

SB

159

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: January 26, 1998

FURTHER REFERRALS:

Date of Committee Action: 2/11/98

The FINANCE Committee considered:

CSSB 159(L&C)

CS FOR SENATE BILL NO. 159(L&C)

NEW BUSINESS INCENTIVE PROGRAM

"An Act relating to the new business incentive program."

recommends it be replaced with the following committee substitute CS SB 159 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) (2) DCED 1/23/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therrault</i>	Therrault	X			
<i>Mark Hanley</i>	Hanley	X			
<i>John G. Davies</i>	J. Davies			X	
<i>Bar Grussendorf</i>	Grussendorf			X	
<i>Carl P. Moses</i>	Moses	X			
<i>Pat Kelly</i>	Kelly	✓			

CD CHAIR'S SIGNATURE

Gene Therrault *Mark Hanley*
 Therrault Hanley

FISCAL NOTE

o. 4
 Bill Version: CSSB159(L&C)
 (S) Publish Date: 1/23/98

STATE OF ALASKA
 1998 LEGISLATIVE SESSION

Revision Date (Note if correction) _____	Dept. Affected <u>DCED</u>
Title <u>An Act relating to the new business incentive program</u>	BRU <u>AIDEA</u>
Sponsor <u>SEN. PEARCE, Ellis, Kelly, Taylor</u>	Component _____
Requester <u>Sen. Rules</u>	Component Serial No. <u>1234</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 As amended, AIDEA will review applications, based on objective standards, submitted by new, non-competing entities that establish their business in Alaska. Based on meeting the criteria, AIDEA will make a recommendation to the Department of Commerce and Economic Development as to whether the business incentive grant should be applied to reimburse certain expenses associated with the establishment of the business in Alaska.

Prepared by <u>D. Pandy Simmons, Executive Director</u>	Phone <u>907.269.3000</u>
Division <u>AIDEA</u>	Date <u>1/22/98</u>
Approved by Commissioner <u>Deborah B. Sedwick</u>	Date _____
Agency <u>DCED</u>	

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 159 (L&C)

Revision Date	<u>5/6/97</u>	Dept. Affected	<u>DCED</u>
Title	<u>New Business Incentive Program</u>	BRU	<u>Trade & Development</u>
		Component	<u>Trade & Development</u>
Sponsor	<u>Senator Pearce</u>		
Requester	<u>Senate Rules Committee</u>	Component Serial No.	<u>2056</u>

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: 0.0

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

The Department supports this legislation. The amount of time required to administer this program in conjunction with AIDEA is minimal and will be absorbed using current Department personnel.

Prepared by Bill Paulick *Bill Paulick*
 Division Trade & Development
 Approved by Commissioner Deborah B Sedwick *Deborah B Sedwick*
 Agency Commerce & Economic Development

Phone 465-3961
 Date 2/12/98
 Date 2-12-98

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*as amended***CS FOR SENATE BILL NO. 159(L&C)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 5/6/97

Referred: Finance

Sponsor(s): SENATORS PEARCE, Ellis, Kelly, Taylor, Wilken

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to the new business incentive program."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**3 * **Section 1.** AS 44.88.080 is amended by adding a new paragraph to read:4 (26) to screen potential applicants for a new business incentive grant
5 and recommend the award of the grants under AS 45.81.020.6 * **Sec. 2.** AS 45 is amended by adding a new chapter to read:7 **Chapter 81. New Business Incentive Program.**8 **Sec. 45.81.010. New business incentive fund.** There is established in the
9 department the new business incentive fund. Up to \$3,000,000 may be appropriated
10 to the fund each fiscal year. The department may use money in the fund for new
11 business incentive grants. On June 30 of each fiscal year, the unexpended and
12 unobligated balance in the fund lapses into the general fund.13 **Sec. 45.81.020. Eligibility for grants.** (a) A new business or a business that
14 is opening a new branch in the state is eligible for a new business incentive grant if

15 (1) the business is primarily engaged in manufacturing a product for

1 export outside of the state;

2 (2) the business will not directly compete with an existing business that
3 is located in the state as determined by the department;

4 (3) for a business located in a municipality, the municipality has
5 provided support to the business in a form and in an amount acceptable to the
6 department;

7 (4) the business is primarily financed by the private sector; and

8 (5) the business has been recommended as complying with the
9 requirements for a business incentive grant by the Alaska Industrial Development and
10 Export Authority.

