

SB

312

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-4271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District Q

REQUEST FOR HEARING

To: Senator John Torgerson, Chair
Community and Regional Affairs Committee

From: Senator Therriault, Chair *Gene Therriault*
Senate State Affairs

Subject: Request for hearing on SB 312

Date: 3/13/2002

I would like to respectfully request that Senate Bill 312 be scheduled for a hearing before the Senate Community and Regional Affairs Committee.

Senate Bill 312 would allow the governor to designate four areas of the state each year as "Enterprise Zones." This designation would authorize localities to offer incentives to attract business to a particular economically depressed area as well as establish state corporate income tax credits for initial investment and hiring additional employees after the first year.



Official Business

ALASKA STATE LEGISLATURE

SENATOR JOHN TORGERSON

- Chair, Senate Community & Regional Affairs Committee
- Chair, Senate Resources Committee
- Chair, Joint Committee on Natural Gas Pipelines

DATE: May 3, 2002

TO: Legislative Legal

FROM: Mary Jackson, Staff Senate C&RA

RE: SB 312 – Enterprise Zones

A handwritten signature in black ink, appearing to be "MJ", located to the right of the "FROM:" field.

The Senate C&RA Committee passed out SB 312 with 3 amendments. I am faxing them along with this cover letter. They are:

22-LS1430A.1 Bannister: 4/29/02

22-LS1480A.2 Bannister: 4/29/02

22-LS1480A.3 Bannister: 5/3/02

Please provide the committee substitute as soon as possible, so the bill can be read across the senate floor tomorrow.

Thank you for your time and effort.

4 PAGES TOTAL FAXED

PHILLIPS MOVED:
NO OBJ.

22-LS1480A.1
Bannister
4/29/02

AMENDMENT

OFFERED IN THE SENATE
TO: SB 312

PHILLIPS

1 Page 1, line 15, following "located;":

2 Insert "and"

3

4 Page 2, lines 3 - 6:

5 Delete "; and"

6 (4) an eligible neighborhood development organization must operate in
7 the area; in this paragraph, "eligible neighborhood development organization" has the
8 meaning given in 42 U.S.C. 5318a(a)"

Austerman Moved;
NO OBJ

22-LS1480\A.2
Bannister
4/29/02

AMENDMENT

OFFERED IN THE SENATE
TO: SB 312

AUSTERMAN

- 1 Page 2, line 8:
- 2 Delete ", if the city is not within a borough,"
- 3
- 4 Page 5, line 5:
- 5 Delete ", except a city that is located in a borough"
- 6
- 7 Page 5, lines 7 - 8:
- 8 Delete ", except a city located in a borough,"

PHILLIPS MOVED;
NO OBJ.

22-LS1480A.3
Bannister
5/3/02

AMENDMENT

OFFERED IN THE SENATE
TO: SB 312

PHILLIPS

- 1 Page 1, line 12, following "census":
- 2 Delete "used in the latest completed United States census"
- 3 Insert ", one or more contiguous block groups used in the latest completed United
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AMENDMENT

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TO: SB 312

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Am #3

Phillip

*intent was to
not delete*

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[search](#)[Prev](#) | [Next](#)[TITLE 42](#) > [CHAPTER 69](#) > Sec. 5318a.*Search this title:***Sec. 5318a. - John Heinz Neighborhood Development Program****(a) Definitions**

For the purposes of this section:

(1)

The term "eligible neighborhood development activity" means -

(A)

creating permanent jobs in the neighborhood;

(B)

establishing or expanding businesses within the neighborhood;

(C)

developing, rehabilitating, or managing neighborhood housing stock;

(D)

developing delivery mechanisms for essential services that have lasting benefit to the neighborhood; or

(E)

planning, promoting, or financing voluntary neighborhood improvement efforts.

