United States
and Canada

Composed of journeymen and
apprentices who have jurisdiction
over every branch of the plumbing
and pipe fitting industry

LOCAL NO. 375

STREET ADDRESS 3568 Geraghty Street

CITY, STATE, ZIP Fairbanks, Alaska 99709

SUBJECT MATTER

DATE

November 14, 1988

Allan R. Johnston, Regional Manager
Wedbush Securities, Inc.
714 Fourth Avenue, Suite 305
Fairbanks, Alaska 99701

Dear Allan;

Congratulations on an interesting and innovative proposal. As you are well aware, organized labor and the resource companies have been at odds over local hire for sometime. If your proposal is valid then there should be more stability, job opportunities and profitability in the natural resource industry which should benefit everyone. The cyclical nature of the Alaskan economy in general and the construction industry in particular requires that the working man receive an adequate wage to carry him through the substantial periods of unemployment. If your proposal can help moderate the cyclical nature of the Alaskan economy and help create jobs then please keep me posted on what you are doing and how I can help.

Sincerely,

J. L. "Lenny" Arsenault, Business Manager
Financial Secretary - Treasurer

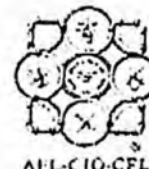
ycc

MARVIN J. BOEDE
General President

CHARLES J. HABIG
General Secretary-Treasurer

M. EDDIE MOORE
Asst. General President

LOUIS H. STINE
Asst. General Secretary-Treasurer



AFL-CIO-CFL

Letters should
be confined to
one subject



**YUKON
PACIFIC
CORPORATION**
TRANS-ALASKA GAS SYSTEM

November 9, 1988

Mr. Allan R. Johnston
Wedbush Securities, Inc.
4300 B Street, Suite 105
Anchorage, Alaska 99503

Dear Allan:

Resource based bonding, as described in the material you have shared with us, could be an important means to finance long-term projects which depend on a certain market price level for viability.

Energy prices have as you know, fluctuated widely in recent years. For some projects that Alaska needs to get started, resource based bonding might help disperse the added risks of that volatility.

At the present time, I don't know if our company is interested in using this form of financing for the Trans-Alaska Gas System. However, it is in our interest to see that the option remains available and we would appreciate being kept informed of regulatory developments that could foreclose that opportunity.

Thank you for making us aware of this issue.

With best regards.

Sincerely,

Walter J. Mickel
Chairman

MT:mli

cc: Mr. E. John P. Browne

FROM E. JOHN P. BROWNE

EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

TELEPHONE
216 566-2326



BP AMERICA INC.

200 PUBLIC SQUARE 40-A
CLEVELAND, OHIO 44114-2375

August 22, 1988

Dear Allan:

Thank you for your recent letter concerning oil indexed bonds. As the first issuer of these bonds back in 1986, I was interested to learn of your proposal for oil indexed bonds to be used for state financing.

The Standard issue consisted of fixed coupon debentures and oil indexed warrants. The debentures have a 6.30% coupon and were sold at 74.70% of par. The warrants return their original cost plus an amount of interest contingent upon the future price of West Texas Intermediate Crude Oil. Warrant holders receive appreciation on a dollar-for-dollar basis for oil prices between \$25 and \$40 per barrel. Each 1990 warrant represents 170 barrels of oil and matures on December 15, 1990. Each 1992 note represents 200 barrels of oil and matures March 15, 1992. Eight debentures, one 1990 oil warrant, and one 1992 oil warrant were combined for sale to the public as a \$10,000 unit.

In my experience, oil indexed financing has provided low cost debt during periods of declining or stable oil prices. With Alaska's dependence on oil revenues, this financing technique can provide a partial hedge against future oil price declines. In the event that the State of Alaska was interested in gaining some protection this way, you are right to point to involving Alaska as an interested party with the CFTC. As you are no doubt aware, the regulatory environment has changed considerably since the Standard issue.

Please let me know if BP America can be of assistance in this endeavor.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "John P. Browne".

Mr. Allan R. Johnston
Wedbush Securities, Inc.
4300 B Street, Suite 105
Anchorage, Alaska 99503

Resource-Based Bonding Fits Alaska's Capital Needs

By Allan Johnston



ALASKA IS AS RICH IN OPPORTUNITIES as it is in resources. Alaskans don't need to create new opportunities, just capture a few that are passing it by. The state's natural resource-based economy is largely nondiversified and oil-dependent. Although this creates problems, it also offers unique opportunities.

Traditionally, Alaskans have financed development projects and new businesses with a substantial amount of expensive fixed-debt borrowings. Unfortunately, the state's nondiversified economy lends itself to rather dramatic changes in cash flows. Boom and bust aspects of cash flow financing prevent many potentially viable economic projects and businesses from taking root.

There are thousands of variations of participating loans. Almost any variation is more appropriate than fixed-rate financing on new business ventures. One type of participating loan gaining more recognition in the United States is the gold loan. Earlier this year, Newmont Mining gave a major boost to the credibility of this type of financing by borrowing one million ounces of gold from the Bank of Nova Scotia on a five-year, 2.5 percent per year loan. This financing was particularly significant because it was twice the size of any previous gold loan and longer than the more common three-year loans.

Newmont immediately sold the gold for \$477 million and was able to use this inexpensive source of financing to refinance other loans. Considering that Newmont Mining should be able to mine its gold at less than \$150 per ounce, the firm effectively has realized a \$300 million dollar gross profit. Of course, Newmont has lost the potential gain if gold rises above \$477 on that one million ounces of gold, but the opportunity cost is insignificant compared to the phenomenal risk-adjusted return it had locked in.