11 (b) The department shall prescribe by regulation the standards for new business
12 incentive grant eligibility and the form and procedure for submitting grant applications.
13 Subject to the availability of money in the new business incentive fund, the department
14 may award a grant to an eligible applicant in an amount that does not exceed the
15 amount recommended by the Alaska Industrial Development and Export Authority for
16 that applicant.

17 **Sec. 45.81.030. Use of grant money.** After awarding a new business incentive
18 grant, the department may pay money from the grant to the recipient business only as
19 reimbursement for one or more of the following costs incurred and paid by the
20 business:

21 (1) cost of relocating key personnel and of moving and installing
22 equipment and initial inventory;

23 (2) up to 50 percent of the cost of site preparation and installation of
24 utilities for a new facility;

25 (3) work force training costs for a period of up to 36 months in an
26 amount not to exceed \$5,000 for each employee receiving training during a 12-month
27 period if the costs are not covered by another governmental program;

28 (4) up to 50 percent of the costs of business feasibility analyses that
29 relate to situations unique to the state, market studies applicable to the state, and
30 business facility designs necessary to address conditions in the state.

31 **Sec. 45.81.040. Grant conditions.** (a) A business that receives a new

be operating and
1 business incentive grant must continue to operate in the state for at least five years
2 after the date the grant is awarded or must, within 90 days after ceasing to operate,
3 repay the grant money together with interest on the money in an amount established
4 by the department. A business that is a branch or subsidiary of another business may
5 not receive a grant unless that other business agrees, in a form acceptable to the
6 department, to be responsible for the obligation to repay grant money and interest
7 under this subsection.

8 (b) The department may set additional terms and conditions for the award of
9 new business incentive grants and for the payment of grant money. The terms and
10 conditions may include requirements for the repayment of grant money even though
11 repayment is not required under (a) of this section.

12 **Sec. 45.81.050. Definition.** For purposes of AS 45.81.010 - 45.81.050,
13 "department" means the Department of Commerce and Economic Development.

Alaska State Legislature



During Interim: (June - Dec)
716 West 4th Avenue, Suite 500
Anchorage, AK 99501-2133
(907) 258-8185
Fax (907) 258-0226

During Session: (Jan - May)
State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Drue Pearce

Sponsor Statement

SB 159 - New Business Incentive Program

The New Business Incentive Program is an economic development grant program targeted to companies locating or expanding into new manufacturing businesses in Alaska. The program is designed to attract substantial business with high value, year round jobs.

The grant program would be limited to reimbursement of defined portions of relocation costs, site development costs, special employee training not covered by other programs, and special analysis of sites in Alaska. The program is limited to \$3,000,000 annually. Unallocated funds will be returned to the General Fund. Allocations must be made each year to fund the program, and will be administered by the Department of Commerce and Economic Development.

There are three essential functions that would be targeted through the New Business Incentive Program.

- 1.) **A need to generate cargo and freight exports from Alaska:** Interest in cargo flight activity has increased recently, and there is a window of opportunity for Alaska to capitalize on its location and cargo transfer capability. If we were to provide incentives for businesses to expand into this industry, then we could exploit our locational advantages in many regions including Fairbanks and Anchorage to give cargo carriers economic reasons to stop in Alaska.
- 2.) **A need for more diversity in the corporate tax base:** Manufacturing comprises a mere 6.2% of Alaska's economy. 81% of the \$207 million in corporate taxes for FY97 was paid by only ten corporations. Six were oil and gas companies. Companies who benefit from this program will be significant contributors to the corporate tax base within several years of initiating operations in Alaska. New revenues will flow to the state through existing mechanisms within three to five years.
- 3.) **Alaskans need high value jobs:** Over half of the manufacturers in Alaska who have more than 20 employees hire at least 60% of their workforce out of state. Many of these jobs are seasonal. Alaska needs to promote businesses that provide year round jobs that pay well and add value to the economy. Encouraging manufacturers that export high value products, will add revenue to the economy of the state and will create strong employment possibilities for Alaskans.