(2)

The term "eligible neighborhood development organization" means -

(A)**(i)**

an entity organized as a private, voluntary, nonprofit corporation

[Notes](#)[Updates](#)[Parallel authorities \(CFR\)](#)[Topical references](#)

under the laws of the State in which it operates;

(ii)

an organization that is responsible to residents of its neighborhood through a governing body, not less than 51 per centum of the members of which are residents of the area served;

(iii)

an organization that has conducted business for at least one year prior to the date of application for participation;

(iv)

an organization that operates within an area that -

(I)

meets the requirements for Federal assistance under section 5318 of this title;

(II)

is designated as an enterprise zone under Federal law;

(III)

is designated as an enterprise zone under State law and recognized by the Secretary for purposes of this section as a State enterprise zone; or

(IV)

is a qualified distressed community within the meaning of section 1834a(b)(1) of title 12; and

(v)

an organization that conducts one or more eligible neighborhood development activities that have as their primary beneficiaries low- and moderate-income persons, as defined in section 5302(a)(20) of this title; or

(B)

any facility that provides small entrepreneurial business with affordable shared support services and business development services and meets the requirements of subparagraph (A).

(3)

The term "neighborhood development funding organization" means -

(A)

a depository institution the accounts of which are insured pursuant to the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) or the Federal Credit Union Act (12 U.S.C. 1751 et seq.), and any subsidiary (as such term is defined in section 3(w) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w))) thereof;

(B)

a depository institution holding company and any subsidiary thereof (as such term is defined in section 3(w) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w))); or

(C)

a company at least 75 percent of the common stock of which is owned by one or more insured depository institutions or depository institution holding companies.

(4)

The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Duties of Secretary

(1)

The Secretary shall carry out, in accordance with this section, a program to support eligible neighborhood development activities by providing Federal matching funds to eligible neighborhood development organizations on the basis of the monetary support such organizations have received from individuals, businesses, and nonprofit or other organizations in their neighborhoods, and from neighborhood development funding organizations, prior to receiving assistance under this section.

(2)

The Secretary shall accept applications from eligible neighborhood development organizations for participation in the program. Eligible organizations may participate in more than one year of the program, but shall be required to submit a new application and to compete in the selection process for each program year. For fiscal year 1993 and thereafter, not more than 50 percent of the grants may be for multiyear awards.

(3)

From the pool of eligible neighborhood development organizations submitting applications for participation in a given program year, the Secretary shall select participating organizations in an appropriate number through a competitive selection process. To be selected, an applicant shall -

(A)

have demonstrated measurable achievements in one or more of the activities specified in subsection (a)(1) of this section;

(B)

specify a business plan for accomplishing one or more of the activities specified in subsection (a)(1) of this section;

(C)

specify a strategy for achieving greater long term private sector support, especially in cooperation with a neighborhood development funding organization, except that an eligible neighborhood development

organization shall be deemed to have the full benefit of the cooperation of a neighborhood development funding organization if the eligible neighborhood development organization -

(i)

is located in an area described in subsection (a)(2)(A)(iv) of this section that does not contain a neighborhood development funding organization; or

(ii)

demonstrates to the satisfaction of the Secretary that it has been unable to obtain the cooperation of any neighborhood development funding organization in such area despite having made a good faith effort to obtain such cooperation; and

(D)

specify a strategy for increasing the capacity of the organization.

(c) Criteria for awarding grants

The Secretary shall award grants under this section among the eligible neighborhood development organizations submitting applications for such grants on the basis of -

(1)

the degree of economic distress of the neighborhood involved;

(2)

the extent to which the proposed activities will benefit persons of low and moderate income;

(3)

the extent of neighborhood participation in the proposed activities, as indicated by the proportion of the households and businesses in the neighborhood involved that are members of the eligible neighborhood development organization involved and by the extent of participation in the proposed activities by a neighborhood development funding organization that has a branch or office in the neighborhood, except that an eligible neighborhood development organization shall be deemed to have the full benefit of the participation of a neighborhood development funding organization if the eligible neighborhood development organization -

(A)

is located in an (1) neighborhood that does not contain a branch or office of a neighborhood development funding organization; or

(B)

demonstrates to the satisfaction of the Secretary that it has been unable to obtain the participation of any neighborhood development funding organization that has a branch or office in the neighborhood despite having made a good faith effort to obtain such participation; and

(4)

the extent of voluntary contributions available for the purpose of subsection (e)(4) of this section, except that the Secretary shall waive the requirement of this subparagraph in the case of an application submitted by a small eligible neighborhood development organization, an application involving activities in a very low-income neighborhood, or an application that is especially meritorious.

(d) Consultation with informal working group

The Secretary shall consult with an informal working group representative of eligible neighborhood organizations with respect to the implementation and evaluation of the program established in this section.