This financing technique could make a number of Alaskan gold mining projects economical that otherwise wouldn't justify the development risks. The possibility of funding the significant capital requirements that it takes to develop a major project and the ability to hire a long-term stable work force with a reasonably assured profit offers as many positive benefits to affected communi-

ties as it does to the economics of projects.

A much more discussed type of participating loan is the oil-indexed bond. Alaskan legislators and administrators have pondered the merits of this hedging mechanism for some time without coming up with any politically acceptable vehicle. Coincidentally, Standard Oil Co., the parent firm of Alaska's largest private oil producer, issued an oil-indexed bond in June 1986 when crude prices hovered around \$14 a barrel. The securities were so enthusiastically received that Standard increased the issue's size to 300 million from 250 million. The Aug. 25th issue of *Business Week* states, "For its part, Standard reduces its borrowing cost without increasing its risk."

The fundamental concept of an oil-indexed bond is the creation of a financing vehicle to counterbalance the special needs and risks of an unbalanced energy producer—such as Alaska. The local buyer and cocreator of such a vehicle would be an energy deficient unbalanced energy user such as Japan, Korea or Taiwan. For example, Japan as an energy deficient country is highly dependent on imported oil. Projections for its industrial economy are based on conservatively high prices for oil to minimize risks of rising energy costs. Conversely, Alaska—an oil producing state whose revenues are disproportionately dependent on oil—bases its state operating budget on a conservatively low price for oil.

Oil indexed bonds would have lower interest rates that serve Alaska's development needs. But because the resource-based interest rate would rise to reflect any oil price increases, the lender—and end user—would be protected as well. At the same time, Alaskan producers would be better able to pay higher cost financing due to increased oil revenues. If Alaska were to follow Standard's lead and issue some type of low-interest oil-indexed bond, and place it within an energy-deficient industrial or insurance consortium in a country such as Japan, Korea or Taiwan, the risk-adjusted return to both the borrower and the lender could be mutually more attractive. The interna-

tional financial team established to create and place these financial instruments could evaluate other Alaskan financial/business opportunities that would be particularly attractive to Pacific Rim financing.

A few potential spinoffs: low-interest natural gas-indexed bonds for pipeline construction, other natural resource projects, international tourism developments and, most importantly, the broadening of expertise of Alaskan financial institutions.

If BP Minerals were to use a similar financing technique for its Greens Creek gold operation, it possibly could save \$8-\$10 million a year in financing costs (assuming a \$225 million, five-year, 2.5 percent gold loan), as well as lend greater stability to the Alaskan employment picture. Variations of the financing technique also could boost economic viability of projects such as the Red Dog Mine, the Quartz Hill molybdenum project south of Ketchikan and almost any other type and size of resource-related development.

Low-interest participating loans are not geared only for mega-projects needing a substantial amount of capital. The financing technique actually is more suitable for a \$25,000 tourism loan or a \$500,000 small business loan. The major drawback for these seed/venture capital loans is that the lender generally requires part ownership of the business financed. If the borrower defaults on the loan, then the lender forecloses on the business and attempts to find a new manager to resurrect the venture.

Finding the appropriate lender with a vested interest in the enterprise's success can significantly increase the borrower's chance of making a go of it. For example, a tour company might lend to an historic tourist attraction or a retailer to a new television station. The lending companies not only provide some initial capital but frequently can share technical expertise. Additionally they often can generate business for the new enterprise.

(Allan R. Johnston is vice president and resident manager of Wedbush Securities.)

Changes ~~From~~ Made in Senate To H.B. 123

①

Title change:

Title of the bill was too restrictive to accommodate changes so was amended back to the original title. Senate Concurrent Resolution No. 35 deals with the title change.

Section 1 was added to accommodate the proposed Aircraft Maintenance Facility in Anchorage.

Section 5 This addition provides that the authority ~~shall~~ may enter into cooperative agreements with DOT/FAA concerning the international airports.

~~The~~ Senate remove Section 5, of CSAB 123 (Jud) am. This section would prohibit any form of joint ownership of a project.

Section 10

have been ~~be~~ A review of this language ~~has~~ revealed an oversight that should be corrected. The intent was that no new bonds of the Authority would have any expressed language entitling the holders to the moral obligation of the State of Alaska. A provision should have been included which grandfathered in refunding bonds (a bond issued to replace an already existing bond at no greater par amount and normally at a lesser interest rate).

As interest rates have fallen, it is possible that the Authority may at some future date desire to issue refunding bonds for some of its outstanding debt. The Senate made this correction on

Lines 23-28, Page 7, Section 10.

Section 28

A new section 28 was inserted
Setting an effective date of August 30, 1988
For section 17, the date the discounted loans
were acquired.

Section 29

The Senate extended the bond
authorization date from 1991 January 1, 1991
in the house bill to January 1, 1992 in the Senate bill.

Section 17.

The Senate added a new section 17 which will have the authority transfer to the Business Assistance Fund the amount of such discount to capitalize the grant program. The intent was that any grant received to shared with the. The authority subsequently suffer a loss on a ~~account~~ acquired at discounted loan it may reverse the transaction.

Section 21: This ~~was~~^{was} amended to add a new subsection (D) providing an expanded definition to include the Hurly Corporation project.

~~Section 24.~~ A new section 24 was inserted to authorize an ~~aircraft~~^{aircraft} maintenance facility in Anchorage.

Section 25. A new section 25 was inserted to authorize a dock project in Skagway.

Section 26. A new section 26 was inserted to authorize a dock project in Unalakleet.

Section 27 A new section 27 was inserted to require compliance with R.S. 44.08.173 (preparation of a finance plan) ~~on 24, 25, 26~~