Legislative Priority: Anchorage has great potential to participate in a global economy, but one of the results of global economic activity is that we face global competition for business.

SB159

A New Business

Incentive Program

Major Fortune 500 companies are considering establishing operations in Anchorage, but they are also comparing Anchorage to other cities — cities which use sophisticated economic development tools to attract new business. To help sharpen Alaska's competitive edge, AEDC is promoting the legislative adoption of a statewide New Business Incentive Program (SB159/HB220).

Patricia DeMarco, Ph.D.
AEDC President

Aggressive incentive packages are standard fare in many domestic and international cities. States use incentives to create a more favorable business climate. In fact, over 75% of states responding to a survey by Site Selection Magazine reported that they approved new incentives in 1996-1997.

While incentives alone rarely account for a corporation's decision to locate or expand a business, they often tip the scale in favor of one location. In the case of Anchorage, the cost of site preparation and moving equipment and personnel presents a significant barrier to decision makers. How would you compare a location that offers 50% of lease costs in an existing building for ten years, with Anchorage which has higher lease cost or no existing building? Our location alone is not enough!

SB159/HB220 proposes a modest incentive program which could keep Anchorage and Alaska in the economic development game. The New Business Incentive Program is an economic development grant program targeted to companies locating or expanding into new manufacturing or value added business in Alaska. The program is focused on attracting substantial businesses that will create high value, year round jobs. "New business" refers to industries and operations that are new to Alaska (as opposed to "start-up" business).

This grant program would be limited to reimbursement of designated portions of relocation costs, site development costs, special employee training not covered by other programs, and special analysis of sites in Alaska. The program is limited to \$3,000,000 annually and is "reimbursable" (i.e. companies are reimbursed for expenses rather than paid up front). There is a "claw back" provision which requires companies to pay the State back, with interest, if they don't remain in Alaska for five years. The New Business Incentive Program will be administered by the State of Alaska's Department of Commerce and the Alaska Industrial Development Authority.

SB159/HB220 is important legislation which will help diversify our economy, provide jobs for Alaskans and broaden our economic base. For information about how you can support the New Business Incentive Program, see the box below.

Support SB159/HB220

Status of SB159: Senate Labor and Commerce acted favorably, Senate Finance acted favorably. Bill is now in Senate Rules Committee ready for assignment to Senate vote.

Status of HB220: Heard by Economic Development Committee. Referred to House Finance Committee. Awaiting action there.

What You Can Do: Write a letter of support for the bill to:

Senator Drue Pearce
Alaska Legislature
State Capital, Room 111
Juneau, Alaska 99801-1182
465-4993

and
Rep. Gail Phillips
Speaker of the House
Alaska State Legislature
State Capital, Room 208
Juneau, Alaska 99801-1182
465-2689

Please send a copy of your letter to AEDC, 550 West Seventh Ave, Suite 1400, Anchorage, AK 99501.

For More Information: Contact AEDC at 258-3700 for a copy of the bill, a fact sheet, and sample support letters.



TELEPHONE (907) 894-4702

FAX (907) 894-1205

Chugiak-Eagle River Chamber of Commerce

P.O. BOX 770353
EAGLE RIVER, ALASKA 99577

11401 OLD GLENN HIGHWAY, SUITE 110A
EAGLE RIVER, ALASKA 99577

"Place of Many Places"

January 22, 1998

TO: Senator Rick Halford
Senator Randy Phillips
Representative Pete Kott..
Representative Vic Kohring
Representative Fred Dyson

FROM: Chugiak-Eagle River Chamber of Commerce
Board of Directors, Jim Young, President

RE: SB 159/HB 220 BUSINESS INCENTIVE PROGRAM

The Chugiak-Eagle River Chamber of Commerce is on record supporting SB 159/HB 220 "An Act Relating to the New Business Incentive Program".

