

HB

2009

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 21, 1999

FURTHER REFERRALS:

Date of Committee Action: 4/29/99

The FINANCE Committee considered:

HB 209

HOUSE BILL NO. 209

ALASKA SCIENCE & TECH FOUNDATION GRANTS

"An Act amending the size of grants for which the Alaska Science and Technology Foundation must allocate at least 50 percent of endowment income and amending the maximum amount of the grant that the Alaska Science and Technology Foundation may award for development of the Kodiak launch complex and Fairbanks satellite ground station space park; and providing for an effective date."

recommends it be replaced with the following committee substitute [] 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) _____

[X] zero fiscal note(s) DCED [] zero fiscal note(s) _____

Table with columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include signatures and names: Therriault, Combs, Kohn, Clusterman, Davies, Gussendorf, Moses, DAVIS, Foster.

CHAIR'S SIGNATURE [Signature]

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 209

Revision Date/Time (Note if correction) _____ Dept. Affected DCED
 Title "An act amending the size of grants for which the BRU AK Science & Technology Foundatio
ASTF must allocate at least 50% of endowment income..." Component AK Science & Technology Foundatio
 Sponsor House Finance
 Requester House Finance Component Serial No. 2012

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	0.0					
Travel	0.0					
Contractual	0.0					
Supplies	0.0					
Equipment	0.0					
Land & Structures	0.0					
Grants & Claims	0.0					
Miscellaneous	0.0					
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0					
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CHANGE IN REVENUES ()	0.0					
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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 (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The bill allows for increased grants that would be appropriated separately. ASTF earnings are appropriated annually by the Legislature so the legislative oversight of ASTF remains unchanged.

Prepared by Tom Lawson, Director *Tom Lawson* Phone 465-2506
 Division Division of Administrative Services Date/Time 4/29/99 10:52 AM
 Approved by Commissioner *Tom Lawson* Date 4/29/99
 Agency Commerce and Economic Development

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STATE OF ALASKA
1999 LEGISLATIVE SESSION

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ALASKA SCIENCE & TECHNOLOGY FOUNDATION

— Putting Innovation to Work for Alaska —

Sponsor Statement

Current Statute

The current statute governing the Alaska Science & Technology Foundation (AS 37.17.) provides that the "the Board may award the following grants up to \$5 million to AIDEA or the Alaska Aerospace Development Corporation for the development of the Kodiak Launch Complex and the Fairbanks satellite ground station space park." (AS 37.17.090 (k)(!)).

The statute also provides "Except for grants awarded under (k) of this section, and under 37.17.225 not less than 50% of endowment income that is distributed to grantees by the foundation in a fiscal year must be for grant payments in that fiscal year of \$100,000 or less, exclusive of other funding. (AS37.17.225)." Section (k) refers to ASTF's authority to finance the 1) Kodiak Launch Complex at up to \$5M and 2) the low-rank coal water fuel project at UAF at up to \$4M.

ASTF has a \$101 M endowment the earnings of which are appropriated each year by the legislature. ASTF projects aim to use the development and implementation of science or technology to increase the state's goods-producing economic base by creating new markets, replacing current imports or expanding exports.

Problem Statement

There are four problems with the current statute:

- 1) The \$100 K amount has not been inflation adjusted since the original statute was passed in 1988.
- 2) Even with the exemption of the Kodiak rocket and Fairbanks coal project from counting toward the \$100 K limit, this limit is now acting as a constraint for funding the larger commercialization projects that have the most immediate ability to create Alaska jobs. A majority of ASTF projects now includes more mature, larger projects as well as the early stage invention type projects. These larger projects have more private match to finance further development

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Sponsor Statement Page Two

3) of innovative technology by building small manufacturing plants or larger technology development projects. It makes little sense for ASTF to be constrained from the larger, later stage technology commercialization deals which can have an economic impact sooner rather than later.

3) ASTF has already granted AADC \$5M to match \$17M in federal funds to construct the Kodiak Launch Complex. AADC is now requesting an additional \$5M from ASTF to complete construction of the Kodiak Launch Complex. This amount has been reviewed by AIDEA and ASTF. The amended amount authorizes ASTF to expend an additional \$6 M or a total of \$11 M to date. The additional \$1 M could to be expended over the next three years for marketing and development of an Alaska aerospace industry; this \$1 M will not be needed to complete KLC construction. At project completion, the anticipated \$10 M in state construction funds will match \$29,300,000 in federal funds. \$5 M in construction funds from the state will be required by July 1999 to complete construction and keep the complex on schedule for commercial and additional military launches. Raising the amount ASTF is authorized to fund AADC is not a guarantee that the full additional \$6 M will be expended by ASTF. It just removes the statutory barrier to ASTF considering a grant application for any additional funds.

4. Smaller, early stage projects are already encouraged by ASTF's active small grant program for projects under \$20 K of ASTF funds. In the last four years ASTF has funded 91 small grants under \$20 K and 99 grants over \$20 K. To date, it is the ability of a potential project to meet published technical and economic criteria (see www.astf.org) rather than the size of the project that determines whether a project is funded. So larger projects do not crowd out smaller projects.

ASTF Projects

ASTF funds both Knowledge (science) and Technology (proprietary) projects. Technology projects are funded at the proof-of-concept, prototype and commercialization stage. The later stage commercialization phase is often more than \$100 K of ASTF funds with a larger private sector match to use technology to process natural resources or use innovative technology to manufacture a final product.

SPONSOR STATEMENT PAGE THREE

In the last year such larger-scale Technology projects over the \$100 K limit include:

- innovative technology to process fish into seafood,
- assist sawmills to produce graded lumber,
- remove pinbones from salmon so Alaska can produce a high-grade finished producer,
- co-finance an Anchorage plant to produce fresh vegetables for pre-packaged salad sales and increase production of fresh Mat-Su produce.

Recent Knowledge projects over \$100K include:

- work with regulatory agencies and mining companies on research to address the contentious water quality issues of total dissolved solids,
- produce localized seismic maps of the Anchorage Bowl to determine whether buildings are over-designed for local soil conditions (added cost) or under-designed (imperial lives),
- demonstrate for the mining community new techniques to integrate geotechnical, topographic, and recently declassified subsurface radar tools in airborne and satellite maps to assist mineral exploration.

Effect of Proposed Changes

The proposed change will give ASTF the authority to consider increasing from \$5 million to \$11 million its commitment to AADC and thereby finance the \$5 M completion of the Kodiak Launch Complex and \$1 M of potential support for potential marketing and aerospace industry development over the next three years. The second proposed change will give ASTF discretion to fund larger projects as long as at least 50% of expended funds are in projects which annually that total less than \$250,000. No matter what size, all projects must meet published technical and economic criteria.

Fiscal Impact

None. ASTF earnings are appropriated annually by the legislature so the legislative oversight of ASTF remains unchanged.