

SB

248

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: April 15, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/18/00

The FINANCE Committee considered:

CSSB 248(FIN) am

CS FOR SENATE BILL NO. 248(FIN) am

AIDEA: BONDS & RURAL DEVELOPMENT

"An Act relating to the financing authority, payment in lieu of tax agreements, and tax exemption for assets and projects of the Alaska Industrial Development and Export Authority; relating to renaming and contingently repealing the rural development initiative fund within the Department of Community and Economic Development, and establishing the rural development initiative fund within the Alaska Industrial Development and Export Authority; and providing for an effective date."

recommends it be replaced with the following committee substitute

HCS CS SB 248 (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) DCED 2/8/00

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault	X			
<i>[Signature]</i>	Bunde	X			
<i>[Signature]</i>	Austerman	X			
<i>[Signature]</i>	J. Davis	X			
<i>[Signature]</i>	Gruesendler	X			
<i>[Signature]</i>	J. Davis	X			
<i>[Signature]</i>	A. Davis	X			
<i>[Signature]</i>	Williams	X			
<i>[Signature]</i>	Phillips	X			
<i>[Signature]</i>	J. Davis	X			

CHAIR'S SIGNATURE *[Signature]*

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 1
Bill Version: SB 248
(S) Publish Date: 2-8-00

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						
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 (Corporate Funds)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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: Commissioner Debra B. Hedrick Date: 1/27/00
Agency: _____

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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FISCAL NOTE

No. 1
 Bill Version: SB 248
 (S) Publish Date: 2-8-00

STATE OF ALASKA
 2000 LEGISLATIVE SESSION

Revision Date/1/25/2000 _____ Dept. Affected DCED
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 Component _____
 Sponsor _____
 Requester _____ Component No. _____

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CAPITAL EXPENDITURES						
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Prepared by: D. Randy Simmons, Executive Director Phone _____
 Division AIDEA Date/Time 1/27/00 11:53 AM
 Approved by Commission Deborah B. Medwick Date 1/27/00
 Agency _____

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 1
Bill Version: SB 248
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Revision Date/1/25/2000 _____ Dept. Affected DCED
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CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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Temporary						

ANALYSIS: (Attach a separate page if necessary)

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

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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4-18-00

Therriault

adopted

AMENDMENT |

OFFERED IN THE HOUSE

TO: CSSB 248(FIN)am
Version "D.a"

Page 4, line 19:

After "section"

Insert "and"

Page 4, line 20:

After "fund"

in addition to these assets

draft
Delete ",and other assets deposited into the fund by the authority. The assets transferred to the fund by the authority may not exceed \$2,000,000."

Insert ". In addition, the authority may transfer other assets into the fund, however, the total amount of the other assets transferred to the fund may not exceed \$2,000,000."

Amendment #3
remove Sec #6

CS FOR SENATE BILL NO. 248(FIN) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 4/14/00

Offered: 4/13/00

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the financing authority, payment in lieu of tax agreements,
2 and tax exemption for assets and projects of the Alaska Industrial Development
3 and Export Authority; relating to renaming and contingently repealing the rural
4 development initiative fund within the Department of Community and Economic
5 Development, and establishing the rural development initiative fund within the
6 Alaska Industrial Development and Export Authority; and providing for an
7 effective date."

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

9 * Section 1. AS 29.45.050 is amended by adding a new subsection to read:

10 (p) A municipality may by ordinance partially or totally exempt from taxation
11 a private leasehold, contract, or other interest held by or through an applicant or
12 proposed applicant in any property, assets, project, or development project owned by
13 the Alaska Industrial Development and Export Authority under AS 44.88. Nothing in

1 this subsection prohibits a municipality from entering into an agreement and receiving
2 payments in lieu of taxes authorized under AS 44.88.140(b).

3 * Sec. 2. AS 44.33.765(a) is amended to read:

4 (a) The rural economic development initiative fund is created in the
5 department. Unless provided otherwise in the appropriation act, an appropriation to the
6 fund is retained in the fund for use under AS 44.33.765 - 44.33.775 and does not lapse
7 at the end of a fiscal year. Each year the commissioner shall request an appropriation
8 to the fund of interest and other income earned on loans or investments of the fund.
9 Money in the fund may be appropriated for costs of administering AS 44.33.765 -
10 44.33.775.