(e) Matching funds for participating organizations

(1)

The Secretary shall assign each participating organization a defined program year, during which time voluntary contributions from individuals, businesses, and nonprofit or other organizations in the neighborhood, and from neighborhood development funding organizations, shall be eligible for matching.

(2)

Subject to paragraph (3), at the end of each three-month period occurring during the program year, the Secretary shall pay to each participating neighborhood development organization the product of -

(A)

the aggregate amount of voluntary contributions that such organization certifies to the satisfaction of the Secretary it received during such three-month period; and

(B)

the matching ratio established for such test neighborhoods under paragraph (4).

(3)

The Secretary shall pay not more than \$50,000 under this section to any participating neighborhood development organization during a single program year, except that, if appropriations for this section exceed \$3,000,000, the Secretary may pay not more than \$75,000 to any participating neighborhood development organization.

(4)

For purposes of paragraph (2), the Secretary shall, for each participating organization, determine an appropriate ratio by which monetary contributions made to participating neighborhood development organizations will be matched by Federal funds. The highest such ratios shall be established for neighborhoods having the smallest number of households or the greatest degree of economic distress.

(5)

The Secretary shall insure that -

(A)

grants and other forms of assistance may be made available under this section only if the application contains a certification by the unit of general local government within which the neighborhood to be assisted is located that such assistance is not inconsistent with the comprehensive housing affordability strategy of such unit approved under section 12705 of this title or the statement of community development activities and community development plans of the unit submitted under section 5304(m) of this title, except that the failure of a unit of general local government to respond to a request for a certification within thirty days after the request is made shall be deemed to be a certification; and

(B)

eligible neighborhood development activities comply with all applicable provisions of the Civil Rights Act of 1964 (42 U.S.C. 2000a et seq.).

(6)

To carry out this section, the Secretary -

(A)

may issue regulations as necessary;

(B)

shall utilize, to the fullest extent practicable, relevant research previously conducted by Federal agencies, State and local governments, and private organizations and persons;

(C)

shall disseminate information about the kinds of activities, forms of organizations, and fund-raising mechanisms associated with successful programs; and

(D)

may use not more than 5 per centum of the funds appropriated for administrative or other expenses in connection with the program.

(f) Authorization

Of the amounts made available for assistance under section 5303 of this title, \$1,000,000 for fiscal year 1993 (in addition to other amounts provided for such fiscal year) and \$3,000,000 for fiscal year 1994 shall be available to carry out this section.

(g) Short title

This section may be cited as the "John Heinz Neighborhood Development Act"

[1] So in original. Probably should be "a".

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AMENDMENT

~~1~~ 3

OFFERED IN THE SENATE

TO: SB 312

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FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 312
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title An Act relating to enterprise zones BRU Community Assist & Econ. Dev. (405)
 Component Community & Business Development
 Sponsor Senate State Affairs
 Requester Senate Community & Regional Affairs Component No. 2486

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	34.7	17.4	17.4	17.4	17.4	17.4
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	34.7	17.4	17.4	17.4	17.4	17.4

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

FUND SOURCE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1002 Federal Receipts						
1003 GF Match						
1004 GF	34.7	17.4	17.4	17.4	17.4	17.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	34.7	17.4	17.4	17.4	17.4	17.4

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

POSITIONS	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Full-time	0.50	0.25	0.25	0.25	0.25	0.25
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would create a new state-administered program of enterprise zones. It requires that the department develop regulations to operate the program, including a formal application process and appeals process. The department would be required to annually perform analyses to determine if applications met specific requirements laid out in the legislation. The department would then prioritize applications and make recommendations to the Governor and the Legislature regarding appropriate enterprise zone incentives.

These requirements represent significant administrative duties that cannot be absorbed by existing staff. The department estimates that the new administrative functions would require an additional Development Specialist II position (Range 20a) for half of the first program year (during regulation and application process development); and, for a fourth of a position in subsequent years for general program administration.

Prepared by: Pat Poland, Director Phone 907-269-4580
 Division Community & Business Development Date/Time 3/22/02 5:21 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 3/22/2002
 Agency Department of Community & Economic Development

Alaska State Legislature

SENATOR
GENE THERRIALT

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Senate District Q

Senate Bill 312: "An act relating to enterprise zones"

Sponsor: Senate State Affairs Committee

Sponsor Statement

Senate Bill 312 will authorize the Governor to declare certain areas of Alaska "Enterprise Zones." An enterprise zone is an area that is in economic trouble with potential for rebuilding and growth. The bill is designed to offer economic incentives for business to locate their operations in the area and to hire people that reside in that area.

