

OVERVIEWS

2005

House Community & Regional Affairs
Committee
Division Overview



Division of Investments

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Duties & Responsibilities

Administration of Loan Programs

The Alaska Division of Investments (ADI) administers and services 14 loan programs under the Department of Commerce, Community, & Economic Development (DCCED). These programs were primarily designed to promote economic development through direct state lending in industries and areas of the state that are not adequately serviced by the private sector. Private sector financing for these programs is generally not feasible due to constraints on the types of collateral available or because of the high-risk nature of these loans.

Active lending is available in four loan programs: Commercial Fishing Revolving Loan Fund (CFRLF), Fisheries Enhancement (FERLF), Small Business Economic Development (SBEDRLF) and the Rural Development Initiative Fund (RDIF). These programs accomplish important policy goals. They create jobs for Alaskans, generate significant economic activity and provide a revenue stream back to the state in the form of earnings. These programs are completely self-sufficient and receive no support from the General Fund.

Servicing Other State Agencies' Loan Portfolios

ADI provides loan servicing in seven portfolios for four other state agencies: the Alaska Industrial Development and Export Authority, the Department of Military and Veterans Affairs, the Department of Health and Social Services, and the Department of Environmental Conservation.

The combined functions (approval, servicing, collections, and data processing) can be performed more efficiently when they are consolidated into one agency. The complexities involved in some of these functions (e.g., bankruptcies, foreclosures, hazardous waste investigations, and repossessed properties) require a level of expertise that is easier to support when consolidated. These agencies find it more efficient and expedient to have ADI perform these functions.

Statistics as of June 30, 2004

	<i>Number of Loans</i>	<i>Principal Balance Outstanding</i>
DCED Loans	2,021	140,987.4
Other Accounts*	1,044	60,515.2
Other Agencies' Loans	146	8,279.4
Other Accounts*	52	423.7
TOTAL	3,263	210,205.7

*Other accounts include judgments, deferred interest, accounts receivable, and repossessed property.

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Director's Office

- Program Administration
- Establish Policies & Procedures
- Budget Planning & Control
- Facilities Management
- Personnel Management

Lending Branch

- New Applications
- Loan Documentation & Closing
- Refinances
- Assumptions
- Payment Extensions
- Fisheries Enhancement Tax
Receipt Administration
- Collateral Insurance
- Delinquent Loan Collection
- Foreclosure & Bankruptcy
Management
- Repossessed Property Management
& Resale

Systems Branch

- Customer Service
- Payment Receipt
- Credit Reporting
- Commercial & Mortgage Loan
Accounting
- Litigation Accounting
- Computer Systems Maintenance &
Operations including Internet Website
- Cash Availability Analysis
- Cash Flow Projections
- Loan Files Management &
Maintenance
- Reception

Significant Issues for FY06

Rural Economic Development

ADI will play an important role in DCCED's efforts to promote economic development in rural Alaska by providing access to capital. These efforts will utilize several programs administered by ADI including: the RDIF, the SBEDRLF, the CFRLF, the Volunteer Tax and Loan Program (VTLP), and the Community Quota Entity Program (CQE). ADI will increase the financial services it provides through outreach efforts, and will spend additional time marketing these programs. The goal is to increase economic activity and employment opportunities in rural areas of the state.

Salmon Industry

The commercial fishing industry continues to experience difficulties as world markets adapt to the changing supply of fish from fish farms. The salmon markets have been significantly affected, and as a result they have been extremely volatile for the past several years. It is vitally important that Alaska maintains its place in the worldwide salmon market during these challenging times. Both the CFRLF and the FERLF play an extremely important role in the fishing industry. Reduced prices and lack of fish returns in some fisheries has resulted in significant difficulties for many of our borrowers. Fortunately, the statutes provide the flexibility needed to craft solutions to payment problems and ADI has dedicated significant resources in the past few years to these efforts. It is anticipated that similar efforts will continue in FY06.

Loan Servicing Software Replacement

The software package currently being used by ADI was purchased in the early 1980's and is out of date. ADI purchased a replacement system that will be delivered in FY05. The new system will provide loan origination functions such as application tracking, document creation and management. It will also provide accurate and timely information to management, the legislature and the public. Installation, customization and implementation of the new system is expected to be completed in FY06.

Community Quota Entity Loans

This new program within the CFRLF was created to provide Gulf of Alaska communities with a tool they can utilize to help generate economic activity. Under new rules established by the National Marine Fisheries Service, (NMFS) 42 Gulf of Alaska communities are eligible to form nonprofit corporations, purchase quota shares on the open market and then lease the Individual Fishing Quota (IFQ) back to residents of their communities. Legislation that passed last session provides a financing mechanism for these purchases. ADI is conducting outreach efforts to help these communities participate in the program and expects significant loan activity in FY06.

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Accomplishments in FY04

Commercial Fishing Revolving Loan Fund Program

This program promotes the development of a predominantly resident fishery by providing loans to Alaskan commercial fishing harvesters. Market conditions in the commercial fishing industry have dramatically changed in recent years creating tremendous challenges for commercial fishing harvesters that utilize the CFRLF. ADI has worked extensively with harvesters to ensure that the CFRLF continues to fulfill its mission. In FY04, ADI approved 114 new loans totaling over \$6.5 million, and processed 171 loan extension requests.

AS 16.10.310(a)(10) allows commercial fishing borrowers to refinance existing CFRLF loans to take advantage of reduced interest rates when they occur. ADI has developed a streamlined application process to assist borrowers in their refinancing efforts. During FY04, interest rates continued to decline, and as a result ADI processed over 900 refinancing applications.

Fisheries Enhancement Revolving Loan Fund Program

This program promotes the enhancement of the state's fisheries by making loans to qualified nonprofit corporations to build and operate salmon hatcheries and to engage in other fisheries related enhancement activities. During FY04, ADI made ten loans totaling \$7.7 million.

AS 16.10.510(10) allows fisheries enhancement borrowers to refinance existing FERLF loans to take advantage of reduced interest rates when they occur. ADI has developed a streamlined application process to assist borrowers in their refinancing efforts. During FY04, ADI processed 210 refinancing applications.

Legislation

ADI spearheaded legislation sponsored by Governor Murkowski to allow Gulf of Alaska Communities to utilize the CFRLF to foster economic development through local ownership of fishing privileges. SB 387, which created the CQE program, passed the legislature and was signed into law on June 3, 2004.

Rural Development Initiative Fund

This program provides loans to businesses located in communities of 5,000 or less. During FY04, ADI approved eight loans totaling \$785,917. These loans have resulted in the creation/retention of 29 jobs.

Volunteer Tax and Loan Program

ADI supported the VTLP through a fisheries business assistance contract with the Alaska Business Development Center, Inc. (ABDC). This program has been operating successfully since 1996. The focus has been, and continues to be, assisting rural harvesting communities targeted by the IRS as having tax compliance issues. The VTLP is a cooperative effort between ABDC, ADI, the Internal Revenue Service, the University of Alaska and the private sector. Teams comprised of advanced accounting students and tax supervisors, as well as an ABDC consultant, travel to rural communities to provide tax preparation, loan assistance and financial counseling.

During the 2004 tax season a total of 75 villages were visited by VTLP teams while another 16 villages were assisted via mailed returns for a total of 91 communities being serviced by ABDC's VTLP. Areas around the state that were assisted included Western, Yukon Delta, Kodiak, Bristol Bay, Southeast, Interior, Pribilofs, Aleutian Islands and new this year was the Northwest Arctic Borough. A total of 5,876 people were assisted and 3,091 returns were prepared. A total of \$3.2 million was brought back into those communities in the form of tax refunds.

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Accomplishments in FY04 (continued)

Volunteer Tax and Loan Program (continued)

The VTLP has received national recognition on three occasions. The International Economic Development Council selected this program in 2004 for an Honorable Mention in the Economic Development Partnership Category for a project located in an area with a population of more than 200,000. In August of 2001, the program was selected by the National Association of Development Organizations (NADO) to receive a 2001 Innovation Award. In 1999, the program received an award for Innovative Approach to Non-Profit Management from the Peter F. Drucker Foundation located in New York.