11 * Sec. 3. AS 44.33.770(a) is amended to read:

12 (a) The department may use money from the rural economic development
13 initiative fund to make a loan of up to \$100,000 to a person, or a loan of up to
14 \$200,000 to two or more persons, to be used for working capital, equipment,
15 construction, or other commercial purposes by a business located in a community with
16 a population of 5,000 or less. A person who has received a loan under this subsection
17 may not be granted another loan until after the original loan is entirely repaid.

18 * Sec. 4. AS 44.33.775 is amended to read:

19 **Sec. 44.33.775. Disposal of property acquired by default or foreclosure.**

20 The department shall dispose of property acquired through default or foreclosure of a
21 loan made from the rural economic development initiative fund. Disposal shall be
22 made in a competitive manner that serves the best interests of the state, and may
23 include the amortization of payments over a period of years. The commissioner shall
24 request an appropriation to the fund of proceeds from disposal of property under this
25 section.

26 * Sec. 5. AS 44.88.095(g) is amended to read:

27 (g) Before July 1, 2003 [JULY 1, 2000], the authority may issue bonds in an
28 amount greater than \$10,000,000 to assist in the financing of a development project
29 under AS 44.88.172 - 44.88.177 only with legislative approval. Beginning July 1,
30 2003 [JULY 1, 2000], and thereafter, without prior legislative approval, the authority
31 may not issue bonds, except refunding and conduit revenue bonds.

1 * Sec. 6. AS 44.88.140(a) is amended to read:

2 (a) Except as provided in AS 29/45.030(a)(1), the real and personal property
 3 of the authority and its assets, income, and receipts are declared to be the property of
 4 a political subdivision of the state and, together with any project or development
 5 project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a
 6 leasehold interest created in a project or development project financed under
 7 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an essential public and
 8 governmental function and purpose, and the property, assets, income, receipts, project,
 9 development project, and leasehold interests shall be exempt from all taxes and special
 10 assessments of the state or a political subdivision of the state, including, without
 11 limitation, all boroughs, cities, municipalities, school districts, public utility districts,
 12 and other taxing units. All bonds of the authority are declared to be issued by a
 13 political subdivision of the state and for an essential public and governmental purpose
 14 and to be a public instrumentality, and the bonds, and the interest on them, the income
 15 from them and the transfer of the bonds, and all assets, income, and receipts pledged
 16 to pay or secure the payments of the bonds, or interest on them, shall at all times be
 17 exempt from taxation by or under the authority of the state, except for inheritance and
 18 estate taxes and taxes on transfers by or in contemplation of death. Nothing in this
 19 section affects or limits an exemption from license fees, property taxes, or excise,
 20 income, or any other taxes, provided under any other law. Except as provided in
 21 AS 29.45.050(p), nothing in this section creates [, NOR DOES IT CREATE] a tax
 22 exemption with respect to the interest of any business enterprise or other person, other
 23 than the authority, in any property, assets, income, receipts, project, development
 24 project, or lease whether or not financed under this chapter. By January 10 of each
 25 year, the authority shall submit to the governor a report describing the nature and
 26 extent of the tax exemption of the property, assets, income, receipts, project,
 27 development project, and leasehold interests of the authority under this section. The
 28 authority shall notify the legislature that the report is available.

29 * Sec. 7. AS 44.88.140(b) is amended to read:

30 (b) An [THE AUTHORITY MAY ENTER INTO AGREEMENTS WITH AN]
 31 applicant or proposed applicant under this chapter and the local political subdivision

1 may enter into agreements providing for payments in lieu of taxes, computed on a
 2 formula basis or otherwise [IN LIEU OF TAXES, WHICH THE AUTHORITY MAY
 3 CONSIDER APPROPRIATE]. The agreement may provide that the payments be
 4 made to the local political subdivision [OF THE STATE IN WHICH A PROJECT OR
 5 DEVELOPMENT PROJECT IS OR IS TO BE LOCATED] or to any other taxing unit
 6 of the state including, without limitation, a borough, city, municipality, school district
 7 or public utility district, the area of which is coterminous in whole or in part with that
 8 of the local political subdivision.

9 * **Sec. 8.** AS 44.88.140 is amended by adding a new subsection to read:

10 (d) In this section, "local political subdivision" means the political subdivision
 11 of the state in which a project or development project financed under AS 44.88.155 -
 12 44.88.159 or 44.88.172 - 44.88.177 is or is to be located.