The Chamber supports legislation which encourages economic diversification. We believe that the Business Incentive Program will permit Alaska to more effectively enter expanding global markets. Further, this legislation will allow Alaska to compete on a more level playing field with other states who are aggressively pursuing new industry. Finally, the creation of job opportunities, an outcome of new industry development, is essential to the long range health of the Alaskan economy.

We ask for your support on this legislation. In addition, we hope that if this program demonstrates success, you will consider increasing the annual allocation.

**CC: Bill Sponsors: Senator Drue Pearce & Representative Jerry Sanders
Anchorage Economic Development Corporation**



REGAL ALASKAN HOTEL

RECEIVED
JAN 21 1998

January 21, 1998

The Honorable Drue Pearce
State Capitol, Room 518
Juneau, AK 99801

Dear Senator Pearce,

I am writing to you today to express my support for SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature.

Sincerely,

Max J. Lowe, CHA
General Manager

ta

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Municipality
of
Anchorage



Jordan
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Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

OFFICE OF THE MAYOR

April 22, 1997

APR 25 '97

Senator Drue Pearce
Alaska State Legislature
Room 111
State Capitol
Juneau, AK 99801-1182

Dear Drue:

I am writing in support of SB159/HB220, an act related to the new business incentive program. The Municipality of Anchorage has placed a priority on expanding the global logistics operations at the Anchorage International Airport. The ALA is the largest of all cargo airports in the United States. It is important that we be in a position to add cargo to the planes that travel through Anchorage by means of time sensitive technical support adjacent to our airport.

Most other cargo hub centers offer significant state incentives for development of airport operations. Such businesses would include computer repair and return operations, final testing and assembly of electronics, and global distribution centers. The Municipality already has done its part with a property tax exemption program and an inventory tax exemption program to help with expanding such activities in Anchorage.

SB 159 allows Alaska to capitalize on its location and natural resources to enter high value, expanding global markets. As the budget deliberations in Juneau continue, we will be pressing for adoption of this measure. This program will help put Alaska on the horizon for future investment and add significantly to our economy.

Sincerely,

Rick Mystrom
Mayor

cc: Larry Anderson, Special Assistant to the Mayor
Patricia DeMarco, President, AEDC
"City of Lights and Flowers"



I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne Linford".



WHOLESALE FOODS

135 Cordova • Anchorage, Alaska 99501 • Phone (907) 272-5050 • Fax (907) 272-5073



CHUGACH ELECTRIC
ASSOCIATION, INC.

April 30, 1997

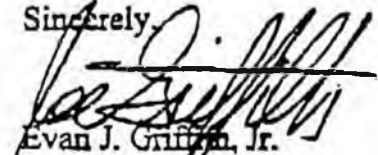
Ms. Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Dr. DeMarco:

I am writing to you today to express support for HB 220 and SB 159, legislation that would underwrite and create a **Business Incentive Program** for Alaska, currently under consideration by the State Legislature. I believe that passage of this legislation is crucial if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

The competitive nature of attracting manufacturing and other value-added enterprises is fierce and this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Sincerely,



Evan J. Griffin, Jr.
Executive Manager,
Finance & Planning

 Peat Marwick LLP

601 West Fifth Avenue
Suite 700
Anchorage, AK 99501-2258

Telephone 907 276 7401

Telefax 907 274 4953

April 29, 1997

Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West 7th Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Patty:

I am writing to you to express support for HB 220 and SB 159, legislation which would create a new Business Incentive Program for Alaska, currently under consideration by the State legislature. Passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively highpaying jobs in the manufacturing sector.

With the competitive nature of attracting manufacturing and other value-added enterprises, this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Feel free to share this letter with State of Alaska legislators.

Very truly yours,

KPMG Peat Marwick LLP



Michael E. Stone
Managing Partner

MES:amo

DEBENHAM

Electric Supply Co., Inc.