Traditionally, enterprise zones around the country have relied on credits or exemptions toward State taxes or fees. Since the State of Alaska has little in the way of taxes this bill will combine breaks from state taxes with the authorization for local communities to offer their own incentives for these zones. The possible state and city/borough incentives are as follows:

Local Incentives

- 1) Reduction of municipality's permit or user fees.
- 2) Credits toward of exemptions from property taxes.
- 3) Flexibility in regulations like zoning, permitting and exemptions from local ordinances.
- 4) Lease or sale of the municipality's real property within the zone as long as the property was not designated for public use.

State Incentives

- 1) 15% of the initial investment in the area would count as a credit to state corporate income taxes.
- 2) After a business operates in a zone for one year they would qualify for a \$500 corporate income tax credit for each new employee hired.

These incentives will allow and encourage business to invest and develop in areas of our state that have seen economic decline in the recent past. If the program becomes successful at the state level it would help some communities qualify for federal grants and federal tax exemptions offered by the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA).

Passage of SB 312 will help to spur investment into areas of the state that have experienced economic downturn.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 13, 2002

SUBJECT: Sectional summary of SB 312
(Work Order No. 22-LS1480\A)

TO: Senator Gene Therriault
Attn: Zach

FROM: *JB*
Theresa L. Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Adds new sections in a new article dealing with enterprise zones.

Sec. 44.33.311. Authorizes the governor to designate up to four enterprise zones each year from a prioritized list. A designation lasts for 20 years.

Sec. 44.33.313. Lists the requirements for geographical areas to be eligible to be enterprise zones.

Sec. 44.33.315. Allows a borough, a unified municipality, and certain cities to apply to the Department of Community and Economic Development to have a geographical area designated an enterprise zone. Lists what information must be provided in the application.

Sec. 44.33.317. Limits to three the number of designated enterprise zones that may exist within a qualifying municipality at the same time.

Sec. 44.33.319. Lists the incentives that a qualifying municipality may identify in its application that it will provide to the area in the proposed zone.

Section 2. Adds the rest of the sections in the new enterprise zone article.

Sec. 44.33.321. Directs the department to verify the information and eligibility of areas proposed as enterprise zones. Directs the department to prioritize each year's applications

according to certain listed items. Directs the department to use certain data from the latest completed U.S. census when determining the degree of economic distress of an area. Directs the department to transmit the prioritized list to the governor each year. If legislative action is needed to be able to use a particular incentive, directs the department to recommend the legislative action to the governor or the legislature.

Sec. 44.33.323. Allows a qualifying municipality that submits an application for an area to be designated an enterprise zone to appeal to the commissioner a determination that the area is not eligible to be an enterprise zone, a denial of the application (for a reason other than a determination of ineligibility), and the priority given to the application. States that the commissioner's determination may be appealed to the superior court. Directs the department to adopt regulations that establish the procedure for the appeal to the commissioner.

Sec. 44.33.325. Directs the department to establish by regulation deadlines for the submittal, review, and other administrative handling of applications. Directs that the deadlines be compatible with the deadlines for grant applications under 42.U.S.C. 5318a.

Sec. 44.33.327. Allows the department to adopt other regulations to implement the enterprise zone article. Directs that department regulations required or authorized for this article must be adopted under the state's Administrative Procedure Act.

Sec. 44.33.329. Defines terms for the enterprise zone article.

Section 3. Amends the municipal code to allow a borough, unified municipality, and certain cities to partially or totally exempt by ordinance from taxation the property in an enterprise zone or to provide tax credits on taxes due on property in an enterprise zone.

Section 4. Amends a subsection of the state's income tax chapter to state that the tax credit limitation imposed by the subsection does not apply to enterprise zone investment tax credits under sec. 43.20.046 or to tax credits for new business facility employees under sec. 43.20.047.

Section 5. Amends the state's income tax chapter by adding new sections to allow enterprise zone tax credits.

Sec. 43.20.046. Allows a taxpayer to apply against the taxpayer's tax liability for a tax year 15 percent of certain investments in a new business facility in an enterprise zone during the tax year. Prorates the tax credit if the taxpayer has not operated the new business facility for the entire tax year. Reduces the tax credit by a certain amount if the new business facility replaces another facility. Defines certain terms for the section.

