

**HB**

**342**

CARLIN

Marketing  
Dept. Spec.

2504

KEITH LAWSON

AIDCA LEGAL & Fin. Affairs

Joe Hayes

586-2565



# Alaska State Legislature

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## HOUSE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

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Representative John Harris, Representative Carl Morgan, Co-Chairmen  
State Capitol, Room 110, Juneau, Alaska 99801-1182  
(907) 465-3882

### COMMITTEE SCHEDULE

Unless otherwise indicated, meeting time is 8:00 a.m., Room 124, Capitol Building

THURSDAY, APRIL 13, 2000

HB 342 \*+ AIDEA bonds and rural development

\* First public hearing of bill  
+ Teleconference

**SB 248--HB 342**  
**AIDEA Bill**  
**Sectional Analysis**

**Section 1 – Clarifying changes to Property Tax Exemption Provisions**

Section 1 together with Sections 6, 7, and 8 make clarifying changes in tax exemption and payment in lieu of tax provisions relating to AIDEA owned projects.

**Background.** Under AIDEA's development finance program, AIDEA can own development projects that further the Authority's mission. Examples of these projects include the DeLong Mountain Transportation System serving the Red Dog Mine and the Federal Express Maintenance Facility at Anchorage International Airport.

By statute, AIDEA's interests in development finance projects are exempt from property taxes. Other statutory provisions allow for local jurisdictions to exempt the property interests of private users of AIDEA's facilities from property taxation and authorize local jurisdictions to enter into payment in lieu of tax agreements with these users.

The bill makes technical changes to clarify how the property tax and the payment in lieu of tax agreement mechanisms operate.

**Section 1. Permissive Property Tax Exemption for AIDEA Owned Projects.** Section 1 amends the provisions to AS 29.45.050 to allow municipalities to grant tax exemptions with respect to interests of private users in AIDEA property. Current law (AS 44.88.140 (b)) authorizes the use of payment in lieu of tax agreements for private interests held in AIDEA owned projects but does not clearly describe the methods that can be used to implement those agreements. Section 1 allows municipalities to grant, by ordinance, partial or total property tax exemptions in private property interests held by users of the Authority's assets. While other statutory provisions allow municipalities to grant various tax exemptions including an exemption for economic development property, none of the exemptions specifically relate to AIDEA owned projects. Adding a specific permissive exemption together with the clarifying changes to the payment in lieu of tax agreement provisions will provide municipalities with appropriate mechanisms and simplify the process by which municipalities can implement these property tax provisions.

## Sections 2 through 4 – Transfer of Rural Development Initiative Fund Program (RDIF)

Section 2-4 together with Sections 9-11 and 13-14 transfer the Rural Development Initiative Fund Program (RDIF) to AIDEA.

**Background** -- The RDIF program encourages economic development in rural Alaska by providing loans to small businesses in communities with populations of less than 5,000. The program was originally administered by the Department of Community and Regional Affairs and with the passage of HB 40 last year, is now within the Department of Community and Economic Development (DCED).

Because the RDIF program advances the Authority's economic development mission, AIDEA has supported the program over the last several years. The Authority has coordinated its Business and Export Assistance Loan Guarantee program with the RDIF program to increase the effectiveness of both programs. In 1993 and again in 1996, the Legislature authorized AIDEA to purchase loan portfolios from the State as an investment for the Authority. These loan purchases helped to re-capitalize the RDIF fund so that the fund had sufficient cash assets to make additional loans.

With the consolidation accomplished under HB 40, it is appropriate to transfer the RDIF program to the Authority. Transferring the program to AIDEA furthers AIDEA's mission in rural Alaska. In addition, the transfer will allow the program to continue to operate from year to year without the need for periodic AIDEA loan purchases or other legislative appropriations to re-capitalize the program. AIDEA will contract with DCED to administer the program utilizing the Department's rural program staff. This will help maximize efficiencies and ensure the continued effectiveness of the program in rural Alaska.

There are two steps to accomplishing the RDIF transfer to AIDEA. First, the bill statutorily creates a new RDIF loan program within AIDEA. This new program mirrors the existing statutory program. Second, upon the purchase by AIDEA of the existing RDIF loan portfolio, the bill repeals DCED's existing program. An appropriation will be required to authorize AIDEA's purchase of the existing portfolio.

