

SB

300

<target><bill>SB 300</bill><subject>SB
300</subject><comm>SFIN26</comm></target>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/22/10

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered

SENATE BILL NO. 300

SB 300 AIDEA LOANS

"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."

and recommends:

be replaced with SCS or CS SB 300 (FIN)

adopt previous SCS or CS _____

attached amendment(s)

adopt _____ Letter of Intent

further referral to _____ Committee

SENATE BILL:

- Same Title
- New Title

HOUSE BILL:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

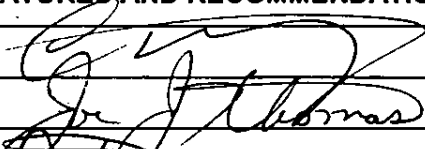


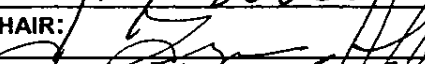



NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CED	1/6/10			/	1
Rev	1/6/10			/	2
DOT	11/18/09			/	3

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas	X			
	Thomas	✓			
	Egan	✓			
	Olson	X			
CO-CHAIR: 	ELLIS	X			
CO-CHAIR: 		✓			
		✓			

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 300
(S) Publish Date: 2/28/10

Identifier (file name): 0811-CED-AIDEA-1-G-10 Dept. Affected: DCCED
Title: AIDEA programs RDU: AIDEA (126)
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
OPERATING EXPENDITURES								
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	0.0

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

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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 1/8/10 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
Sponsor: Rules Component: Commissioner's Office
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
OPERATING EXPENDITURES								
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	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 Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 Phone 465-2312
Division: Administrative Services Division Date/Time 12/18/09; 1:40pm
Approved by: Ginger Blaisdell, Director Date 1/6/10; 11:13am
Administrative Services Division

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
OPERATING EXPENDITURES								
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	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 Interagency Receipts							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0

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 Phone 465-4772
Division DOT&PF, Commissioner's Office Date/Time 11/18/09 2:00pm
Approved by: Frank Richards Date 11/18/2009
Deputy Commissioner, DOT&PF

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
Sponsor: Rules Component: Commissioner's Office
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
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE		(Thousands of Dollars)						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS								
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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 Phone 465-2312
Division: Administrative Services Division Date/Time 12/18/09; 1:40pm
Approved by: Ginger Blaisdell, Director Date 1/6/10; 11:13am
Administrative Services Division

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
Sponsor: _____ Component: Admin Support
Requester: _____ Commissioner's Office
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
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE		(Thousands of Dollars)						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 Phone 465-4772
Division: DOT&PF, Commissioner's Office Date/Time 11/18/09 2:00pm
Approved by: Frank Richards Date 11/18/2009
Deputy Commissioner, DOT&PF

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	<p>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.</p>
2	<p>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.</p> <ul style="list-style-type: none">• Rate rebates are limited to no more than 1% of the interest rate charged to AIDEA's portion of the loan participation.• The balance of loans subject to rebates would be limited to no more than 5% of the outstanding balance of all loan participations.• The authority may not commit to pay an incentive rebate for more than 5 years.• Allows AIDEA to establish a separate account for this program.
3	<p>AS 44.88.172(a) is amended to clarify that AIDEA can own or operate a percentage of a project – not the entire project</p>
4	<p>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.</p>
5	<p>AS 44.88.610(b) is amended by reducing the RDIF minimum interest rate from 6% to 4%.</p>

Prepared by AIDEA 3/2/10

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



Governor Sean Parnell
STATE OF ALASKA

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax 907-269-7463
www.gov.alaska.gov
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

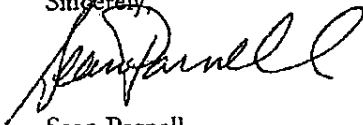
Several sections of the bill authorize the sale of power project fund loans from AEA to AIDEA. Section 1 of the bill would amend AS 42.45.010(a) and allow proceeds from the sale of power project loans to be deposited into the power project fund. Section 3 of the bill would add a new subsection (j) to 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

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

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 300
(S) Publish Date: 2/28/10

Identifier (file name): 0811-CED-AIDEA-1-6-10 Dept. Affected: DCCED
Title: AIDEA programs RDU: AIDEA (125)
Sponsor: _____ Component: AIDEA operations
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
OPERATING EXPENDITURES								
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	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							
1102 AIDEA Rcpt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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 Phone 771-3012
Division: AIDEA Date/Time 1/6/10 12:00 AM
Approved by: Emil Notti, Commissioner Date 1/6/2010
Department of Commerce, Community and Economic Development

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.

Adopted

AMENDMENT

1

OFFERED IN SENATE FINANCE

BY SENATOR Olson

TO: SB 300

Page 1, line 2 following "Authority"

Delete " ; and relating"

Insert ", to the powers of the authority, and"

Page 1, following line 4:

Insert new bill section to read:

"**Section 1.** AS 44.88.080 is amended by adding a new paragraph to read:

(30) to consider, when exercising the powers listed in this section, the interests of local governments impacted by the authority's activities to share in the benefits of these activities, with appropriate consideration of the authority's ability to meet debt obligations, issue new debt, and fulfill the authority's purposes."

Page 1, line 5:

Delete "Section 1"

Insert "Sec. 2"

Renumber the following bill sections accordingly.