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Commercial Fishing Revolving Loan Fund
Historical Summary
(Dollars in Thousands)

AS 16.10.300 -.370, enacted in 1972

3 AAC 80.010 -.900

<i>Purpose</i>	<i>Eligibility</i>
SECTION A: \$300,000 Maximum	
Purchase limited entry permits; upgrade existing vessels and gear to improve the quality of Alaska seafood.	All Sections: Must be an Alaska resident for a continuous period of the past 2 years immediately preceding the date of application, and; Possesses a crewmember or commercial fishing license or a permit for the year immediately preceding date of application, and any other two of the past five years, and, has been actively participating in the fishery during those periods.
SECTION B: \$100,000 Maximum	
Purchase limited entry permits, vessels or gear; repair, restore or upgrade existing vessels or gear; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
SECTION C: \$300,000 Maximum	
Purchase quota shares for the halibut or sablefish fisheries.	For any two of the past five years, possessed a crewmember or commercial fishing license or a permit and actively participated in a fishery for which the license or permit was issued; Qualifies as a transferee for quota shares, and; Is not eligible for financing from other commercial lenders.
SECTION D: \$30,000 Maximum	
Provide loans to satisfy past due federal tax obligations.	Has had a crewmember or commercial fishing license or a permit for the year immediately preceding the date of application and any other two of the past five years, and has actively participated in the fishery during those periods; Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
SECTION E: \$2,000,000 Maximum	
Provide loans to qualified Community Quota Entity (CQE) communities for the purchase of Quota Shares.	CQE is certified by NMFS and is eligible to hold Quota shares. CQE is in good standing with the state and federal government. CQE is not eligible for financing from other recognized commercial lending institutions.
SECTION II: \$300,000 Maximum	
Refinance debts incurred by a borrower to purchase a commercial fishing vessel or gear.	Qualifies for a loan under section A, B, or C.

Terms: Interest rate: Fixed rate at Prime plus 2%, not to exceed 10.5%. (Product quality improvement is Prime rate minus 2%.)
Maximum loan term: 15 years

Statistics as of June 30, 2004

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	<u>(84,298.5)</u>		
Net of appropriations:	<u>(24,097.5)</u>		
Total number of loans committed:	6,019	Number of accounts outstanding:	2,712
Total dollars committed:	373,306.3	Principal amount outstanding:	90,020.8

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Fisheries Enhancement Revolving Loan Fund
Historical Summary
(Dollars in Thousands)

AS 16.10.500-.560; enacted in 1976

3 AAC 81.010 - .900

Purpose: Loans are available for planning, construction, and operation of fish hatchery facilities, including preconstruction activities necessary to obtain a permit, construction activities to build the hatchery facility, and the costs to operate the facility.

Eligibility: Loans may be made to qualified regional associations or private, nonprofit corporations who have obtained a private, nonprofit hatchery permit from the Alaska Department of Fish and Game (ADF&G). Loans may also be made for planning and preconstruction purposes prior to receipt of a hatchery permit from ADF&G.

Terms: Maximum loan amount: \$10 Million

Maximum loan term: 30 Years

Interest rate: Fixed rate at Prime plus 1%, not to exceed 9.5%.

No repayment of the principal is required for an initial period of six to ten years; no interest on the principal accrues during that period.

Statistics as of June 30, 2004

Total appropriations to RLF:	84,660.3	Last appropriation from the General	
Total appropriations from RLF:	<u>(6,636.7)</u>	Fund: FY94	2,068.2
Net of appropriations:	<u><u>78,023.6</u></u>	Last transfer from the Commercial	
		Fishing RLF: FY95	9,934.9
		Amount of payments received on all	
		loans for life of program:	59,325.7
Total number of loans made:	289	Number of accounts outstanding:	312
Total dollars committed:	126,054.8	Principle amount outstanding:	110,658.4

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Rural Development Initiative Fund
Historical Summary
(Dollars in Thousands)

AS 44.88.600 - .620; enacted in 2000

3 AAC 99.825 - .899

Background: The Rural Development Initiative Fund was created in 2000 to provide financing to small businesses creating jobs in rural communities. The program was developed to replace a similar program administered for many years by the former Department of Community and Regional Affairs. The fund is owned by the Alaska Industrial Development and Export Authority (AIDEA); however, the program is administered by ADI through a servicing contract. The fund is revolving and requires no general fund appropriations. A total of 110.5 jobs have been created or saved as a result of these loans.

Purpose: Financing is available for working capital, equipment, construction, or other commercial purposes.

- Eligibility:**
- Loans may only be made to businesses located in a community with a population of 5,000 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 2,000 or less that is connected by road or rail to Anchorage or Fairbanks.
 - Loans must result in the creation of new jobs, or the retention of existing jobs in the eligible community.
 - A reasonable amount of nonstate funding must be included as a part of the total project cost.

Terms: Maximum loan amount: One person: \$100,000
Two or more persons: \$200,000
Maximum loan term: 25 Years
Interest rate: Prime rate minus 1%, not less than 6% per year.

Statistics as of June 30, 2004

Total appropriations to RLF:	2,250.5	Last Appropriation to RLF: FY03	109.7
Total appropriations from RLF:	<u>(111.0)</u>		
Net of appropriations to RLF:	<u>2,139.5</u>	Number of jobs created:	64
		Number of jobs saved:	<u>46.5</u>
		Total jobs created and saved	<u>110.5</u>
Total number of loans committed:	24	Number of accounts outstanding:	24
Total dollars committed:	2,588.8	Principal amount outstanding:	2,188.1

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Small Business Economic Development Revolving Loan Fund

Historical Summary

(Dollars in Thousands)

AS 44.88.400 - .430; enacted in 1987

3 AAC 99.800 - .820

Background: The Small Business Economic Development Revolving Loan Fund was created in 1987 to finance the start up and expansion of small businesses that create significant long-term employment in areas of the state that were experiencing economic difficulties. The fund was initially capitalized through a federal grant from the Economic Development Administration (EDA) as well as matching funds from the state. The fund is owned by AIDEA; however, the program is administered by ADI through a servicing contract. The fund is revolving and requires no general fund appropriations. A total of 664 jobs have been created or saved as a result of these loans.

Purpose: To provide private sector employment, and financial assistance towards the start up and expansion of businesses.

- Eligibility:**
- The applicant must meet the definition of "small business" according to the Small Business Administration.
 - The applicant must be unable to obtain private financing for the entire project; however, at least half of the project costs must be privately funded.
 - Loan funds may not be used to reimburse costs incurred prior to submitting an application.

Terms: Maximum loan amount: \$300,000
 Maximum loan term: 20 Years
 Interest rate: Prime rate minus 4%, not less than 4%.

Statistics as of June 30, 2004

Total Federal grants to RLF:	4,681.4	Last Appropriation RLF: FY02	2,314.4
Total State match to RLF:	<u>1,736.7</u>		
Total appropriations to RLF:	6,418.1	Number of jobs created:	456
Total appropriations from RLF	<u>(83.8)</u>	Number of jobs saved:	<u>208</u>
Net of appropriations to RLF:	<u><u>6,334.3</u></u>	Total jobs created and saved:	<u><u>664</u></u>
Total number of loans committed:	68	Number of accounts outstanding:	45
Total dollars committed:	7,401.5	Principal amount outstanding:	4,368.4