**Sections 2-4.** Sections 2, 3 and 4 rename the existing DCED Rural Development Initiative Fund to the Rural Economic Development Initiative Fund. Under the bill (Sections 10, 13 and 14), the existing DCED program is not repealed until AIDEA completes the purchase of the existing RDIF loan portfolio from the State. Pending this purchase, the existing DCED statutes are modified to rename DCED's fund. This action is necessary so there is no statutory conflict with the AIDEA Rural Development Initiative Fund created under the bill.

### **Section 5 – Extension of AIDEA's Bonding Authority**

Section 5 extends AIDEA's general bonding authority, which would otherwise sunset on July 1, 2000. Bonds for development finance projects in excess of \$10,000,000 will continue to require legislative authorization.

**Background.** Effective July 1, 2000, AIDEA's ability to issue bonds, other than refunding bonds, will sunset. The sunset would prevent AIDEA from issuing any new bonds (other than refunding bonds) without legislative approval and severely curtail AIDEA's ability to fulfill its statutory mission.

The sunset would prevent AIDEA from issuing bonds to assist key development projects, bonds to fund loan participations and conduit revenue bonds that do not involve the credit of AIDEA or the State. In recent years, AIDEA has issued tax-exempt conduit revenue bonds to help finance the Fort Knox gold mine (\$71 million), the Goat Lake Hydroelectric project (\$23 million), the South Central Alaska chapter of the American Red Cross (\$2.2 million), the Fairbanks Sewer and Water project (\$6 million) and the Association of Village Council Presidents (\$916,000). These bonds helped lower the cost of financing for these projects without any financial risk to AIDEA or the State.

The bill extends the sunset until July 1, 2003. In addition, the bill clarifies that the sunset does not apply to conduit revenue bonds, which do not impact the State's or AIDEA's credit. Bonds in excess of \$10 million for development finance projects will continue to require specific legislative approval.

### **Sections 6 through 8 – Clarifying changes to Property Tax Exemption Provisions**

**Section 6** – This section amends AS 44.88.140(a) to recognize the permissive property tax exemption (adopted under Section 1 of the bill) that local governments may grant for AIDEA own projects.

**Section 7** – This section amends AS 44.88.140(b) to clarify the mechanism to be used by local governments and users of AIDEA projects for entering into payment in lieu of tax agreements. The bill makes clear that these agreements are to be made directly between the local governments and the project users.

**Section 8** – This section amends AS 44.88.140 to add a clarifying definitional section for "local political subdivision." The provision provides that the political subdivision in which the AIDEA project is located is the "local political subdivision" for purposes of the statute.

**Sections 9 through 11 -- Transfer of Rural Development Initiative Fund Program (RDIF)**

**Section 9 – Creation of AIDEA RDIF Program.** Section 9 establishes the RDIF program within AIDEA by enacting AS 44.88.600-620. With minor changes to reflect the program's status within AIDEA, these provisions mirror the provisions of the existing DCED RDIF program (AS 44.33.765-775).

**AS 44.88.600** – This section establishes the RDIF within AIDEA outside of the AIDEA revolving fund. The section allows AIDEA to transfer funds between the revolving fund and the RDIF.

**AS 44.88.610** – This section establishes the basic parameters of the RDIF program and mirrors the provisions of the current DCED program (See AS 44.33.770). Under the program, loans of up to \$200,000 (\$100,000 for individuals) may be made to businesses located in communities of less than 5000. These loans require that collateral be pledged to secure repayment and that a reasonable amount of money from non-State sources also be pledged to the project. The Authority may, by regulation establish interest rates of not less than 6% and other conditions for RDIF loans.

**AS 44.88.620** – This section grants AIDEA the power to dispose of property acquired through foreclosure of defaulted RDIF loans.

**Section 10 – Repeal of DCED Program.** This section repeals the existing RDIF program within DCED. However, as noted below (see Sections 13 and 14), this section only becomes effective upon AIDEA's purchase from the State of the existing RDIF portfolio.

**Section 11 – Transitional Provisions.** This section enacts several transitional provisions related to the transfer of the RDIF program to AIDEA.

**Sections 11(a) and 11(b)** – These sections provide that regulations adopted under DCED's RDIF program will continue to apply to AIDEA's RDIF program until such time as AIDEA adopts new regulations for the program.

**Section 11(c)** – This section clarifies that the existing legal contracts, liabilities and obligations created under the DCED RDIF program remain in effect notwithstanding the transfer of the program under the bill.