5333 Fairbanks Street · Anchorage, AK 99518 · (907) 562-2888

April 28, 1997

Patricia M. DeMarco, PH.D.
President
Anchorage Economic Development Corporation
550 West Seventh Ave, Site 1400
Anchorage, Alaska 99501

Dear Patty,

I am writing to you today to express our support for HB220 and SB159, legislation which would create a **NEW BUSINESS INCENTIVE PROGRAM** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help "level the playing field" for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state. This incentive program will help Alaskan communities develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,



Mitch Robison
Branch Manager
Debenham Electric Supply Company



Northrim Bank

April 28, 1997

Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, AK 99501

Dear Patty:

I am writing to you today to express our support for **HB 220 and SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislation. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help "level the playing field" for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state. This incentive program will help Alaskan communities develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,

Marc Langland
President

hap



REGAL ALASKAN HOTEL

April 24, 1997

Senator Drue Pearce
716 W. 4th Avenue #500
Anchorage, AK 99501-2133

Dear Senator Pearce;

I am writing to you today to express our support for **HB 220 and SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Sincerely,

Max A. Lowe, CHA
General Manager

MJL:ta

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April 24, 1997

Patricia M. DeMarco, Ph.D
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, AK 99501

Dear Patty:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,

Dennis C. Bird
Managing Director
Alaska Operations



*Above
the
Crowd!*

April 24, 1997

Patricia M. DeMarco, PhD.
President
Anchorage Economic Development Corporation
550 West seventh Avenue, Suite 1400
Anchorage, Alaska 99501

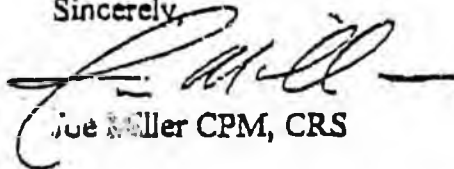
Dear Patty:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,



Joe Miller CPM, CRS

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2800 cordova street, suite 100
anchorage, alaska 99503
office: (907) 276-2761
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April 23, 1997

Patricia M. DeMarco, Ph. D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Patty:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing and high technology sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and know that this program will help level the playing field for talent in Alaskan communities, we can and have attracted some of the best talent from the lower 48. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We will contact our legislators and encourage them to support this legislation.

Sincerely,

Frank Tucker
President

- cc: Scott Thompson CEO,
- Brian Chronister Marketing Director,
- Rob Shipley Operations Manager

DOWL
ENGINEERS
A Division of DOWL, Incorporated

April 22, 1997
W.O. D00001

Senator Drue Pearce, Co-chair
716 West 4th Avenue, Suite 500
Anchorage, Alaska 99501-2133

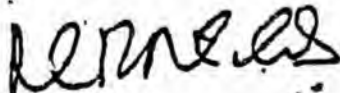
Fax: 465-3872

Dear Senator:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislature is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Very truly yours,
DOWL Engineers



Melvin R. Nichols, P.E.
President

cc: Anchorage Economic Development Corporation

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April 17, 1996

To Whom It May Concern

From: Bill Stamps

Reference: House Bill No. 220

Please accept this as my support for House Bill No. 220.

Bill Stamps

Bill Stamps
Peak Oilfield Service Co.
P.O. Box 130
Kenai, AK. 99611
(907) 283 2022



April 16, 1997

Mr. Greg Wolf
Vice President
AEDC
550 West Seventh Avenue
Suite 1400
Anchorage, Alaska

Dear Mr. Wolf:

I am writing to encourage and applaud your efforts to enact economic incentive legislation in Alaska. As you know, FedEx has a significant presence in Anchorage with a large and expanding air operations and package sorting facility employing over 826 Alaska residents. Obviously, we are very supportive of any efforts to increase the level of economic growth in this market.

It is common knowledge that in today's global market every state is competing vigorously for increased economic activity with a variety of economic incentive programs. In fact, we have recently taken advantage of such programs in site selection decisions. It seems critical that Alaska be active in this process given its proximity to Asian markets with that market's enormous growth potential. I know the Governor is keenly aware of this necessity.

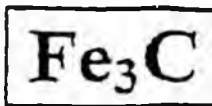
Again, we believe you are on the right track and wish you every success in your campaign to enact this legislation.

Sincerely,

Senior Representative
Government Affairs
901/395-5168

dew

VIA FAX



Alyeska Alloys, LLC.