ALASKA DIVISION OF INVESTMENTS

Department of Commerce, Community, & Economic Development

Inactive Loan Programs

<i>Loan Fund:</i>	<i>Purpose:</i>	<i>Maximum Loan:</i>
Alternative Technology & Energy Revolving Loan Fund (RLF) AS 45.88.010 -.050 3 AAC 78.010 -.900 Enacted in 1978 Inactive since 1986	Purchase, construct and install alternative energy systems; develop and implement less costly, less energy intensive technology.	5% interest on loans under \$15,000 15% interest on loans \$15,000 to \$30,000 20 year maximum term
Child Care Facilities RLF AS 44.32.240 -.275 3 AAC 82.010 -.900 Enacted in 1976 Inactive since 1986		Construct or renovate a child care facility or purchase equipment for a child care facility. 7% interest rate
Historical District RLF AS 45.98.010 -.070 3 AAC 83.010 -.900 Enacted in 1980 Inactive since 1986	Restore, improve, rehabilitate, and maintain historical buildings.	\$250,000 maximum loan 30 year maximum term 7.5% interest rate
Mining RLF AS 27.09.010 -.060 3 AAC 87.010 -.900 Enacted in 1980 Inactive since 1986		Advance mineral exploration and mining development.
Residential Energy Conservation RLF AS 45.89.010 -.070 3 AAC 79.010 -.900 Enacted in 1980 Inactive since 1986	Energy conservation improvements to existing buildings.	\$5,000 maximum loan 10 year maximum term interest rate tied to the market rate.
Small Business RLF AS 45.95.010 -.080 3 AAC 86.010 -.900 Enacted in 1971 Repealed in 1981		Acquire, finance, refinance, or equip businesses.
WWII Veterans RLF AS 26.14.010 -.160 3 AAC 41.010 -.900 Enacted in 1946 Repealed in 1980	Personal loans up to \$10,000; multi-family loans up to \$110,000; business loans up to \$125,000.	30 year maximum term 9.5% interest rate

ALASKA DIVISION OF INVESTMENTS
Department of Commerce, Community, & Economic Development

Program Contact Information

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Alaska Division of Investments Web site:

Alaska Division of Investments email address:

www.commerce.state.ak.us/investments
investments@commerce.state.ak.us

Alaska Division of Investments Toll Free Number:

1 800 478-LOAN (5626)

Alaska Business Development Center, Inc.

Mailing/Physical Address:

3335 Arctic Boulevard, Suite 203
Anchorage, Alaska 99503

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Alaska Division of Investments



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ALASKA

Department of Commerce,
Community & Economic Development

OVERVIEW



to the House Committee on Community and
Regional Affairs



January 27, 2005

Edgar Blatchford, Commissioner

DEPARTMENT OF COMMERCE, COMMUNITY; AND ECONOMIC DEVELOPMENT

MISSION

To promote a healthy economy and strong communities in Alaska

- ▶ Commerce Regulate existing industry to protect consumers and help create a stable business climate
- ▶ Community Assist local communities with self-governance and sustainability
- ▶ Economic Development Coordinate, promote and develop economic growth by new or expanding businesses

6 Divisions/1 Office

- ▶ Commissioner's Office that includes the Office of Economic Development (Tourism, Mining, Fisheries, Film, Small Business)
- ▶ Administrative Services
- ▶ Banking and Securities
- ▶ Community Advocacy
- ▶ Insurance
- ▶ Investments
- ▶ Occupational Licensing

6 Agencies

- ▶ Alaska Seafood Marketing Institute (ASMI)
- ▶ Alaska Aerospace Development Corporation
- ▶ Alaska Industrial Development & Export Authority (AIDEA)
- ▶ Alaska Energy Authority (AEA)
- ▶ Alaska Railroad Corporation
- ▶ Regulatory Commission of Alaska

Number of Employees: 493

Located in

- ▶ Anchorage
- ▶ Bethel
- ▶ Dillingham
- ▶ Fairbanks
- ▶ Juneau
- ▶ Kotzebue
- ▶ Nome
- ▶ Seattle Office, maintained by ASMI
- ▶ Tok

FY05 Total Budget \$125,450.8

FY05 GF Budget \$7,867.9

Statewide General Funds 0.3%

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Community Advocacy

The Division of Community Advocacy promotes strong communities and healthy economies by providing technical and financial assistance, training, and other capacity building resources. Recent examples include:

- ▶ Assisted 22 communities dealing with bulk fuel shortage issues.
- ▶ Provided on-site utility management assistance to 102 communities and presented nine regional Utility Management Classes under the very successful Rural Utility Business Advisory (RUBA) Program.
- ▶ Partnered with staff from the National Marine Fisheries Service to provide face-to-face technical assistance and informational workshops to 29 of the 42 communities eligible to participate in the new Community Quota Entities (CQE) Program.
- ▶ Conducted full value property tax assessments for 44 municipalities for property tax and state education funding purposes.
- ▶ Administered over \$65.8 million in federal funds to rural communities or non-profits for community development projects and services.
- ▶ Implemented the Local Government On-line (LOGON) web-based information system to provide local governments technical assistance via the internet.
- ▶ Updated and expanded the popular web-based "Community Database" providing detailed information on 372 Alaskan communities; the "Rural Alaska Project Identification and Delivery System" (RAPIDS) database which provides consolidated information on capital projects administered by over 20 state and federal agencies; and the "Economic Development Resource Guide" which includes over 120 financial and technical resources targeted at economic development.
- ▶ Continued to provide extensive support to the Local Boundary Commission concerning proceedings involving city and borough incorporations, annexations, reclassifications, consolidations, dissolutions, and special projects.
- ▶ Provided financial and technical assistance to the City of Delta Junction and the Delta Junction Economic Development Council to mitigate the impacts of the deployment of the missile defense system at Fort Greely. Additionally, provided assistance in the development of a borough incorporation petition for the region.

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Denali Commission

- ▶ The Department plays a major role in supporting the mission of the Denali Commission. Statute describes the Commission purposes as:
 - To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.
 - To provide job training and other economic development services in rural communities particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).
 - To promote rural development, provide power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs.

- ▶ Primary Denali Commission programs support the rural communities of Alaska in bulk fuel storage and energy system up-grades; the primary care clinic system; training; and a range of "earmark" annual programs including economic development, elder supportive housing, teacher housing, washeterias, and solid waste.

- ▶ Many staff in the Division of Community Advocacy are involved in administration of Denali Commission annual grant programs including:
 - Multi-Use Facilities
 - Mini-Grant Program
 - Community Mapping (Initiative for Accelerated Infrastructure Development)
 - Community Plan website maintenance
 - Community Plan Checklist
 - Bulk Fuel Bridge Loan Program

- ▶ DCA Staff has also partnered with the Commission to conduct Regional Funding Summits and to staff the recent Building Our Communities Conference.

The Department has executive staff permanently assigned to the Commission. This is the only departmental representative (in addition to the State Co-Chair staff person) coordinating state-federal issues in the organization. On-going programs and assignments of the department staff include management of the Washeteria Program and the Solid Waste Program; liaison regarding village relocation issues; staff to the Planning Work Group; and other duties as assigned.

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Investments

- ▶ The division promotes economic development through direct state lending within industries and areas not adequately served by the private sector. Last year the division approved 133 loans totaling \$ 15.2 million. Of these,
 - 114 (\$6.5 million) loans were to Alaska commercial fishing harvesters in keeping with the intent of the Commercial Fishing Revolving Loan fund to promote a predominately resident fishery.
 - Ten loans (\$7.7 million) went to qualified non-profit corporations to build and operate salmon hatcheries and for other fisheries enhancement activities.
 - Eight Rural Development Initiative loans (\$785,917) resulted in creation/retention of 29 jobs in communities of 5,000 or less.
 - One Small Business Economic Development loan created/retained two jobs.
- ▶ The Volunteer Tax and Loan Program (VTLP) assisted 5,824 individuals, prepared 3,091 tax returns, and resulted in \$3.2 million in refunds that went back into the communities.

Community Development Quotas (CDQs)

- ▶ Six CDQ nonprofits in Western Alaska use CDQ allocations to assist with the development of a sustainable fisheries economy.
- ▶ Rapid growth of the CDQ assets and revenues has provided over \$100 million in employment, education, and training benefits since the inception of the CDQ program in 1992.
- ▶ CDQs have made significant investments in Bering Sea pollock, Pacific cod, and crab vessels and quota in 2004.

Rural Bulk Fuel Assistance

- ▶ Twelve communities received \$743,194 in "bridge" loans to deliver bulk fuel for the preservation of infrastructure and life safety. These communities did not qualify for conventional financing. Of the twelve communities, eleven are current in loan repayments.