Sec. 43.20.047. Allows a taxpayer who establishes a new business facility for at least one year in an enterprise zone to apply, as a tax credit for the first full income tax year of the new business facility, \$500 for each new business facility employee who works in the

Senator Gene Therriault
March 13, 2002
Page 3

zone. Indicates how to calculate the number of new business facility employees that may be claimed for credit. Defines certain terms for the section.

Sec. 43.20.048. Defines certain terms for secs. 43.20.046 - 43.20.048.

Section 6. Adds implementation of the new enterprise zone article provisions to the department's duties.

Section 7. States that the bill's changes to the state's income tax chapter apply to tax years beginning on or after January 1, 2003.

If I may be of further assistance, please advise.

TLB:med
02-276.med

TED STEVENS, ALASKA, CHAIRMAN

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United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025

STEVEN J. CORTESE, STAFF DIRECTOR
JAMES H. ENGLISH, MINORITY STAFF DIRECTOR

April 11, 2001

Representative Joe Hayes
Alaska State Legislature
State Capitol, Room 422
Juneau, AK 99801-1182

SB 312
Enterprise Zones
March 27, 2002

Senate CRA

Support Letters

Dear Representative Hayes:

Thank you for contacting me regarding Empowerment Zones and Enterprise Communities in relation to economic development opportunities in Alaska.

Over the course of the past fifty years, Congress has enacted several major economic development initiatives designed to revitalize some of the nation's more impoverished areas. The most recent actions came in the 1990's with the establishment of Empowerment Zones (EZ) and Enterprise Communities (EC). To date, Congress has authorized three rounds of designations for EZs and ECs. Empowerment Zones qualify for: (1) a 20-percent wage credit for the first \$15,000 of wages paid to a zone resident who works in the EZ, (2) an additional \$35,000 of section 179 expensing for a qualifying zone property, and (3) tax-exempt financing for certain qualifying zone facilities. Under the original law, each urban EZ is allocated \$100 million and each rural EZ is allocated \$40 million in block grant funds over the life of the program. Each of the urban and rural ECs are allocated approximately \$3 million in block grant funds.

Under this program, communities or states apply for recognition with the Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA). During the first round of applications, HUD and USDA received more than 500 nominations. The first round of designations produced 104 EZs and ECs. The second round of designations produced 20 additional EZs and 20 additional ECs. Late last year, Congress authorized the creation of an additional 9 EZs, seven for urban areas and 2 for rural areas. Under the law, these new EZs must be designated by January 1, 2002.

Based on information I have reviewed, Alaska received no rural EZ or EC designations in Round I and one Rural EC designation in Round II. That designation was given to Metlakatla. To date that community has received \$6,659,271 in federal, state and

private funding for its economic development initiatives under the program.

When Congress authorized Round III designations last year, we included a special computation provision for Alaska and Hawaii. Under the special rule, rural areas in Alaska and Hawaii may use median family income, rather than poverty, to determine their eligibility to apply for designation as a Round III Empowerment Zone. The authorizing legislation allows these states to employ either census tracts or block groups for determining eligibility. Census tracts or block groups in Alaska or Hawaii are eligible for Round III if at least 20 percent of the families residing within them have incomes that are 50 percent or less than the statewide median family income. For more information, you can visit the EZ/EC web page at www.ezec.gov/round3.

In addition to the EZ and EC designations, HUD and USDA have assisted communities through the Champion Communities program. The program is designed to help those communities which applied for EZ or EC status but were not given the designation. In 1994, more than 220 rural communities organized and completed the strategic planning process as part of their application for Round I of the EZ/EC Initiative. To assure that their important work produced continuing benefits to these communities, USDA designated them as "Champion Communities" and provided assistance to them. During Round II, 160 communities submitted applications and 15 of the 25 newly designated rural Empowerment Zone and Enterprise Communities were Champion Communities from Round I. Since 1999, USDA has formalized the Champion Communities program by inviting all the communities which submitted strategic plans to continue implementing their plans by signing agreements with USDA. Champion Community status is important because USDA Rural Development has funded more than \$260 million in development projects in Champion Communities since 1995 and other agencies have targeted funds and other initiatives to these areas. In addition, USDA Rural Development has sponsored conferences to train community leaders and promote networking among communities. It provides targeted technical assistance to Champions and gives them preference points in decisions on project funding. Alaska currently has three Champion Communities - The Northwest Arctic Borough, the Yukon Kuskowwim Delta Region and the Delta Region Economic Development Council.

