

**HB**

**166**

<TARGET><BILL>HB 166</BILL><SUBJECT>HB  
166</SUBJECT><COMM>HCRA28</COMM></TARGET>

# Alaska House of Representatives

Rep. Neal Foster, Co-Chair  
P.O. Box 1630  
Nome, Alaska 99762

Phone: (907) 443-5036  
Fax: (907) 443-2162



During the Legislative Session  
Alaska State Capitol, Room 434  
Juneau, Alaska 99801

Phone: (907) 465-3789  
Fax: (907) 465-3242

## House Special Committee Military and Veterans Affairs

### Sponsor Statement

HB 166

BULK FUEL REVOLVING LOAN FUND

House Bill 166 would expand the communities that qualify for the bulk fuel revolving loan fund from 2,000 to 4,000 if those communities are not on the State road system. It also has a corresponding increase on the cap that can be lent to a community.

I urge your support of this legislation.

District 39: Alatna, Alcan Border, Allakaket City, Arctic Village, Beaver, Betties City, Birch Creek, Brevig Mission City, Central, Chalkyitsik, Chicken, Chisana, Chistochina, Chitina, Circle, Coldfoot, Copper Center, Diomedea City, Dot Lake, Dot Lake Villages, Dry Creek, Eagle City, Eagle Village, Elim City, Evansville, Fort Yukon City, Gakona, Galena City, Gambell City, Golovin City, Gulkana, Healy Lake, Hughes City, Huslia City, Kaltag City, Kenny Lake, Koyuk City, Koyukuk City, Livengood, McCarthy, Mentasta Lake, Nabesna, New Allakaket, Nome City, Northway, Northway Junction, Northway Village, Nulato City, Paxson, Port Clarence, Rampart, Savoonga City, Shaktoolik City, Shishmaref City, Silver Springs, Slana, St. Michael City, Stebbins City, Stevens Village, Tanacross, Tazlina, Teller City, Tetlin, Tok, Unalakleet City, Venetie, Wales City, White Mountain City and Wiseman.

## **Bulk Fuel Revolving Loan Program**

Effective January 1, 2013, DCRA is administering a new bulk fuel loan program that will assist communities, utilities, and fuel retailers to purchase bulk fuel to generate power or supply the public with fuel for use in rural communities. The new program replaces bulk fuel loan programs previously administered by the Alaska Energy Authority (AEA) and DCRA. Since January 1, all existing fuel loans with the AEA and DCRA are being managed within this new program, but will remain on the same payment schedules and maturity dates as indicated on the original loan documents. Application forms previously used by the AEA and DCRA fuel loan programs will no longer be accepted. The new program will require completion of a new application form for any loan requests. Click on the button below to download the new Bulk Fuel Loan Program application.

### **Loan Purposes**

Loans may be made to assist communities in purchasing bulk fuel oil or gasoline including the shipping costs of the fuel to the community.

### **Eligibility**

Loans may be made to a municipality or unincorporated village with a population under 2,000, or a private individual or company retailing fuel or electricity in such a community. Determination of eligibility will be evaluated on an individual basis by the State of Alaska Department of Commerce, Community, and Economic Development (DCCED), Division of Community and Regional Affairs (DCRA). The Division shall make loans from the Bulk Fuel Revolving Loan Fund as either bulk fuel loans or bulk fuel bridge loans as provided in AS 42.45.250-42.45.299.

### **Interest Rate**

Interest shall be charged on a bulk fuel loan or bulk fuel bridge loan at a base rate of four percent except as provided by AS 42.45.280(b) and (c);

1. First time borrowers of a bulk fuel bridge loan shall be charged zero percent; second and subsequent bridge loans shall be charged at the base rate of four percent.
2. For recipients of bulk fuel loans, interest rates will be determined by the Division based on the borrower's repayment history and other criteria. The interest may be reduced by one percent for borrowers with at least one previous bulk fuel loan or two percent for a borrower with two or more previous bulk fuel loans made by the Division. There are no other fees to apply or receive a fuel loan from the program.

## **Loan Terms**

Loans are payable in nine equal monthly payments and must be repaid during that term unless an alternate payment schedule has been approved by the DCRA. Shorter terms may be required in special circumstances as determined by the DCRA. All loans must be paid within one year from date of disbursement. The amount of the loan, added to the amounts of all other bulk fuel revolving loan principle balances to the same borrower may not exceed \$750,000. A cooperative organization representing more than one community may qualify for a maximum loan amount not to exceed \$1.8 million.

## **Collateral**

Applicants may be required to secure a bulk fuel revolving loan by submitting a resolution adopted by the governing body with payments from the State of Alaska for funds provided by Community Revenue Sharing, Payment in Lieu of Taxes (PILT), Power Cost Equalization (PCE), or other programs to the Bulk Fuel Revolving Loan Program.