Section 11(d) – This section provides that any amounts retained within DCED's RDIF, following AIDEA's purchase of the assets and the repeal of the DCED program, lapse into the general fund.

**Sections 12 through 15 – Effective Date Provisions**

Section 12 – Effective Date -- Bonding Sunset Extension. This section provides that the effective date of the bonding sunset extension provision of the bill (Section 5) is June 30, 2000. This effective date is necessary to insure that the current July 1, 2000 sunset date does not become effective.

Section 13 and 14 – Effective Date – RDIF Transfer. These sections provide special effective dates related to the transfer of the RDIF program to AIDEA. Specifically, these sections provide that the repeal of the DCED program (Section 10) and the transition provisions (Section 11) become effective on the day after AIDEA purchases the existing assets in the RDIF fund. A separate appropriation will be required to authorize AIDEA to purchase the existing RDIF assets from the State.

Section 15 – General Effective Date. This section provides that the remainder of the bill becomes effective July 1, 2000 to coincide with the beginning of the next fiscal year.

# FISCAL NOTE

Bill Version: HB 342

(H) Publish Date: 2/7/00

## STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/1/25/2000 Dept. Affected DCED  
 Title AIDEA bonding authority BRU AIDEA  
 Component \_\_\_\_\_  
 Sponsor \_\_\_\_\_  
 Requester \_\_\_\_\_ Component No. \_\_\_\_\_

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Corporate Funds)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

### POSITIONS

Full-time						
Part-time						
Temporary						

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

This bill has a positive fiscal effect on the General Fund. Passage of this bill allows AIDEA to continue fulfilling its mission, generating revenues, and in turn, providing an annual dividend to the General Fund. The bill extends AIDEA's bonding authority, clarifies procedures available to municipalities to grant tax exemptions for privately held interest in AIDEA-owned assets, and transfers the rural development initiative fund program to AIDEA. AIDEA funds its operations and projects through corporate receipts and through the sale of bonds and does not use General Fund money.

Prepared by: D. Randy Simmons, Executive Director Phone \_\_\_\_\_  
 Division AIDEA Date/Time 1/27/00 11:53 AM  
 Approved by Commission Deborah B. Hedrick Date 1/27/00  
 Agency \_\_\_\_\_

HB 342

TONY KNOWLES  
GOVERNOR  
governor@gov.state.ak.us

PO Box 2000  
Juneau, Alaska 99801-0000  
Phone (907) 465-3500  
Fax (907) 465-3502  
www.gotstate.ak.us

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 3, 2000

The Honorable Brian Porter  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Porter:

The Alaska Industrial Development and Export Authority (AIDEA) has been a key player in many of Alaska's economic successes through the years. AIDEA programs have financed smaller projects, such as the Unalaska Marine Center dock, and the multi-million dollar Red Dog mine and Federal Express aircraft maintenance facility. This bill I transmit today continues AIDEA's role in boosting economic development and creating jobs in the state by extending its bonding authority for development projects of up to \$10 million and for conduit bond financing that does not involve the assets or credit of AIDEA or the state.

Under the bill, AIDEA's general bonding authority for projects up to \$10 million would be extended for three years, until June 30, 2003. The bill also clarifies that the sunset provision does not apply to conduit revenue financing transactions. Projects larger than \$10 million would still require specific legislative authorization.

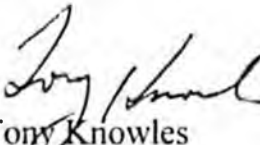
In addition, this bill clarifies the procedures available to municipalities to grant tax exemptions for privately held interests in AIDEA-owned assets and projects, and instead enter into agreements and receive payments in lieu of taxes.

The bill also provides for the transfer of the rural development initiative fund (RDIF) program from the Department of Community and Economic Development (DCED) to AIDEA. This makes formal the program transfers authorized in last year's departmental merger bill. Transferring the RDIF program would enable AIDEA to further its economic development mission in communities of 5,000 or less.

The Honorable Brian Porter  
February 3, 2000  
Page 2

The state is fortunate to have a financially healthy agency like the AIDEA to forge public-private partnerships that can strengthen Alaska's economic base. This bill will enhance the tools available to the AIDEA to further this mission.