Thank you for our inquiry.

With best wishes,

Cordially,



TED STEVENS
United States Senator

F-BNKS City Council

Introduced by: Councilman Kawasaki
Date: June 18, 2001

RESOLUTION 3925

A RESOLUTION IN SUPPORT OF HB 36: A BILL
PROVIDING FOR THE CREATION OF ENTERPRISE ZONES

WHEREAS, Enterprise Zones have been stimulating economic development in the United States for over 20 years by providing incentives for business development in impoverished areas; and

WHEREAS, in 1994, the Federal Government recognized the effectiveness of Enterprise Zones by instituting a Federal program named Empowerment Zones/Enterprise Communities; and

WHEREAS, the federal program has resulted in positive results in both urban and rural regions, including Metlakatla, Alaska; and

WHEREAS, HB 36 would establish a Statewide Enterprise Zone program to bring economic development to urban and rural communities in need; and

WHEREAS, HB 36 would establish a program consistent with the Alaskan politics of local control by offering an option, rather than a mandate; and

WHEREAS, HB 36 would expand local communities' authority to govern their own tax structure and to offer incentives for growth and business development; and

WHEREAS, HB 36 would allow local communities to choose the economic development incentive or incentives they feel best suits their communities from a short list of options; and

WHEREAS, HB 36 could facilitate access to federal economic development money for the identified communities through the Community Development Block Grant program; and

WHEREAS, designation as an Enterprise Zone under HB 36 could be used to fulfill some of the requirements for application to the EZ/EC Federal program;

3925

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Fairbanks, Alaska supports the passage of HB 36.

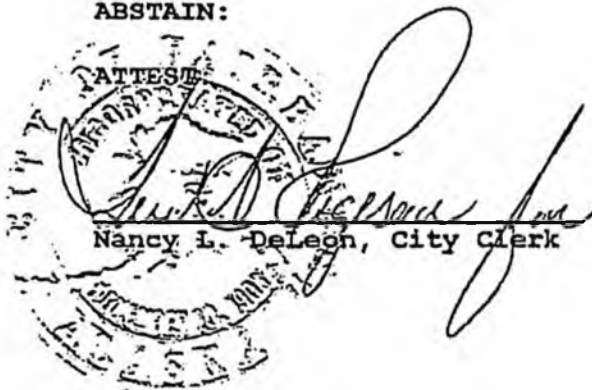
BE IT FURTHER RESOLVED, that a copy of this resolution be sent to the Interior Delegation, Governor Tony Knowles and members of House State Affairs Committee.

PASSED AND APPROVED THIS 18th DAY OF JUNE, 2001.

for *James C. Hayes* *Actual Mayor*
James C. Hayes, Mayor

AYES:
NAYS:
ABSTAIN:

Nancy L. DeLeon
Nancy L. DeLeon, City Clerk





Councilman Scott Kawasaki
Fairbanks City Council
2008 Carr Avenue
Fairbanks, Alaska 99709-4211

H: (907)479-0262
F: (907)459-6710
E-mail: scott_kawasaki@hotmail.com

February 21, 2001

The Honorable Lesil McGuire, Chairman
Special Committee on Economic Development, Trade and Tourism
State Capitol Room 418
Juneau, Alaska 99801

Dear Representative McGuire:

I would like to voice my support for House Bill 36 relating to Enterprise Communities and Empowerment Zones sponsored by Representative Joe Hayes.

As a Councilman from the City of Fairbanks and a 20-year resident of the area, I have seen boom and stagnation, development and depression. The city is currently in a state of slow growth and I would entertain any feasible legislative support to allow us to encourage growth at the community and municipal level. I believe HB 36 can do this for us.

The principles of HB 36 are simple: give cities and municipalities more local control to govern their own tax structure and offer the incentives for growth and business development.

For instance, there are specific areas in the South Fairbanks business district that are impoverished, but have a great potential for future growth and industrial development. The area in South Fairbanks has all of the necessary utilities, large tracts of land with good soils and police and fire coverage, yet remains undeveloped. The ability to offer tax credits or exemptions from property taxes for this particular area could greatly promote growth.