Robert L. Braddock, Project Director

FAX TRANSMITTAL # 1 of 3 pages

TO: Patti DeMarco
907-259-5646

FROM: Bob Braddock
303-984-2060 FAX 303-989-4989

January 31, 1997

COPY

Ms Debby Sedwick
Alaska Department of Commerce and
Economic Development
Frontier Building, Suite 700
3601 "C" Street
Anchorage, AK 99503

Dear Debby:

Introduction

With no clear understanding of how the Administration proposes to implement the Pioneer Incentives Program (the "Program"), but with a sense of the Administration's intent, Alyeska Alloy's ("Alyeska") has taken the presumptuous position of submitting a proposal for consideration.

Alyeska interprets the aims of the Program as:

- i. To capitalize on Alaska's strategic geographic location to create export markets for which Alaskan industry would hold competitive advantage;
- ii. To attract new enterprises to Alaska which will add diversity to the economy;
- iii. To induce new enterprises to locate in Alaska which create stable, high wage jobs; and
- iv. To increase the wealth created and retained in Alaska through the addition of value added processing to the existing natural resource extraction industries.

If Alyeska is accurate in our interpretation of the Program's goals, we are convinced that Alyeska's iron carbide project (the "Project") is an ideal candidate.

Although Alaska's prior growth has been created by government or large corporate sponsored projects, the State's present and future growth will be created by more nimble entrepreneurs of less substantial financial means (such as Alyeska). While the government and large corporations can, due to their enormous capital resources, press ahead with projects in spite of changes in the marketplace, entrepreneurs have no such luxury, for we are the creation of the marketplace, not its master. Alyeska's Project is driven by the marketplace. At present, the demand for iron carbide and other alternative iron units exceeds supply, but this situation will not last indefinitely. Should Alyeska's Project begin to stall, these potential customers will look elsewhere to meet their alternative iron needs. If so, the opportunity to establish this new industry in Alaska may be lost forever.

155 South Union Blvd., Suite 350
Lakewood, Colorado 80228-2211 - USA
Phone (303) 984-2060 - FAX (303) 989-4989

Ms Debbie Sedwick
Pioneer Incentives Program Proposal
Page 2
January 31, 1997

Having said all this, Alyeska remains confident that we are in the right place at the right time. Alyeska seeks a small assist from the Program, which would significantly increase the probability of success of the iron carbide Project and thereby benefit the State of Alaska.

Benefits to Alaskans

While much has been presented outlining the general features of the Project, Alyeska has not focused attention on the many sustaining benefits the Project provides to Alaska and its residents. These benefits include:

- During the two year construction phase, a major portion of the estimated \$190 million combined cost of the port and plant will be injected into the local economy through almost 350 construction jobs, local design, fabrication and erection services.
- Once operational, the Project will create 50 to 60 permanent, high paying plant jobs.
- An additional 20 to 30 jobs will be created in port operations, camp catering, air taxi and allied support services.
- This employment will be created in a region and locale which has a history of high unemployment.
- All but a select few of the total permanent jobs created will be filled by current Alaskan residents.
- The Project will consume almost \$20 million in natural gas annually, generating over \$1.5 million per year in royalties for the State.
- The Project will use Alaskan natural gas to increase the value of iron ore five fold.
- The Project will pay over \$1 million in property taxes annually to the Borough.
- A doubling or tripling of the Project is anticipated by 2003, creating more jobs, gas royalties and property taxes.
- The addition of a multi-use, deep water port on the west side of the Cook Inlet should help to unlock local coal and gravel projects which have languished for many years.
- The stable natural gas demand requirement of the Project should encourage the development of additional Cook Inlet natural gas reserves.
- The Project creates the stable manufacturing employment not typically found in the boom and bust cycles associated with natural resource development.

Project Status - Phase II

Alyeska has just begun the critical Phase II of development of the iron carbide Project. The following was accomplished during Phase I, recently completed at a cost of approximately \$500,000:

- The site was selected
- Natural gas and power supply agreements were negotiated
- Process license was obtained
- Engineering/Procurement/Construction contractor was selected
- Financial advisor was selected
- Environmental consultant was chosen.