13 * **Sec. 9.** AS 44.88 is amended by adding new sections to read:

14 **Article 6A. Rural Development Initiative Fund.**

15 **Sec. 44.88.600. Rural development initiative fund.** The rural development
 16 initiative fund is created in the authority outside of the revolving fund. The rural
 17 development initiative fund is a fund for the uses and purposes of AS 44.88.600 -
 18 44.88.620. The rural development initiative fund consists of money or assets
 19 appropriated or transferred to the authority for the purposes of this section, loan
 20 repayments, interest or other income earned on loans or investments of the fund, and
 21 other assets deposited into the fund by the authority. The assets transferred to the fund
 22 by the authority may not exceed \$2,000,000. The authority, in its discretion, may
 23 transfer money or other assets from the rural development initiative fund to the
 24 revolving fund.

25 **Sec. 44.88.610. Rural development loans.** (a) The authority may use money
 26 from the rural development initiative fund to make a loan of up to \$100,000 to a
 27 person, or a loan of up to \$200,000 to two or more persons, to be used for working
 28 capital, equipment, construction, or other commercial purposes by a business located
 29 in a community with a population of 5,000 or less. A person who has received a loan
 30 under this subsection may not be granted another loan until after the original loan is
 31 entirely repaid.

1 (b) The authority shall require collateral for each loan made under this section
2 and shall require that a reasonable amount of money from other nonstate sources be
3 committed for use on any project or enterprise for which money from a loan will be
4 used. The authority by regulation may establish other conditions for loans. The
5 authority shall by regulation establish rates of interest that are not less than six percent
6 a year and terms of repayment for loans made under this section.

7 **Sec. 44.88.620. Disposal of property acquired by default or foreclosure.**

8 The authority shall dispose of property acquired through default or foreclosure of a
9 loan made from the rural development initiative fund. Disposal shall be made in a
10 competitive manner that serves the best interests of the state, and may include the
11 amortization of payments over a period of years. Proceeds from the disposal of
12 property under this section shall be deposited into the fund.

13 * **Sec. 10.** AS 44.33.765, 44.33.770, and 44.33.775 are repealed.

14 * **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section
15 to read:

16 **TRANSITIONAL PROVISIONS.** (a) Notwithstanding the repeal of AS 44.33.765,
17 44.33.770, and 44.33.775 by sec. 10 of this Act, regulations in effect immediately before the
18 effective date of sec. 10 of this Act that were issued or adopted under authority of
19 AS 44.33.765, 44.33.770, or 44.33.775 remain in effect and may be implemented and
20 enforced by the Alaska Industrial Development and Export Authority to implement the
21 provisions of AS 44.88.600 - 44.88.620, enacted by sec. 9 of this Act, until the Alaska
22 Industrial Development and Export Authority adopts regulations to implement AS 44.88.600 -
23 44.88.620.

24 (b) Wherever in AS 44.88.600 - 44.88.620 there is a reference to regulations adopted
25 under a section of law and there are no regulations adopted under that section because
26 previous regulations adopted under AS 44.33.765 - 44.33.775 are being enforced under (a) of
27 this section, the reference shall be construed to refer to the previously adopted regulations
28 until the Alaska Industrial Development and Export Authority adopts regulations to implement
29 AS 44.88.600 - 44.88.620.

30 (c) Contracts, rights, liabilities and obligations created by or under AS 44.33.765,
31 44.33.770, or 44.33.775, repealed by sec. 10 of this Act, and in effect on the day before the

1 effective date of sec. 10 of this Act, remain in effect notwithstanding this Act's taking effect.

2 (d) Amounts retained in the rural economic development initiative fund for use under
3 AS 44.33.765 - 44.33.775 lapse into the general fund on the effective date of sec. 10 of this
4 Act.

5 * Sec. 12. Section 5 of this Act takes effect June 30, 2000.

6 * Sec. 13. Sections 10 and 11 of this Act take effect only if the Alaska Industrial
7 Development and Export Authority purchases loans and other assets of the rural economic
8 development initiative fund (AS 44.33.765) as an investment for the Alaska Industrial
9 Development and Export Authority.

10 * Sec. 14. If secs. 10 and 11 of this Act take effect under sec. 13 of this Act, secs. 10 and
11 11 of this Act take effect on the day after the effective date of the purchase of the rural
12 economic development initiative fund loans and other assets by the Alaska Industrial
13 Development and Export Authority. The executive director of the Alaska Industrial
14 Development and Export Authority shall certify the effective date of the purchase to the
15 lieutenant governor and the revisor of statutes.

16 * Sec. 15. Except as provided in secs. 12 - 14 of this Act, this Act takes effect July 1,
17 2000.