I would encourage the passage of House Bill 36 from this committee.

Respectfully,

Councilman Scott J Kawasaki
City of Fairbanks

Proudly serving the citizens of the Golden Heart City

This stationery is paid for with personal funds. No tax dollars or government funds were used in the production of this letterhead.

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ascciuno@ptialaska.net



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asccanch@ptialaska.net

ALASKA
★ STATE ★
CHAMBER
OF COMMERCE

February 4, 2002

Representative Joe Hayes
State Capitol, Room 422
Juneau, Alaska 99801

Dear Representative Hayes:

We have reviewed CSHB 36 (CRA), your proposed legislation relating to the creation of enterprise zones, and we wish to convey our support for the legislation. It appears that the legislation could enhance the economic development opportunities in many Alaska communities.

Enterprise zones provide incentives for business development in impoverished areas. A statewide program could expand the authority for local communities to govern their own tax structure and to provide economic development incentives tailored to best suit the individual needs of their communities. A statewide program could facilitate access to federal economic development funds for communities through the Community Development Block Grant program. Enterprise zone designation could also allow communities to fulfill requirements needed for participation in the Empowerment Zones/Enterprise Communities federal program.

We appreciate your efforts in developing HB 36 as a means for fostering further economic development in Alaska.

Sincerely,

Pamela La Bolle
President

GREATER * FAIRBANKS CHAMBER OF COMMERCE

250 Cushman St., Suite 2D, Fairbanks, AK 99701-4665
phone: (907) 452-1105, fax: (907) 456-6968

e-mail: staff@fairbankschamber.org
website: www.fairbankschamber.org

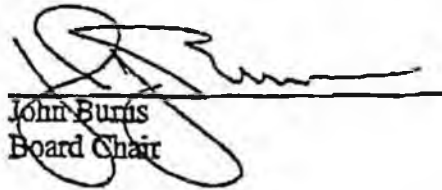
NOW THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce supports the creation of a Statewide Enterprise Zone program.

BE IT FURTHER RESOLVED that the Greater Fairbanks Chamber of Commerce supports the passage of legislation that would provide such a program.

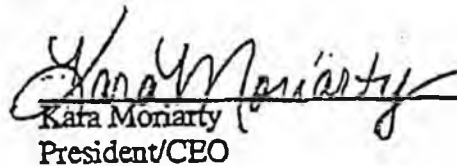
BE IT FURTHER RESOLVED that this resolution be distributed to:

- Governor Tony Knowles
- Interior Delegation
- Mayor Rhonda Boyles, Fairbanks North Star Borough
- Mayor Steve Thompson, City of Fairbanks
- Commissioner Deborah Sedwick, Department of Community and Economic Development
- Senator Ted Stevens
- Senator Frank Murkowski
- Congressman Don Young

PASSED in Fairbanks, Alaska this 5th day of November, 2001 by the Greater Fairbanks Chamber of Commerce Board of Directors.



John Burns
Board Chair



Kara Moriarty
President/CEO





217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)-463-5480

February 21, 2001

Representative Joe Hayes
Alaska State House
State Capitol
Juneau, AK 99811

Dear Representative Hayes:

We are writing in support of HB 36, relating to the creation of enterprise zones. We believe passage of this legislation expands the list of tools available to the state and municipalities that could be used to facilitate urban renewal and encourage economic development in depressed areas of the state. As long as the formation of the enterprise zones remains a local option to be determined by the local community, we would encourage its passage.

We appreciate your taking a proactive role in offering an option to help communities find solutions to improve economic development. It is one of the top concerns of our membership.

If we can assist you further with this or any other municipal issue, please call on me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Kevin Ritchie', with a long horizontal line extending to the right.

Kevin Ritchie
Executive Director

Cc: Land Use, Resources & Economic Development Committee

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB312
 () Publish Date: _____

Revision Date/Time (Note if corrected): _____ Dept. Affected: Revenue
 Title Enterprise Zones BRU Revenue Operations
 Component Tax Division
 Sponsor Senate State Affairs
 Requester Community and Regional Affairs Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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						
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CHANGE IN REVENUES ()	***	***	***	***	***	***
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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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation, which is meant to promote economic development through the use of so-called "enterprise zones," would grant income tax credits to businesses that construct/operate new business facilities in an enterprise zone. The Department cannot estimate the cost to the state of the tax credits because it has no way of estimating how many businesses might participate in the program. The program would grant taxpayers a credit of 15% of the qualifying investment and a \$500 credit for each new employee at the facility. Under that formula, for example, a \$2 million investment employing 25 workers would be eligible for up to a \$312,500 tax credit its first full year.

