

**SB**

**300**

<target><bill>SB 300</bill><subject>SB  
300</subject><comm>HFIN26</comm></target>

## SB 300 and AIDEA's New Strategic Plan

For the past two years, AIDEA has been engaged in the development of a comprehensive Strategic Plan and Vision. This process created a Strategic Vision that AIDEA would:

1. Diversify and Grow AIDEA's assets to support economic development
2. Improve AIDEA's existing programs and add targeted new economic development financing tools
3. Expand the deployment and impact of AIDEA's economic development financing

The current version of SB 300, consistent with that Strategic vision, adds a new power which allows AIDEA to consider, when exercising its financial powers, the interests of local governments, and the impact of financed projects on local governments so that both the authority and they may share in the economic benefits of these activities with appropriate consideration of the authority's need to preserve its financial position, including its bond rating.

This new power is consistent with the directive the legislature already placed in AS 44.88.095(c) which provides that, before AIDEA enters into a lease or other agreement for a project if the bond amount will exceed \$6 million, that the authority will seek a resolution from the local governmental body affected by the project that the local government has consented to the project..

Similarly AS 44.88.174 provides for a process for projects located in areas of unorganized boroughs and provides for the creation of Regional Advisory councils to guide AIDEA .

Then in AS 44.88.177 AIDEA is directed to solicit the review and advice of a Regional Resource Advisory Council or the governing body in the area before the execution of contracts agreements and the like.

In sum, AIDEA welcomes further direction from the legislature on the exercise of its powers as they impact local governments and communities. AIDEA's Development Finance projects have always had local input and now that policy will be followed in all AIDEA's programs including the Loan Participation Program, as well as divestiture decisions.

Submitted by AIEDA

## HB 410 Compared to CSSB 300

### *The Addition of New Powers for the Authority*

The current version of SB 300 makes a single change to HB 410. The Senate version adds language to permit the authority when exercising its myriad of powers to consider, when making its decisions:

- (1) The interests of local governments; and
- (2) The impact of its activities on local governments;

The Senate bill's new language is designed so that both the authority and local governments may share in the economic benefits of AIDEA's activities with appropriate consideration of the authority's need to preserve its financial position, including its bond rating. This new, additional authority is found Section I which amends AS 44.88.080 by adding a new paragraph 30.

### *This New Power is Consistent with Existing Statutory Mandates*

This new power is consistent with the directive the legislature already placed in AS 44.88.095(c) which provides that, before AIDEA enters into a lease or other agreement for a project if the bond amount will exceed \$6 million, that the authority will seek a resolution from the local governmental body affected by the project that the local government has consented to the project.

Similarly AS 44.88.174 provides for a process for projects located in areas of unorganized boroughs and provides for the creation of Regional Advisory councils to guide AIDEA.

Then, in AS 44.88.177., AIDEA is directed to solicit the review and advice of a Regional Resource Advisory Council or the governing body in the area before the execution of contracts agreements and the like.

submitted by AIDEA

## Senate Bill 300

An Act relating to loan participations and development finance projects of the Alaska Industrial Development and Export Authority; and relating to loans from the rural development initiative fund.

### Sectional Analysis

Section	Analysis
1	AS 44.88.159(e) is amended to change the method by which AIDEA determines the minimum interest rate to be charged on loan participations that AIDEA finances with AIDEA assets rather than bond proceeds. Current method requires AIDEA to establish a minimum by estimating the true interest cost if AIDEA were to use bond proceeds. The proposed method would allow the minimum to be based on the greater of either the rates achieved by a type or category of financial security in a published nationally recognized market index or the 5-year rate of return on AIDEA's investments.
2	AS 44.88.159 is amended by adding a new subsection that allows AIDEA to establish in regulation a new program to provide incentive rate rebates to certain loan participations that create jobs, promote rural development or foster other economic development criteria. <ul style="list-style-type: none"><li>• Rate rebates are limited to no more than 1% of the interest rate charged to AIDEA's portion of the loan participation.</li><li>• The balance of loans subject to rebates would be limited to no more than 5% of the outstanding balance of all loan participations.</li><li>• The authority may not commit to pay an incentive rebate for more than 5 years.</li><li>• Allows AIDEA to establish a separate account for this program.</li></ul>
3	AS 44.88.172(a) is amended to clarify that AIDEA can own or operate a percentage of a project – not the entire project
4	AS 44.88.610(a) is amended to allow borrowers to have multiple Rural Development Revolving Loan Fund loans and increases the cumulative amount a person may borrow from \$100,000 to \$150,000 and increases the cumulative amount two or more persons may borrow from \$200,000 to \$300,000.
5	AS 44.88.610(b) is amended by reducing the RDIF minimum interest rate from 6% to 4%.