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Alaska Energy Authority (AEA)

- ▶ Bulk fuel facility upgrades initiated/completed in 11 communities.
- ▶ Rural power system upgrades initiated/completed in 14 communities.
- ▶ Emergency response provided in 8 communities.
- ▶ Circuit Rider services provided to 25 communities.
- ▶ Awarded \$1.8 million to 12 projects through the Energy Cost Reduction program. Life cycle savings, chiefly diesel fuel, are estimated at \$12.7 million.
- ▶ The wind energy program set up towers for wind assessment in over 30 communities.
- ▶ Power Cost Equalization Statistics (FY04):

Population served:	78,166
Communities served:	181
Participating utilities:	85
Total eligible customers: (residential and community facilities)	27,515

- ▶ PCE Endowment Fund
Market value as of December 31, 2004 = \$184,845,954

Economic Development - Fisheries Revitalization

- ▶ The Office of Economic Development, in cooperation with the Governor's Office, oversees the state's Fisheries Revitalization Strategy. This is a multi-tiered economic development program that used \$50 million of federal funding to spur innovation and increase productivity within the depressed Alaska salmon industry. Highlights include:
 - \$27.8 million for three competitive matching grant programs with communities and industry
 - \$7.0 million in aid to communities in FY2004
 - \$4.5 million to Alaska Seafood Marketing Board
 - \$750,000 to other marketing programs and the University of Alaska Marine Advisory program.

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Regulatory Commission of Alaska (RCA)

- ▶ Awarded \$4.0 million, and received \$7.5 million more (from USDA Rural Development by way of a federal grant) for rural Alaska Internet. These grant dollars are available to implement and provide internet access to areas of rural Alaska that do not currently have service. This connectivity will serve essential public needs to include community, education, health and general welfare, as well as be a major boost to local economic development.
- ▶ Pending dockets were reduced from 161 to 153.

Banking & Securities

- ▶ Last session SB272 authorized regulation of deferred deposit lending (aka Payday Lending) establishments. Effective January 1, 2005, the Division is undertaking the following efforts in the first two weeks of the program:
 - Processing 4 Cease and Desist notices for payday lenders that are in violation of the new act.
 - Processing 4 application for licenses.
 - Working with individuals for the receipt of 9 additional applications.
 - Discussing with one payday lender about becoming a small loan company.
- ▶ To improve customer service for Alaska businesses, Administrative Order 219 transferred the Corporations program to the Division of Occupational Licensing from the Division of Banking on September 19, 2004. This transfer will provide better service to the public by creating a single organization within state government for customers to form a new business entity, obtain a license, form a corporation, register a business name and register a trademark.

Alaska Industrial Development & Export Authority (AIDEA)

- ▶ Funded \$78.7 million in loans, an increase of 31% over FY2003.
- ▶ Sold its 49% interest in the Seward Coal Facility to the Alaska Railroad.
- ▶ Negotiated a long term operating agreement with Alaska Ship and Drydock for the Ketchikan shipyard.
- ▶ Accepted offers for the sale of Alaska Seafood International property and for the MarkAir facility in Fairbanks; sales will be concluded in 2005.
- ▶ Issued \$120 million in conduit revenue bonds for the Fairbanks Memorial Hospital.

HIGHLIGHTS OF 2004 ACCOMPLISHMENTS

Alaska Aerospace Development Corporation (AADC)

- ▶ Successfully launched the target missile for the Missile Defense Agency test.
- ▶ Spent \$11.6 million in Alaska in 2004.
- ▶ Provided the equivalent of 45 full time jobs in Kodiak and 16 jobs in Anchorage.

Alaska Seafood Marketing Institute (ASMI)

- ▶ Alaska Seafood is now the **SECOND** most popular food brand on menus of the top 500 U.S. restaurant chains. This is a result of the relationships and partnerships develop by ASMI with top corporations in the Export and Domestic market.

HIGHLIGHTS OF 2005-2006 INITIATIVES

Community Development Quotas (CDQs)

- ▶ The State will make initial allocation recommendations for the 2006-2008 Community Development Plan cycle to the CDQ groups in January 2005 and consult the North Pacific Fishery Management Council in April.
- ▶ The process for reauthorization of the Magnuson-Stevens Act begins March 2005. This has regional council implications for the CDQ program and Alaska fisheries.

Community Quota Entities (CQEs)

- ▶ This program allows community entities to buy IFQ shares and then lease to or allow community residents to fish the quota.
- ▶ The City of Craig was approved by National Marine Fisheries Service (NMFS) as the first CQE in November 2004.
- ▶ The City of King Cove and City of Sand Point have submitted a CQE application to NMFS, and the City of Yakutat and Kodiak Island communities have requested information regarding the CQE application process.
- ▶ The State is hopeful that more eligible communities will apply for CQE status and begin to purchase halibut and sablefish IFQ in 2005.
- ▶ This program is expected to have significant impact on forty-two Gulf of Alaska communities.

Fisheries Revitalization

- ▶ Commerce will work closely with the three departments constituting the "Fish Cabinet" to craft government responses to the many challenges facing the industry.
- ▶ This includes working with regional seafood development associations to create effective organizations for the purposes of fisheries economic development in Alaska.
- ▶ Commerce will continue to administer and report on about 150 existing grants totaling over \$30.0 million.

HIGHLIGHTS OF 2005-2006 INITIATIVES

Tourism Promotion

- ▶ Alaska anticipates well over one million visitors in the upcoming season, most of which will be during the summer months and will arrive by cruise ship.
- ▶ The Office of Economic Development will place an increased emphasis on promoting tourism that will include:
 - Updating the Alaska Visitors Statistics to obtain valuable information that can be used to drive future tourism decisions. This study is updated every four years and was last completed in 2001.
 - Working with the Alaska Travel Industry Association to augment the national television campaign to reach consumers with Alaska's message, increase online advertising on key trip-planning websites, and enhance the TravelAlaska.com web site.

Developing Alaska's Rural Tourism (DART)

- ▶ This initiative funded in part by a \$300,000 competitive grant received from the Economic Development Administration will create visitor industry jobs by assisting four to six economically distressed regions to develop and/or expand their visitor industry assets, attractions, infrastructure and services.
- ▶ It is an 18-month \$600,000 project that will provide regional clusters of communities with hands-on technical assistance in the form of tourism development workshops, regional marketing plans and/or funding strategy development.
- ▶ Currently, the Seward Peninsula and Copper Basin communities have been accepted for assistance in the program.
- ▶ Staff are working with the Southwest Alaska Municipal Conference, Central Southeast communities (Wrangell, Petersburg, Coffman Cove) and Yukon-Kuskokwim Delta communities to refine their applications for services.

HIGHLIGHTS OF 2005-2006 INITIATIVES

Manufacturer's Extension Program (MEP)

- ▶ This initiative will develop Alaska's rural native arts industry to the scale of the Southwest Native arts industry.
- ▶ Through participation in the national MEP program, Alaska manufacturers and communities will receive the help they need to succeed.
- ▶ Even the smallest firms in Alaska's most rural communities will have access to the expertise of manufacturing and business specialists all over the United States.
- ▶ Alaska, with its many small manufacturers, fits the profile of firms that can show dramatic improvements by partnering with the MEP program.
- ▶ Alaska's partnership with the MEP will contribute to an improved economy with increased jobs, sales, and training and equipment investments for Alaska.

Reauthorize Alaska Regional Development Organizations (ARDORS)

- ▶ 11 ARDORS create a network of organizations to plan and support economic development at the regional level.
- ▶ In 1988, the Legislature recognized that a locally driven initiative, in partnership with the State, is the most effective approach to creating and sustaining a strong healthy economy.
- ▶ In FY04, the ARDOR's used \$620,000 in state funds to leverage \$2.7 million in other types of funds.
- ▶ To continue the ARDOR's successful efforts, this program needs reauthorization and funding for FY06.