Ms Debbie Sedwick
Pioneer Incentives Program Proposal
Page 4
January 31, 1997

Proposal for Program Involvement

Alyeska seeks to obtain \$300,000 from the Program to be applied towards the development of preliminary plant designs and environmental engineering required for permit applications. Alyeska will provide matching funds. The combination of this State and private funding will allow Alyeska to complete the critical permitting process, thus removing one of the last major obstacles to the development of the Project. Alyeska further proposes to refund the State's contribution to the Program at the time the Project closes on construction financing.

I hope we have made a compelling case for how the Program can materially assist in the development of the Project. Yes, there are risks, but we believe that the approach we have taken provides the State with a clear sense of the rewards generated by the successful completion of the Project.

Sincerely,

Robert L. Braddock

Robert L. Braddock

Project Director *bjm*

cc: Lauria Cunningham, ADCED
John McClellan, ASRC
Don Evans, Alyeska Holdings

The Competition Aggressively Seeks Manufacturing Operations

In the past, Alaska has been at a tremendous disadvantage in the manufacturing sector. High wages, distance from markets, and transportation costs have impaired Alaska's ability to compete in the manufacturing sector.

Recently, the tides have changed. The wage rate gap between the rest of the U.S. and Alaska is closing. Heavy utilization of air cargo compliments Alaska's strategic location in the middle of the Northern Hemisphere. Alaska is now in a position to make itself competitive in a variety of manufacturing sectors.

Other states understand the competition to attract manufacturing companies is intense. In order to attract new manufacturing operations, states are offering tax abatement, financial, and employment training incentives. In order to stay competitive, Alaska must consider offering incentives to attract new manufacturing.

A few examples of state incentive programs follows:

Alabama: Alabama's Economic Development Loan Fund can be used for the purchase of land, buildings, machinery, equipment and working capital.

Arizona: The state offers a corporate income tax credit equal to 5 percent of the purchase price on construction materials used to build new manufacturing facilities.

Connecticut: Product development financing in the form of risk capital for high-technology products and services is available.

Delaware: Targeted industry tax incentives - Corporate income tax credits are \$400 for each \$100,000 investment and \$400 for each new qualified employee for whom at least \$40,000 in new investment has been made.

Florida: Private activity bonds - Florida created a \$75 million pool of locally issued private activity bonds strictly for the benefit of manufacturing facilities.

Indiana: Infrastructure financing - The program finances public improvements including the design and construction of roads, water and sewer lines, and rail spurs.

Michigan: Renaissance Fund - A fund that assists with land assembly/reclamation, and infrastructure development. The fund generally spends \$250,000 to \$750,000 per project and \$10,000 per job created.

Oklahoma: Targeted industry tax credit - A \$500 per employee income tax credit for a net increase of full time equivalent employees in targeted sectors.

South Carolina: Pre-export working capital financing.



House Finance Committee

DATE: Feb 11, 98

PLACE: Cap 519

SUBJECT OF MEETING:
HB 264
SB 159

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
✓ Deborah Behr	Dept of LAW	Juneau AK	99811		465-2102	(Y) N	HB 264 - Neg Reg
✓ Ernie Hall	AEDC	144 E Potter Dr Anch AK	99518		562 2257	(Y) N	S.B. 159
✓ Douglas Mertz	RCAC	319 Seward, Juneau			6-4000	(Y) N	HB 264
John Ference	Div of Insurance	SOB			465 2560	Y (N)	
✓ Patty DeMarco	AEDC					(Y) N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

02/11/98
13:55:19

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:80245 SCHEDULED FOR:02/11/98 13:30 TO 16:00
PUBLIC HEARING HOUSE FINANCE

LTN1150
BY:GLN
FOR:GLN

LOCATION:GLENNALLEN
SB 159

MRS. DONNA

TOLLMAN ✓

TESTIFY

02/11/98
13:31:50

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
TCN:80245 SCHEDULED FOR:02/11/98 13:30 TO 16:00
PUBLIC HEARING HOUSE FINANCE

LTN1150
BY:ANC
FOR:ANC

LOCATION: ~~ANCHORAGE~~
SB 159

KEITH

LAUFER ✓

AIDEA

TESTIFY