Prepared by AIDEA 3/2/10

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Governor Sean Parnell  
STATE OF ALASKA

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Governor@alaska.gov

February 25, 2010

The Honorable Gary Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the power project fund; authorizing the Alaska Energy Authority (AEA) to charge and collect fees relating to the power project fund; authorizing AEA to sell and authorizing the Alaska Industrial Development and Export Authority (AIDEA) to purchase loans of the power project fund; and providing legislative approval for the sale and purchase of loans of the power project fund under the memorandum of understanding dated February 17, 2010.

This bill deals with the power project fund (AS 42.45.010) and would accomplish two things. First, the bill would authorize the sale of power project fund loans from AEA to AIDEA as an investment of AIDEA's revolving fund. The sale of loans will recapitalize the power project fund and be accomplished under a memorandum of understanding. Second, the bill would authorize AEA to charge fees related to administration of the power project fund.

AEA can make loans out of the power project fund to help finance energy generation and transmission projects, or to fund the bulk fuel revolving loan fund under AS 42.45.250(j). Borrowers currently use loans from the power project fund as a financing tool to help finance match requirements of renewable energy projects funded by the renewable energy grant fund (AS 42.45.045). The power project fund currently holds less than \$4.2 million, an amount inadequate to fund all reasonable loan needs arising out of the renewable energy grant fund and recommendation program and other purposes of the power project fund. The proposed sale of existing loans in the power project fund will recapitalize the fund with an additional sum, estimated to be approximately \$21 million.

To maximize the price paid to AEA for the sale of loans of the power project fund, the bill and memorandum of understanding include provisions for AEA to repurchase from AIDEA loans which later default. This repurchase provision substantially reduces financial risk to AIDEA from default, and enables AIDEA to purchase the loans without significant discount for such risk. The result is that AEA will obtain more from the sale to capitalize the power project fund.

The Honorable Gary Stevens  
February 25, 2010  
Page 2

Several sections of the bill authorize the sale of power project fund loans from AEA to AIDEA. Section 1 of the bill would amend AS 42.45.010(a) and allow proceeds from the sale of power project loans to be deposited into the power project fund. Section 3 of the bill would add a new subsection (j) to AS 42.45.010, and authorize AEA to sell power project fund loans with legislative approval, allow AEA to repurchase defaulted loans, and direct that sale proceeds be deposited into the power project fund. Section 4 of the bill would add a new paragraph (30) to AS 44.88.080 and authorize AIDEA to purchase loans of the power project fund with legislative approval. And, sec. 5 of the bill would provide necessary legislative approval for AEA to sell and AIDEA to purchase the loans under the memorandum of understanding dated February 17, 2010. A copy of this memorandum of understanding is available on both AEA and AIDEA internet websites.

The bill would also authorize AEA to charge and collect fees in administering the power project fund, similar to authority that AEA has under AS 42.45.250(j) and (k) for the bulk fuel revolving loan fund. Section 2 of the bill would amend AS 42.45.010(d) which currently provides statutory authority for AEA to adopt regulations regarding the power project fund, and specifically authorize AEA to establish reasonable fees for applications and loan origination, and charges for reimbursement of the costs of analyzing the feasibility of a project. Section 3 of the bill would add subsection (k) to AS 42.45.010, and authorize AEA to collect the power project fund fees and charges established in the regulations, and direct deposit of those fees and charges into the general fund. Currently, AEA only requires an applicant to pay the costs of analyzing the feasibility of a project.

Finally, Sec. 6 of the bill would make the bill immediately effective, if it is enacted into law.

I urge your prompt and favorable action on this bill.