Local Boundary Commission (LBC) and Community Self-Sufficiency

- ▶ Commerce supports and encourages the formation of regional governments as a way to achieve efficiencies in providing services.
- ▶ The department also facilitates cooperation between tribal governments and municipal governments to maximize use of dwindling resources.
- ▶ Efforts towards these ends will continue along with the existing LBC proceedings for the five borough proposals, two city annexations and one proposed consolidation.

HIGHLIGHTS OF 2005-2006 INITIATIVES

Mining Development

Administration policies in regulatory reform and land use have done much to encourage mineral exploration and development. This, in combination with improving worldwide metal prices, positions Alaska mining to grow. Promotional efforts by the Department are getting the Alaska message out to the worldwide mining industry and will lead directly to increased mineral investment and jobs in the state, especially rural areas of the state.

Alaska Industrial Development & Export Authority (AIDEA)

- ▶ Continue to work with developers of Donlin Creek, Kensington and Pebble Copper mines.

Alaska Aerospace Development Corporation (AADC)

- ▶ AADC will continue to support missile defense agency testing with 2-3 launches scheduled.
- ▶ Efforts will also continue towards bringing fiber optic cable to Kodiak and the launch facility, and AADC will work with DOT to finish the paving project.
- ▶ The Maintenance and Storage facility is scheduled for completion.

Alaska Seafood Marketing Institute (ASMI)

- ▶ ASMI is starting a national media campaign, using Tom Skerritt, for radio and print advertising in selected markets. The primary emphasis is on salmon. The campaign will begin in the spring and extend through December 2005.

Regulatory Commission of Alaska (RCA)

- ▶ RCA will improve its overall regulatory framework during 2005 by implementing an improvement initiative designed to work closely with regulated utilities to improve the business of regulation, and to increase the agency's accountability and timeliness issues.

Municipal Entitlements
Presentation to Alaska Legislature
Community and Regional Affairs
Committee
February 7, 2005

Department of Natural Resources
Division of Mining, Land and Water

Overview of the state's municipal entitlement program

1. Legal Framework
2. Status of Municipal Grants
 - History of the Program
 - Current Status of Grants
 - The Future
3. Issues facing the program

Legal Framework

Current Program Began: 1978 – AS 29.65

- Sets acreage figures for eleven existing boroughs
- Establishes formula for existing cities and new municipalities.
- Creates concept of Vacant, Unappropriated and Unreserved (VUU) lands - tied to land classifications
- Poison pill provision – surrender lawsuits or lose AS 29.65.010 entitlement
- At the same time, the Legislature dissolved Mental Health and University land trusts so this land could be transferred to municipalities and sold by DNR

Legal Framework: AS 29.65

- AS 29.65.010 - acreages for eleven boroughs that existed in 1978 (approximately 10% of state land). Range from Haines (2,800 acres) to Mat-Su Borough (355,210 acres). Amended to add Lake and Peninsula Borough and City and Borough of Yakutat.
- AS 29.65.020 – Existing cities (1978) receive 10% of Vacant, Unappropriated, and Unreserved (VUU) state land, recalculated in 1988
- AS 29.65.030 - new municipalities get 10% of VUU land within their boundaries – used for Northwest Arctic, Aleutians East, Denali boroughs.

Legal Framework: AS 29.65 (cont'd)

- AS 29.65.050 – guides DNR processing, including standard for rejection: “The director may disapprove a selection only upon a finding that the public interest in retaining state ownership of the land outweighs the municipality's interest in obtaining the land.”
- AS 29.65.060 – School and Mental Health Trust land – not available due to litigation
- AS 29.65.070 – municipalities pay for survey if necessary (major cost for municipalities) and requires selections to be compact (4 to 1 rule)

Legal Framework: AS 29.65 (cont'd)

AS 29.65.130 – Definitions:

Only certain state land figures into entitlement calculations and can be transferred to municipalities:

(3) Land acquired under Sec. 6(a) or (b) of the Alaska Statehood Act;

(10) "vacant, unappropriated, unreserved land (VUU)"

- general grant land as defined in (3) of this section
- excluding minerals as required by Sec. 6(i) of the Statehood Act
- land not set aside by the legislature (Parks, etc.);
- land that is unclassified or, if classified under AS 38.05.300, is classified for agricultural, grazing, material, public recreation, or settlement purposes; or
- was classified no earlier than September 1, 1983, as resource management and is still classified as resource management under AS 38.05.300.

Legal Framework: *Alaska Constitution*

Article VIII – Natural Resources:

- Section 1 and 2 – Requires state land be managed consistent with the public interest and for maximum public benefit (done through Best Interest Finding)
- Section 9 – Requires DNR to reserve access
- Section 10 – Requires public notice in any disposal
- Section 11 – Requires state to reserve minerals
- Section 14 – Requires DNR to reserve access to navigable waters

Legal Framework: *Other State Laws*

- AS 29.65 – Municipal Entitlements – acres, available lands, process
- AS 38.04.065 – Planning and Classifications
- AS 38.05.035 (e) – State Best Interest Finding
- AS 38.05.125 – Mineral reservations
- AS 38.05.127 – Navigable Waters Access
- AS 38.05.810 – Public and Charitable Use
- AS 38.05.825 – Conveyance of tide and submerged lands
- AS 38.05.945 – Public Notice
- AS 29.65.070 and 38.04.045 – Survey Requirements

Legal Framework: *Work Required*

- Title Work: Ensuring that state has clear title from BLM (inholdings; federal reservations; native allotments, federal mining claims, etc.)
- Reserving Easements: Navigable Waters, RS2477s, trails, etc.
- Often Reclassification to VUU category as municipalities frequently need non-VUU lands
- Best Interest Finding
 - Public Notice
 - Community/Agency Concerns
 - Appeals (if necessary)
- Survey, when required

Status: *History of the Program*

1978 & 1980s: Initial Progress:

- 1978 – DNR started land use planning and major land disposal programs – planning is a systematic and public process to determine what land to dispose of or retain in state ownership
- 1980s - DNR transferred large acreage to municipalities and the public and completed plans that classified 70% of state land

1990s: Budget Cuts and Doldrums:

- 1990s - budget cuts, DNR suspended Municipal Entitlement program for several years, resurrected in mid 90s

2001: The Program Accelerates

- 2001 – legislature increased funding for planning program specifically to address backlogged municipal entitlements
 - program funded from Land Disposal Income Account

