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FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 410

Revision Date: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.

Title: An Act relating to the financing authority  
of AIDEA

BRU: \_\_\_\_\_

Component: AIDEA

Sponsor: Senator Rodey

Requestor: Senator Rodey

COMPONENT SERIAL NO. 

1	2	3	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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 FUND RESOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year impact: \_\_\_\_\_

ANALYSIS (Attach a separate page if necessary.)  
  
Has no fiscal impact.

Prepared By: Katelyn Carrigan

Phone: 561-8050

Division: AIDEA

Date: \_\_\_\_\_

Approved by Commissioner: Glenn A. Olds *Glenn A. Olds*

Agency: Department of Commerce & Economic Development

Date: 3.3.92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).

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(Rev. 12/91)

*Fiscal Note*

Representative Dave Choquette  
January 24, 1992  
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More specifically --

In addition to the change authorizing the Authority's use of the enterprise development account for "loan participation," bill section 3 makes the Authority's involvement permissive rather than mandatory.

Bill section 4 makes a series of amendments substituting reference to "loan participation" and modifies the conditions and circumstances that attach to the Authority's participation.

The amendments made by bill sections 5, 6 and 7 incorporate reference to "loan participation" for "loan(s)."

Bill section 8 amends the interest rate restriction on Authority-guaranteed loans so that the maximum interest rate payable on those loans may float with reference to changes in the prime rate (rather than be tied to reference to the prime rate on the day the loan guarantee is entered into). The Authority views the change as necessary to attract commercial lenders. Reference to this change appears in the bill at page 1, line 14 - page 2, line 1.

Bill section 9 rewrites the definition of the term "development project" by equating it to the term "project," and amends the definition of the term "project" to permit the Authority to expand its opportunity to provide financial support for certain tourism facilities. This change is noted on page 2, lines 2 and 3.

Bill section 10 offers a definition of the term "loan participation."

The Sixteenth Legislature gave approval to the Authority's issuing bonds to finance a new aircraft maintenance facility at the Anchorage International Airport. The project has since been changed. Bill section 11 modifies the description of the project approval to conform that approval to the changes contemplated. The effect of this change is noted at page 2, lines 4 - 7 of the bill.

Since the terms "project" and "development project" are now equated by the amendment made by bill section 9, the separate definition of the term "development project" set out in AS 44.88.900(4) is no longer needed. It is repealed by bill section 12.

The measure is given an immediate effective date by bill section 13.

JBC:gc  
92-057.glc

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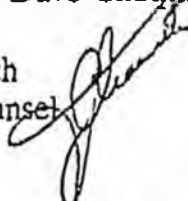
MEMORANDUM

January 24, 1992

**SUBJECT:** Amending the lending authority of the Alaska Industrial Development and Export Authority, AS 44.88, and amending the approval of a project previously given by the legislature -- sectional analysis (Work Order No. 7-LS1767G)

**TO:** Representative Dave Choquette

**FROM:** Jack Chenoweth  
Legislative Counsel



SB-410

This memorandum summarizes the principal points of House Bill 417. The measure would make a series of amendments to the law under which the Alaska Industrial Development and Export Authority operates. Since the legislature must give project approval to certain projects in which the Authority becomes involved, the measure also revises the description of a project approved by the Sixteenth Legislature,

Bill section 1 summarizes the principal provisions of the measure.

Bill section 2 restores the language first added by sec. 8, ch. 123, SLA 1990 in which the Authority was required to secure legislative approval before issuing bonds of \$10,000,000 or more to finance a development project. That same 1990 legislation directed that, effective January 1, 1992, the Authority would have to secure legislative approval before issuing any bonds (other than refunding bonds). The change would have the effect of setting aside current law and restoring the prior requirement. The effect of this change is noted at page 1, lines 6 - 10.

Many of the changes made in bill sections 3 - 7 serve to shift the central purpose of the activities undertaken through the Authority's enterprise development account. The account is now used as a source of direct loans. The substitution of references to "loan participation" is intended to alter the authority's role from serving as a source of direct loans to one of serving as a primary source of secondary financing support through loan participation arrangements with one or more lenders. This change is summarized on page 1, lines 11 - 13 of the bill.

SECTIONAL SUMMARY  
SB-410 / HB-417 AIDEA

HB 417

An Act relating to the loan authority of the Alaska Industrial Development and Export Authority and to a project for which the legislature has approved the Authority's issuance of bonds.