It should be noted that taxpayers, under this legislation, would not be allowed to carry over any unused tax credits for subsequent years, and therefore might not be able to fully use the credits granted by this bill. Also, only C Corporations pay corporate income tax in Alaska, and any S Corporations, partnerships, limited liability companies or sole proprietorships would be excluded from the tax credit provisions of this legislation.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
 Division Department of Revenue Date/Time 4/29/02 7:14 PM
 Approved by: Larry Persily, Deputy Commissioner Date 4/29/2002
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. SB312

ANALYSIS CONTINUATION

Section 1 amends AS 44.33 to add new sections pertaining to enterprise zones. The governor may designate up to four zones each year from a list provided by the Department of Community and Economic Development. A designation is effective for 20 years. A borough, unified municipality or city if the city is not within a borough may apply to have a qualifying geographical area designated as an enterprise zone, and a municipality may not have more than three zones at the same time. The municipality may offer certain incentives within the zones.

Section 2 amends AS 44.33 to add new sections that provide that the Department of Community and Economic Development will prioritize the list of applications submitted to the governor according to the degree of economic distress, potential for economic development and neighborhood stabilization, and feasibility of local incentives. The Department of Community and Economic Development may also recommend incentives within the enterprise zones including reductions in state permit or user fees, credits on or exemptions from state income taxes, and sales or leases of state realty to private persons.

Section 3 amends AS 29.45.050 to provide that a municipality may exempt property from the local property tax, or provide a credit against the property tax, for property located within an enterprise zone.

Section 4 amends AS 43.20.021(d) to provide that enterprise zone tax credits are not reduced by that section.

Section 5 amends AS 43.20 to add new sections providing for an enterprise zone investment tax credit against the corporation net income tax. The credit amount is 15% of the investment, which is the purchase price or the net rental rate paid, in such items as land, factories, mills, warehouses, other buildings, machinery, equipment, and other tangible personal property, all of which are used exclusively within an enterprise zone. The credit is reduced by 1/12th for each month in the tax year in which the taxpayer did not operate the facility for that entire month. The part of the credit disallowed is not available as a credit in any subsequent tax year. If the investment replaces another facility of the taxpayer or a related person, the credit is reduced by the average annual investment in the former facility for the three preceding tax years.

A \$500 credit is provided for each new employee who works in the enterprise zone. This credit is only available in the first full income tax year (generally the tax year succeeding the tax year in which the investment was made) after the establishment of a new business facility.

Based upon our interpretation of the bill, it is further assumed that:

1. The total credits available in the tax year are limited to the amount of the Alaska income tax liability; the credit not being in the nature of a refundable credit;
2. Any unused credit is lost if not used within the tax year in which it is generated; there is no carryforward;
3. Self-constructed property by a taxpayer in an enterprise zone, since such property is neither purchased nor rented, does not qualify as an investment for which the credit would apply;
4. Property purchased in the tax year and first used outside the enterprise zone before being brought into and used exclusively in the enterprise zone, or property first used in the enterprise zone and subsequently removed, would qualify for the credit but the credit would be reduced by 1/12 for each month the property was not used exclusively within the enterprise zone;
5. The taxpayer makes the determination whether an investment "replaces" existing property (in which the credit is reduced) or is in addition to or otherwise does not replace existing property (in which the credit is not reduced);
6. With respect to transactions between related persons, the amount of the investment from which the credit will be computed is the stated sale price or the rental paid without regard to fair market value (the related party provision in the bill applies only to the situation where an investment replaces existing property and then it only calls for a reduction based upon the average annual investment for the 3 years prior to the related party transaction); and,
7. An individual is not controlled by a wholly owned corporation taxpayer and therefore the related person rules will not apply to the individual and the wholly owned corporate taxpayer.

Section 7 amends the uncodified law by adding a new section to provide that the corporation income tax provisions become effective for tax years beginning on or after January 1, 2003.