Status: *Current Status of Grants*

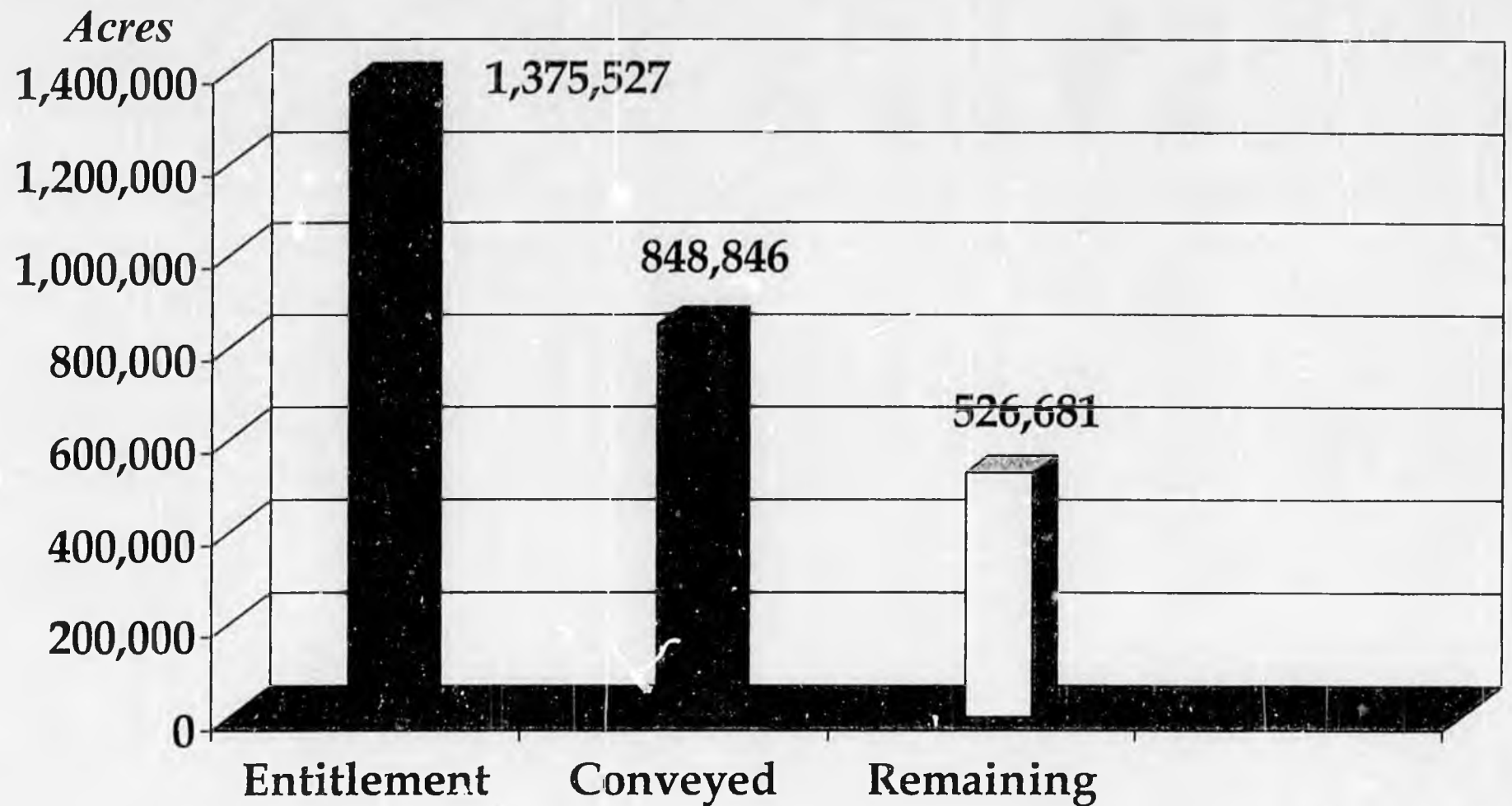
Overall Status:

- Municipalities Owed: 1,375,527 million acres
- DNR has approved: 848,846 acres (patent approx 500,000 ac)
- Remaining entitlement: 526,681 acres

See Chart with Entitlement for Individual Municipalities:

- 44 municipalities have entitlements
- 26 have all their land approved (may not have patent)

Status of Conveyances



February 2005

MUNICIPAL LAND ENTITLEMENTS - AS 29.65

MUNICIPALITY	CERTIFIED ENTITLEMENT	APPROVED PATENTED ACREAGE	ESTIMATED REMAINING ENTITLEMENT
Aieutians East Borough	7,633	2,013	5,620
Municipality of Anchorage	44,893	44,893	0
City of Anderson	1,182	1,213	0
City of Bethel	40	87	0
Bristol Bay Borough	2,898	2,549	349
City of Coffman Cove	222	222	0
City of Cordova	235	188	47
City of Delta Junction	482	482	0
Denali Borough	49,789	20,490	29,299
City of Dillingham	1	1	0
City of Fairbanks	7	15	0
Fairbanks North Star Borough	112,000	113,023	0
Haines Borough	2,800	2,765	35
City of Homer	12	287	0
City of Hoonah	15	105	0
City of Houston	405	406	0
City and Borough of Juneau	19,584	19,584	100
City of Kenai	307	307	0
Kenai Peninsula Borough	155,780	136,280	19,500
City of Ketchikan	4	4	0
Ketchikan Gateway Borough	11,593	11,593	0
City of Kodiak	10	296	0
Kodiak Island Borough	56,500	56,500	0
City of Kupreanof	180	180	0
Lake and Peninsula Borough	125,000	31,626	93,374
Matanuska-Susitna Borough	355,210	352,210	3,000
City of North Pole	1	20	0
North Slope Borough	89,850	364	89,486
Northwest Arctic Borough	285,438	4	285,434
City of Pelican	9	9	0
City of Petersburg	461	461	0
City of Port Alexander	53	53	0
City of Seward	565	545	20
City of Skagway	7,977	7,977	55
City and Borough of Sitka	10,500	10,500	0
City of Soldotna	14	14	0
City of Tenakee Springs	2,958	2,958	0
City of Thome Bay	675	675	0
City of Valdez	7,593	7,206	387
City of Whittier	500	600	0
City of Wrangell	551	551	0
City and Borough of Yakutat	21,500	22,661	0

Prepared by DNR, DMLW, as of 02/05

The above figures do not include lands conveyed under AS 38.05.825 (tidelands) or former AS 38.05.320 (tidelands), and only includes land conveyed under AS 38.05.810 (public uses) if it was charged against AS 29.65 entitlement.

Status: *Current Status of Grants*

1995-2001 – Largely resolved Valdez, Sitka, Cordova, Juneau, Haines, Skagway, and Ketchikan and VUU land in Denali, Lake and Peninsula, Yakutat

2002 – Focus on where area plans were recently completed:

- Kenai Peninsula Borough
- City and Borough of Yakutat – Yakataga Area Plan

Status: *The Future*

Bristol Bay Area Plan revision – draft plan out for public review, completed early 2005, resolves entitlements for:

- o Lake and Peninsula Borough
- o Aleutians East Borough
- o Bristol Bay Borough

Northwest Arctic Borough – revision of plan estimated for completion in late 2005 or early 2006

Denali Borough – revision of Tanana Basin Area Plan recently started, completion in 2006

Issues Facing the Program

1. Large amount of land to transfer - everyone wants land and want all of their entitlement - large-scale land transfers are complex, can be controversial, and take time.
2. Competing Priorities for Title Work
 - Land Disposal
 - Leases/Permits, etc
 - University Land Conveyance
3. DNR can't transfer what state doesn't own, can't patent if it isn't surveyed:
 - State awaiting transfer of over 15 million acres
 - State awaiting over 65 million acres to be surveyed
4. Boro selection of non-VUU land (requires reclassification)

Issues Facing the Program: (Cont'd)

5. State land tied up by other agencies & concerns:
 - DOTPF controls land near airports, gravel pits
 - ADFG has significant access and habitat concerns
6. Opposition to borough ownership
 - Municipal land viewed as development land by nearby residents (NIMBY)
 - Resource Development interest often have opposite concern
 - Third party interests (esp. state leaseholders) concerned about muni management
 - Hunting, fishing, recreation interests concerned about use and access

Alaska Energy Authority (AEA)



**Presentation before the
24th Alaska State Legislature**

**House Community &
Regional Affairs Committee**

February 17, 2005



Alaska Energy Authority (AEA) is a public corporation of the State of Alaska:

- Organized under the Department of Commerce, Community and Economic Development
- Oversight by AIDEA





***AEA's
Mission is to:
To reduce the
cost of energy
in Alaska.***





AEA's Goals are to:

- Operate and maintain existing state-owned power projects.
- Continue to partner with the Denali Commission and the private sector to bring safe, reliable power to Alaskans.
- Help train Alaskans to build and maintain code-compliant, "right-sized" energy systems.



AEA has two distinct functions:

Projects

Owns energy assets:

- + Bradley Lake Hydro
- + Larsen Bay Hydro
- + Alaska Intertie
- + Small Rural Interties

Programs

- + Power Cost Equalization
- + Alternative Energy
- + Loans
- + Bulk Fuel Upgrades
- + Rural Power System Upgrades
- + Circuit Rider and Emergency Response
- + Training

A programs work with Alaska communities to:

achieve the lowest reasonable consumer power costs.

assist in developing safe, reliable, and efficient energy systems.

build sustainable and environmentally-sound power systems throughout Alaska.

Power Cost Equalization (PCE)

- ✱ Provides financial assistance to rural utilities with kilowatt-hour rates greater than 12 cents.
- ✱ Residential customers are eligible for PCE credit up to 500 kwh/month/customer.
- ✱ Community facilities, as a group, can receive PCE credit for up to 70 kwh/month multiplied by the number of residents in a community.