Sincerely,



Tony Knowles  
Governor

1-GS2009\A.3

Cook

4/12/00

AMENDMENT

11 /

OFFERED IN THE HOUSE

TO: HB 342

1 Page 1, line 6, following ";":

2 Insert "relating to staff of the Alaska Energy Authority;"

3 Page 2, following line 24:

4 Insert new bill sections to read:

5 **\*\* Sec. 5.** AS 44.83.040(a) is amended to read:

6 (a) [THE CHAIR AND VICE-CHAIR OF THE ALASKA INDUSTRIAL  
 7 DEVELOPMENT AND EXPORT AUTHORITY SHALL SERVE AS OFFICERS OF  
 8 THE ALASKA ENERGY AUTHORITY.] The powers of the Alaska Energy  
 9 Authority are vested in the directors, and three directors of the authority constitute a  
 10 quorum. Action may be taken and motions and resolutions adopted by the Alaska  
 11 Energy Authority at a meeting by the affirmative vote of a majority of the directors.  
 12 The directors of the Alaska Energy Authority serve without compensation, but they  
 13 shall receive the same travel pay and per diem as provided by law for board members  
 14 under AS 39.20.180.

15 **\* Sec. 6.** AS 44.83 is amended by adding a new section to article 1 to read:

16 **Sec. 44.83.051. Executive director and staff; administration.** (a) The  
 17 authority shall appoint an executive director as the authority's executive officer. The  
 18 authority shall delegate supervision of the administration of the authority to the  
 19 executive director of the authority. The executive director is a member of the exempt  
 20 service under AS 39.25.110, serves at the pleasure of the authority, and receives  
 21 compensation fixed by the authority.

22 (b) The executive director appoints persons to the staff positions authorized  
 23 by the authority, and staff compensation is fixed by the authority. Employees of the  
 24 authority are members in the public employees' retirement system (AS 39.35).

I-GS2009A.3

1 (c) The authority may contract for legal and bond counsel, consultants,  
2 experts, and financial and technical advisors that the authority considers necessary for  
3 the conduct of studies, investigations, hearings, or other proceedings."

4 Renumber the following bill sections accordingly.

5 Page 5, line 15:

6 Delete "sec. 10"

7 Insert "sec. 12"

8 Page 5, line 16:

9 Delete "sec. 10"

10 Insert "sec. 12"

11 Page 5, line 19:

12 Delete "sec. 9"

13 Insert "sec. 11"

14 Page 5, line 29:

15 Delete "sec. 10"

16 Insert "sec. 12"

17 Page 5, line 30:

18 Delete "sec. 10"

19 Insert "sec. 12"

20 Page 6, line 1:

21 Delete "sec. 10"

22 Insert "sec. 12"

23 Page 6, following line 2:

1-GS2009A.3

1 Insert a new subsection to read:

2 "(e) Employees of the Alaska Industrial Development and Export Authority who are  
3 responsible for rural energy programs shall be transferred to the Alaska Energy Authority  
4 when the Alaska Energy Authority requests the transfer of those employees."

5 Page 6, line 3:

6 Delete "Section 5"

7 Insert "Section 7"

8 Page 6, line 4:

9 Delete "Sections 10 and 11"

10 Insert "Sections 12 and 13"

11 Page 6, line 8:

12 Delete "secs. 10 and 11"

13 Insert "secs. 12 and 13"

14 Delete "sec. 13"

15 Insert "sec. 15"

16 Page 6, lines 8 - 9:

17 Delete "secs. 10 and 11"

18 Insert "secs. 12 and 13"

19 Page 6, line 14:

20 Delete "secs. 12 - 14"

21 Insert "secs. 14 - 16"

## AMENDMENT TO HB 342

Objective: Create an independent rural energy program under the auspices of the Alaska Energy Authority (AEA), separate from AIDEA's authority.

### Powers of the Authority:

- Create separate and clear lines of authority and powers currently established under AS 44.83.020 - .995 and HB 40 (Ch 58, SLA 99, Section 66) and the Rural Energy Programs under AS 42.45 for AEA.
- Establish Executive Director position for AEA, reporting to the AEA Board of Directors. The Executive Director would answer to the Board and may employ staff, legal and bond counsel, consultants, experts, etc., as needed for the operation of the Authority.
- Transfer employees currently housed under AIDEA to positions to be established under AEA for the administration of the programs.
- Delete authority of the AIDEA chair and vice-chair as officers of the Alaska Energy Authority (AS 44.83.040).