Sincerely,



Sean Parnell  
Governor

Enclosure



# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 300  
 (S) Publish Date: 2/26/10

Identifier (file name): 0811-CED-AIDEA-1-6-10 Dept. Affected: DCCED  
 Title: AIDEA programs RDU: AIDEA (125)  
 Component: AIDEA operations  
 Sponsor: \_\_\_\_\_  
 Requester: \_\_\_\_\_ Component Number: 1234

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1102 AIDEA Rcpt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

This bill proposes to 1) amend the method by which AIDEA determines minimum interest rates for certain loan participations; 2) provide AIDEA the ability to provide incentive rate rebates for loan participations that meet certain economic development criteria; 3) clarify AIDEA to ability finance, own and operate a percentage of a development finance project. The amount of potential AIDEA payments for the proposed incentive rate rebates is indeterminate until the program criteria are established and demand for the program is evaluated.

(continued on Page 2)

Prepared by: Sara Fisher-Goad, Deputy Director  
 Division: AIDEA  
 Approved by: Emil Notti, Commissioner  
Department of Commerce, Community and Economic Development

Phone 771-3012  
 Date/Time 1/6/10 12:00 AM  
 Date 1/6/2010

The bill limits the total amount of loans subject to incentive rate rebates to 5% of the total of the amount of the proposed loan participation which would be subject to rebate plus the combined outstanding balance of all loan participations of the Authority. As of 6/30/09, AIDEA's outstanding balance of loan participations was \$340,346,000; 5% = \$17,017,300.

The bill also makes changes to the Rural Development Initiative Fund (RDIF). The RDIF provides long term financing to small businesses located in communities of 5,000 population or less if not connected by road or rail to Anchorage or Fairbanks or communities of 2,000 population or less if connected by road or rail to Anchorage or Fairbanks. This legislation would increase the amount that could be borrowed from the fund and it would remove the restriction that a borrower may only have one loan. It would also reduce the interest rate that may be charged.

To date there is \$4,137,900 outstanding with \$1,411,400 available to lend in the RDIF. There will be no change in operating budget expenditures to facilitate the proposed changes.

The adoption of regulations will not require additional operating funds.

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SB 300  
(S) Publish Date: 2/26/10

Identifier (file name): 0811-REV-CO-1-6-10 Dept. Affected: Revenue  
Title: AIDEA Loan Participation and Finance Projects RDU: Admin and Support  
Component: Commissioner's Office  
Sponsor: Rules  
Requester: Request of Governor Component Number: 123

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

The Department of Revenue anticipates no additional expenses or revenues associated with this legislation.

Prepared by: Ginger Blaisdell, Director  
Division: Administrative Services Division  
Approved by: Ginger Blaisdell, Director  
Administrative Services Division

Phone 465-2312  
Date/Time 12/18/09; 1:40pm  
Date 1/6/10; 11:13am

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 3  
 Bill Version: SB 300  
 (S) Publish Date: 2/26/10

Identifier (file name): 0811-DOT-CO-11-18-09 Dept. Affected: DOT&P  
 Title Loan participation & development of finance project AIDEA RDU DOT&PF  
 Component Admin Support  
 Sponsor \_\_\_\_\_ Commissioner's Office  
 Requester \_\_\_\_\_ Component Number 530

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

This bill has no fiscal impact to the Department of Transportation and Public Facilities

Prepared by: Mary Siroky, Legislative Liaison  
 Division: DOT&PF, Commissioner's Office  
 Approved by: Frank Richards  
Deputy Commissioner, DOT&PF

Phone 465-4772  
 Date/Time 11/18/09 2:00pm  
 Date 11/18/2009

Alaska Bankers Association  
P.O. Box 100720 • Anchorage, Alaska 99510-0720 • 907-777-3011 • Fax 907-777-3020

RECEIVED  
MAR 10 2010

AIDEA  
AEA

March 8, 2010

Senator Joe Paskvan, Chairman  
Senate Labor & Commerce Committee  
State Capitol, Room 7  
Juneau, Alaska 99801-1182


Re: Senate Bill 300

Representative Olson:

On behalf of the Alaska Bankers Association, I wish to express our support for enactment of Senate Bill 300.

Enactment of Senate Bill 300 will facilitate AIDEA lending transactions and thereby work to the benefit of all of our members who participate in loan transactions with AIDEA.

Sincerely yours,



David A. Lawer  
President

Cc: Chris Anderson