4-18-00

1-GS2009\DA.1

DAVIS / Cook
PHILLIPS 4/17/00

adopted

AMENDMENT

2

OFFERED IN THE HOUSE

TO: CSSB 248(FIN) am

adopted

change to

January

1,1999

1 Page 1, following line 8:

2 Insert a new bill section to read:

3 **** Section 1.** AS 29.45.030(a) is amended to read:

4 (a) The following property is exempt from general taxation:

5 (1) municipal property, including property held by a public corporation
6 of a municipality, or state property, or land that is in the trust established by the
7 Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

8 (A) a private leasehold, contract, or other interest in the
9 property is taxable to the extent of the interest; however, an interest created
10 by a nonexclusive use agreement between the Alaska Industrial
11 Development and Export Authority and a user of a facility owned by the
12 authority, financed at least in part under AS 44.88.172, and open for
13 public use is not taxable;

14 (B) notwithstanding any other provision of law, property
15 acquired by an agency, corporation, or other entity of the state through
16 foreclosure or deed in lieu of foreclosure and retained as an investment of a
17 state entity is taxable; this subparagraph does not apply to federal land granted
18 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
19 granted to the university by the state to replace land that had been granted
20 under AS 14.40.380 or 14.40.390;

21 (C) an ownership interest of a municipality in real property
22 located outside the municipality acquired after December 31, 1990, is taxable
23 by another municipality; however, a borough may not tax an interest in real
24 property located in the borough and owned by a city in that borough;

25 (2) household furniture and personal effects of members of a

1 household;

2 (3) property used exclusively for nonprofit religious, charitable,
3 cemetery, hospital, or educational purposes;

4 (4) property of a nonbusiness organization composed entirely of
5 persons with 90 days or more of active service in the armed forces of the United
6 States whose conditions of service and separation were other than dishonorable, or the
7 property of an auxiliary of that organization;

8 (5) money on deposit;

9 (6) the real property of certain residents of the state to the extent and
10 subject to the conditions provided in (e) of this section;

11 (7) real property or an interest in real property that is exempt from
12 taxation under 43 U.S.C. 1620(d), as amended;

13 (8) property of a political subdivision, agency, corporation, or other
14 entity of the United States to the extent required by federal law; except that a private
15 leasehold, contract, or other interest in the property is taxable to the extent of that
16 interest;

17 (9) natural resources in place including coal, ore bodies, mineral
18 deposits, and other proven and unproven deposits of valuable materials laid down by
19 natural processes, unharvested aquatic plants and animals, and timber."

20 Renumber the following bill sections accordingly.

21 Page 1, line 9:

22 Delete "Section 1"

23 Insert "Sec. 2"

24 Page 5, line 17:

25 Delete "sec. 10"

26 Insert "sec. 11"

27 Page 5, line 18:

28 Delete "sec. 10"

- 1 Insert "sec. 11"

- 2 Page 5, line 21:
- 3 Delete "sec. 9"
- 4 Insert "sec. 10"

- 5 Page 5, line 31:
- 6 Delete "sec. 10"
- 7 Insert "sec. 11"

- 8 Page 6, line 1:
- 9 Delete "sec. 10"
- 10 Insert "sec. 11"

- 11 Page 6, line 3:
- 12 Delete "sec. 10"
- 13 Insert "sec. 11"

- 14 Page 6, line 5:
- 15 Delete "Section 5"
- 16 Insert "Section 6"

- 17 Page 6, line 6:
- 18 Delete "Sections 10 and 11"
- 19 Insert "Sections 11 and 12"

- 20 Page 6, line 10:
- 21 Delete "secs. 10 and 11"
- 22 Insert "secs. 11 and 12"
- 23 Delete "sec. 13"
- 24 Insert "sec. 14"

- 1 Page 6, lines 10 and 11:
- 2 Delete "secs. 10 and 11"
- 3 Insert "secs. 11 and 12"

- 4 Page 6, line 16:
- 5 Delete "secs. 12 - 14"
- 6 Insert "secs. 13 - 15"

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.

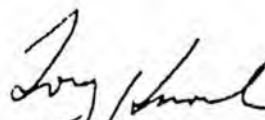
Section 13 and 14 – Effective Date – RDIF Transfer. These sections provide special effective dates related to the transfer of the RDIF program to AIDEA. Specifically, these sections provide that the repeal of the DCED program (Section 10) and the transition provisions (Section 11) become effective on 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.

The Honorable Brian Porter
February 3, 2000
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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,

A handwritten signature in cursive script, appearing to read "Tony Knowles".

Tony Knowles
Governor