The Authority supports House Bill 417. / SB-410

The bill as proposed reinstates the Authority's ability to issue bonds up to \$10,000,000 for projects which enhance Alaska's economy and provide job opportunities for Alaskans; modifies interest rate restrictions of the Authority's guarantee loan programs and allows the Authority to participate in business development or enhancement loans of any size while limiting the Authority's participation or exposure to \$10,000,000; improves the Authority's ability to develop infrastructure and superstructure to support Alaska's expanding tourism industry while not competing with the private sector; allows the Authority to invest assets of the Authority directly into the Alaskan economy without selling bonds; and diversifies the use of an aircraft facility at the Anchorage International Airport approved by the legislature in 1990.

While many section of the proposed legislation are technical amendments, the Authority believes that HB 417 is critical to our continued success. All sections of the proposed bill support and enhance the Authority's mission to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment. The Alaskan banking industry has expressed an interest in increasingly utilizing the Authority's programs with the modifications to the guarantee loan programs and participation loan programs proposed in HB 417.

Staff of the Authority recommends full support of this bill.



William H. Scott, Executive Director  
Alaska Industrial Development and Export Authority

Date: 3/3/92

AIDEA SUPPORT



ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY

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

MEMORANDUM

TO: Honorable Representative Dave Choquette

FROM: William H. Scott  
Executive Director

DATE: February 2, 1992

SUBJECT: House Bill 417 Section Analysis *JSB-410*

This memorandum summarizes the principal points of House Bill 417. The measure would make a series of amendments to the law under which the Alaska Industrial Development and Export Authority (AIDEA) operates.

Bill Section 1 summarizes the principal provisions of the measures. The bill as proposed:

- reinstates the Authority's ability to issue bonds up to \$10 million for projects which enhance Alaska's economy and provide job opportunities for Alaskans;
- modifies interest rate restrictions of the Authority's guarantee loan programs and allows the Authority to participate in business development or enhancement loans of any size while limiting the Authority's participation or exposure to \$10 million;
- improves the Authority's ability to develop infrastructure and superstructure to support Alaska's expanding industry while not competing with the private sector;
- allows the Authority to invest assets of the Authority directly into the Alaskan economy without selling bonds; and
- diversifies the use of an air craft maintenance facility at the Anchorage International Airport approved by the legislature in 1990.

Bill Section 2 restores the language first added under Sec. 8, Ch. 123, SLA 1990 in which the Authority was required to secure legislative approval for bonds of \$10 million or more to finance a development project. Chapter 123 SLA 1990 provided for a sunset of the Authority to issue bonds through a delayed effective date clause (Section 31). This section repeals subsection (g) effective on January 1, 1992 and allows the Authority to continue issuing bonds.

*AIDEA SUMMARY*

Bill Section 3 authorizes the Authority to use the money and assets of the enterprise development account to secure bonds or to finance participation in loans for projects.

Bill Section 4 - 7 authorizes the Authority to participate in or purchase loans from financial institutions limiting the Authority's exposure or risk to \$10 million. Restrictions currently limit the Authority from participating in loans over \$10 million allowing only participation of up to 80% of a \$10 million loan. Sections 5 - 7 of the bill are a result of numerical changes to the statute also required to accommodate for the modification and to remove unnecessary language.

Bill Section 8 amends the interest rate restriction on the Authority guaranteed loans allowing for a floating rate, rather than the fixed rate, currently set by statute. Language currently states the interest is tied to the prime rate on the day the loan guarantee is entered into. The Authority views the change as necessary to attract commercial lenders to AIDEA's programs.

Bill Section 9 rewrites the definition of the term "development project" by equating it to the term "project," and amends the definition of the term "project" to permit the Authority to expand its opportunity to support certain tourism facilities.

Bill Section 10 offers a definition of the term "loan participation."

Bill Section 11 modifies the description of an air craft maintenance facility at the Anchorage International Airport (approved for bonding by the Legislature in 1990) to accommodate the private sector with a more versatile facility which will include cargo facilities and storage.

Bill Section 12 repeals a section of the statute no longer needed (description of the term "development project") as section 9 of this bill sets forth a new description of "project and "development project."

Bill Section 13 provides for an immediate effective date.