PCE Statistics for FY 2004:

Population base served = **78,166**

Communities served = **181**

Participating utilities = **85**

Total eligible customers* = **27,515**

**includes residential and community facilities*

PCE Endowment Fund

*Market value = \$184.8 million

- Initially capitalized with a \$100 million state appropriation and proceeds from the sale of the Four Dam Pool.
- Established to provide long-term funding for the PCE program.
- Managed by Alaska Dept. of Revenue.

*(as of 12/31/04)



Alternative Energy Programs

- ② Small Hydroelectric
- ② Wind
- ② Geothermal
- ② Alaska Bio-energy Program
- ② Rebuild America Conservation Program
- ② Energy Cost Reduction



AEA Loan Programs

1. Bulk Fuel Revolving Loan Fund

A short-term, low interest loan program that allows rural communities with a population of less than 2,000 to make their bulk fuel purchase in a cost effective manner.

2. Power Project Fund

Provides loans to local utilities, local governments or independent power producers for the development or upgrade of electric power facilities, including conservation, bulk fuel storage, waste energy conservation or potable water supply projects.

Bulk Fuel Upgrades

Participants are utilities, schools, government entities and the private sector.

- Rehabilitate or construct new bulk fuel tank farms to meet State and Federal Codes.
- Improve storage capacity needed for bulk delivery of fuel.

“Right-sized, code-compliant facilities”

Pedro Bay Bulk Fuel Storage Project





Rural Power System Upgrades

- Rebuild or replace worn-out diesel generator units and old, hazardous distribution systems.
- Construct new power generation systems to meet State and Federal codes, to include waste heat recovery systems, where possible.



Circuit Rider and Emergency Response Program

Assists village electric utilities with:

- ✓ preventative maintenance
 - ✓ on-site operator training
 - ✓ consultation
 - ✓ technical assistance
 - ✓ emergency response

Training Programs

- Bulk Fuel Operator
- Itinerant Bulk Fuel Operator
- Spill Response Training
- Utility Clerk
- Advanced Power Plant Operator
- Power plant Operator
- Small Hydroelectric

Training



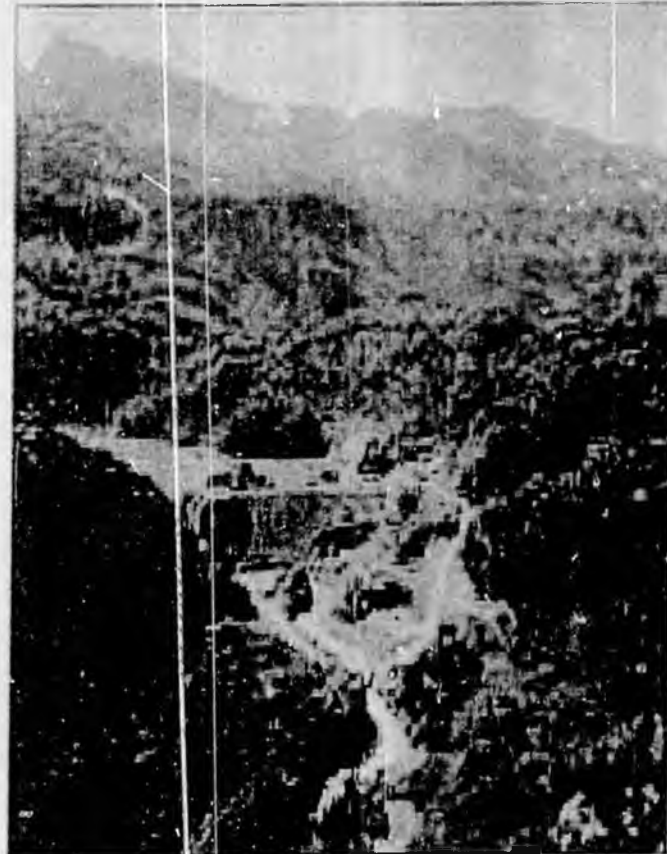
AEA Projects (State-owned energy assets)

AEA operates and maintains state-owned power projects.

- Ⓢ Bradley Lake Hydroelectric Project
- Ⓢ Alaska Intertie
- Ⓢ Larsen Bay Hydroelectric Project

Bradley Lake Hydroelectric

- Installed capacity = 126 megawatts.
- Transmits power to the state's main power grid via two parallel 20-mile transmission lines.
- Commercial operation began in 1991.
- Operated by Homer Electric Association under contract with AEA through a Project Management Committee.
- Bradley Lake serves Alaska's Railbelt from Homer to Fairbanks, as well as the Delta Junction area.



Larsen Bay Hydroelectric

- The 475-kilowatt project went into commercial operation in mid-1991, producing electricity for isolated Kodiak Island community.
- Replaced the City of Larsen Bay's old water supply system.
- Provides a better source of water with reduced maintenance.
- Improved water quality.
- The City of Larsen Bay operates the project.




Alaska Intertie

AEA owns, on behalf of the State, the 170-mile long transmission line (from Willow to Healy) which interconnects the power distribution systems of Anchorage and Fairbanks.

Goal: To provide the greatest public benefit to further the intended purpose of the Alaska Intertie — improving reliability and economical energy deliveries to Railbelt utilities, with full consideration of service disruptions and economic impacts to Railbelt utilities and the public.

Alaska Intertie

- Built with \$124 million (1985 \$) in state appropriations.
- Allows Fairbanks to purchase lower-cost electricity produced with natural gas and hydroelectric power from SouthCentral Alaska.
- The Intertie Operating Committee oversees operations and maintenance.
- Alaska Legislature appropriated \$20.3 million to AEA to extend and upgrade the Alaska Intertie to the Teeland substation.



Alaska Energy Authority (AEA)

Visit us on the web at

www.aidea.org/aea.htm

Toll free number in Alaska only:

1-888-300-8534




AIDEA



Alaska Industrial Development and Export Authority

House Community and Regional Affairs Committee

February 17, 2005



AIDEA's Mission

***“To provide means of financing
to promote economic growth
and diversification in Alaska.”***

*AIDEA fulfills its mission by providing
Alaskan businesses with long-term
commercial and development financing at
a reasonable cost.*



AIDEA's Customers

- Businesses - including resource development firms and nonprofits;
- Communities throughout Alaska; and
- Banks - AIDEA participates in or guarantees bank loans, helping to leverage the bank's funds and extend the terms of the loans to Alaskan businesses.



AIDEA's Role in Economic Development is to:

- Provide financing assistance to Alaskan businesses.
- Assist the State of Alaska through an AIDEA dividend.



AIDEA's Dividend

Since the start of the AIDEA dividend program in 1996, the AIDEA Board has made available over **\$178.1 million** in total dividends to the state's general fund.

What AIDEA's Involvement Provides:

Financing:

- Long-Term
- Lower-Cost
- Mixed-Term
- Tax-Exempt

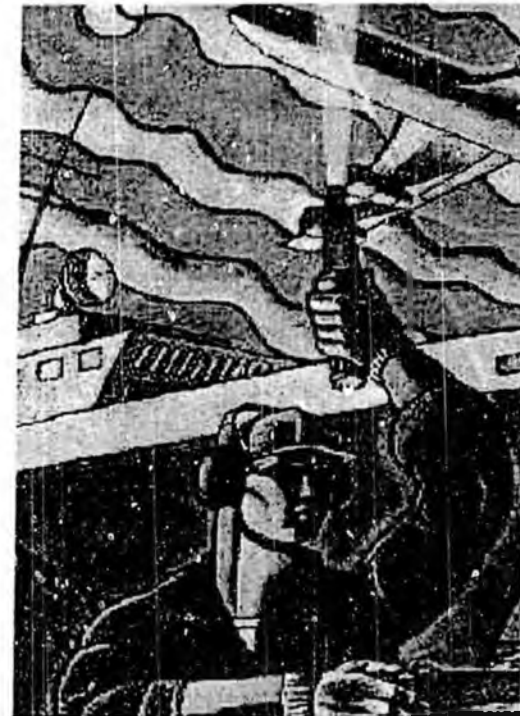


Public-Private Partnership

Growing a Diversified Economy

AIDEA Provides Financing Assistance for:

- ✓ Large and small Alaskan projects;
- ✓ Urban and rural projects; and
- ✓ Various industry sectors including retail, tourism, natural resource extraction and processing, air cargo and services.



AIDEA does not...

- Compete with the private sector;
- Provide grants; or
- Finance only large projects.



Key AIDEA Programs

- ✦ **Development Finance**
- ✦ **Loan Participation**
- ✦ **Loan Guaranty & Export Assistance**
- ✦ **Conduit Revenue Bond**





Key AIDEA Program

Development Finance

Objective:

To finance the infrastructure necessary to support Alaskan economic development projects.

Method:

AIDEA owns the project and is repaid through user fees, leases and other revenue sources.

To Qualify:

The project must be endorsed by the local government and be financially feasible.



AIDEA Development Projects

- ✿ DeLong Mt. Transportation System
- ✿ FedEx Facility
- ✿ Alaska Seafood International
- ✿ Snettisham Hydroelectric Project
- ✿ Ketchikan Shipyard

AIDEA's Program Results: Development Finance Program

AIDEA's investment in the Delong Mountain Transportation System (DMTS) made Red Dog mine a reality and created a tax base that led to the formation of the Northwest Arctic Borough.

As of the summer of 2004, the Red Dog mine and the DMTS provided 510 jobs, of which 57% were held by NANA shareholders. These jobs represent over 30% of the private sector jobs in the NANA region.



DeLong Mt. Transportation System (DMTS)





More results from AIDEA's Development Finance Program

The AIDEA-constructed Federal Express Maintenance Facility at the Ted Stevens Anchorage International Airport:

- created 20 permanent, high-skill jobs.
- brought to Alaska a pilot base that provides a direct infusion of income into SouthCentral Alaska.
- improved basic services for air carriers, strengthening Alaska's role as an international air crossroads.

Alaska Seafood Int'l (ASI)



BACKGROUND: In 1993, the legislature provided AIDEA with bonding authority to construct and own a seafood manufacturing facility. The facility was to provide secondary (value-added) processing of halibut, bottomfish, surimi and salmon.



SCOPE OF PROJECT: A two-story, 184,000 sq. ft. manufacturing facility; an adjoining cold storage facility; and a two-story, 20,000 sq. ft. power plant. The facility had the capacity to annually produce 100 million pounds of seafood product.



Alaska Seafood Int'l (ASI)

- AIDEA regained possession of the building when the operating company dissolved. AIDEA is responsible for oversight of the facility.
- AIDEA Board of Directors publicly solicited purchase offers in mid-2004.
- All offers received by AIDEA in accordance with a published notice setting forth the process were considered at the July 13, 2004, Board of Directors meeting.



Alaska Seafood Int'l (ASI)

- During the July 13th meeting, the AIDEA Board of Directors approved an offer from Anchorage Community Development, LLC (ACD) for \$24.5 million with financing provided by AIDEA, subject to further board approval.
- The parties are currently negotiating a Purchase and Sale Agreement. When executed, ACD will deposit \$50,000 into escrow and a 60-day due diligence period will begin.
- If due diligence is satisfactorily completed by both parties, the transaction is expected to close 30 days after the end of the due diligence period.



Snettisham Hydroelectric Project

- 78,210 kw hydroelectric project located 28 air miles southeast of Juneau.
- It provides approximately 80% of the Juneau-Douglas area electrical energy.
- AEL&P purchases all project power under a long-term power sales agreement.

Ketchikan Shipyard

PARTICIPANTS

- ◆ AIDEA
- ◆ Ketchikan Gateway Borough;
- ◆ City of Ketchikan;
- ◆ Ketchikan Public Utilities; and
- ◆ Alaska Ship and Drydock, the shipyard operator.





Ketchikan Shipyard

- ◆ In 1991, the state canceled its lease with the City of Ketchikan and closed the facility for two years.
- ◆ In November 1993, DOT&PF awarded an operating contract to reopen the facility and manage Alaska Marine Highway System overhaul projects.
- ◆ In July 1997, DOT&PF transferred title to AIDEA.
- ◆ AIDEA, the City and the Borough negotiated a MOU that describes each entity's contributions towards supporting the shipyard.



Ketchikan Shipyard

- ◆ In August 2002, AIDEA was awarded a \$5 million grant from the Economic Development Agency (EDA) for adding a second ship lift. The total project budget is \$10 million.
- ◆ The required \$5 million match was provided by the Ketchikan Gateway Borough and the State of Alaska.
- ◆ Currently in the design phase. The design engineer is Tryck Nyman Hayes.



Key AIDEA Program

Loan Participation

- ✦ Objective: To provide long term financing to acquire, develop or enhance Alaska businesses. AIDEA finances office buildings and tourism and manufacturing facilities, among other things.
- ✦ Method: Both taxable and tax-exempt financing are available under this program.
- ✦ To Qualify: Participation may total up to 90% of a loan originated by a commercial lending institution, with total participation not to exceed \$20 million.



Results

Loan Participation Program

Between 1992 and the end of FY 2004, 4,492 construction jobs and 4,699 permanent jobs have been created or retained through AIDEA's loan participation program.



AIDEA Loan Portfolio Diversification by Industry as of June 30, 2004

<u>Industry</u>	<u>%</u>
Hospital/Clinic/Day Care	1.47
Restaurant	1.10
Manufacturing	0.74
Aircraft Hangar	2.57
Office/Warehouse	9.56
Recreation	3.31
Office/Business Condo	20.59
Retail	30.88
Tourism: Hotel/Lodge	10.29
Warehouse/Shop	13.97
* <u>Other</u>	<u>5.52</u>
	100.00

**The "Other" category includes Equipment, Laundromats and Unimproved Property.*



AIDEA Loan Portfolio Delinquency

as of December 31, 2004

<u>Loan Status</u>	<u>%</u>	<u>\$Amount (000)</u>
Current:	99.56%	\$303,355
Past due:		
31-60 days	0.00%	0
61-90 days	0.22%	679
Over 90 days	0.22%	671
	100.00%	\$304,704

All Alaskan banks delinquency (as of 9/30/04) = 2.10%



AIDEA Loan Portfolio Diversification by Geographic Region

	<u>% Loan Balance</u>	<u># Borrowers</u>	<u>%Borrowers</u>
▪ Anchorage	54.9%	139	51.5%
▪ Interior	5.3%	26	9.6%
▪ Northern	3.5%	6	2.2%
▪ Mat-Su	4.7%	20	7.4%
▪ Gulf Coast	8.3%	26	9.6%
▪ Southeast	21.1%	45	16.7%
▪ Southwest	2.2%	11	4.1%

(as of 1/31/05)



Key AIDEA Program

Loan Guaranty & Export Assistance

- A loan guarantee program that provides eligible financial institutions with a guarantee of up to 80%, but not to exceed \$1 million on the principal of the loan.
- Provides assistances to manufacturing enterprises as they export goods and services.
- AIDEA is a city-state partnership with the U.S. Export-Import Bank.



Key AIDEA Program

Conduit Revenue Bond

- Objective: To provide financing where AIDEA acts as a conduit for the issuance of taxable and tax-exempt bonds.

- Method: Neither the assets nor credit of AIDEA are at risk in this program; the creditworthiness of the project and credit enhancements offered by the applicant are essential to the underwriting and placement of bonds.

- To qualify: A business enterprise may request the adoption of an eligibility resolution for tax-exempt financing by submitting a preliminary application and nonrefundable fee to AIDEA. If the board of directors adopts an eligibility resolution for a project, an applicant then submits an application for financing for the project.



Results

AIDEA's Conduit Revenue Bond Program:

From program inception in 1978 through 12-31-04, over \$929 million in bonds for 303 projects have been issued to support projects as diverse as:

- Fort Knox gold mine near Fairbanks,
- expansion of Hope Community Resources' facilities in Anchorage,
- expansion and improvement of Providence Health System's Anchorage facilities, and
- expansion and improvement of Fairbanks Memorial Hospital.



Thank you for your time!

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