**For more information please contact:**

### **Jane Sullivan**

Division of Community and Regional Affairs  
Department of Commerce, Community, and Economic Development  
Phone: 907-269-4614  
Email: [jane.sullivan@alaska.gov](mailto:jane.sullivan@alaska.gov)

## Effects of HB 166 on Bulk Fuel Loan Accounts

The current program is made up of two loan accounts, the Bulk Fuel Loan Account, and the Bulk Fuel Bridge Loan Account. The effects of this legislation would be primarily on the Bulk Fuel Loan Account.

There are three significant changes proposed by this bill:

1. Six new communities would be eligible for loans under either funding source.
2. The maximum loan for a community under the Bulk Fuel Loan Account would double from \$750,000 to \$1.5 million.
3. The maximum loan for cooperatives under the Bulk Fuel Loan Account would double from \$1.8 to \$3.6 million.

### BULK FUEL LOAN ACCOUNT

Total funding in the *Bulk Fuel Loan* account is \$15.4M. In FY 2012, \$13.2M in loans were approved. The account had 44 borrowers.

Only three of the six newly eligible communities are likely to participate, since three of them have year round barge delivery available. However, multiple entities in a community could request loans. If maximum loans were requested in three of these communities, \$4.5 million would be needed to fund these loans.

Historically, fuel and/or electrical cooperatives have not participated in the loan program. We feel this is because of the relatively small amount of the loans available, and the relatively high interest rate charged. Under the new program, after two years, the interest rate would drop to 2%. This rate, along with the higher maximum loan, may make it attractive to cooperatives such as AVEC. If only one cooperative borrowed the maximum amount of funding, \$3.6 million would be needed.

The price of fuel continues to rise. If a 5% increase in existing loans were required due to fuel price increases, \$660,000 would be needed to cover the existing loans.

All of these scenarios considered together:

• Existing loans (FY 2012 history)	\$13,200,000
• Increase in existing loans by 5% due to cost increases	\$ 660,000
• Three individual communities requesting a maximum loan	\$4,500,000
• <u>One Electric Cooperative representing 3 communities</u>	<u>\$3,600,000</u>
Total of Requests	\$21,960,000
 Existing funding in Loan Account	 \$15,400,000
 Deficit in Bulk Fuel Loan Account	 \$ 6,560,000

To provide a buffer for fluctuations in the cost of oil or borrowers over the next several years, it is recommended there a 15% buffer be maintained over expected loans. This would raise the deficit of funds to approximately \$9.85 million.

### BRIDGE LOAN ACCOUNT

Of the changes that this bill makes, the only one that affects the Bulk Fuel Bridge Loan Account is the one affecting the size of community that can apply. Maximum loan amounts are not affected. Since the larger communities are likely to have borrowers with better credit, it is not anticipated that any of the entities added with a larger community would be referred to the Bridge Loan Account.

Currently the Bridge Loan account has \$8.2 million in funding. In 2012, there was a maximum of \$6.4 million in committed funds. Assuming a 5% increase in the cost of fuel, the maximum requests would rise to \$6.7 million. Even with this increase in demand, the account would have a 18% which would likely be sufficient for several years.

## **CONCLUSION**

If this legislation were to pass, an appropriation of approximately \$10 million would be needed to the Bulk Fuel Loan fund to allow the program to meet the needs of existing borrowers, potential new borrowers, and account for the annual increase in fuel costs. No additional appropriation would be needed to the Bulk Fuel Bridge Loan Account due to this legislation.

Neither of these accounts are dedicated funds. If in the future, funding from these accounts were needed for higher priority purposes, the legislature could appropriate these funds for a different use.

All incorporated places in the State of Alaska.

<u>Name</u>	<u>Status</u>	<u>Borough/Census Area</u>	<u>Population</u>	<u>Population</u>	
			<u>census</u> 2010-04-01	<u>estimate</u> 2011-07-01	
<u>Adak</u>	City	Aleutians West	326	324	0
<u>Akhiok</u>	City	Kodiak Island	71	73	0
<u>Akiak</u>	City	Bethel	346	355	0
<u>Akutan</u>	City	Aleutians East	1,027	1,029	0
<u>Alakanuk</u>	City	Wade Hampton	677	695	0
<u>Aleknagik</u>	City	Dillingham	219	225	0
<u>Allakaket</u>	City	Yukon-Koyukuk	105	106	0
<u>Ambler</u>	City	Northwest Arctic	258	266	0
<u>Anaktuvuk Pass</u>	City	North Slope	324	327	0
<u>Anderson</u>	City	Denali	246	249	0
<u>Angoon</u>	City	Skagway-Hoonah-Angoon	459	450	0
<u>Aniak</u>	City	Bethel	501	512	0
<u>Anvik</u>	City	Yukon-Koyukuk	85	86	0
<u>Atka</u>	City	Aleutians West	61	60	0
<u>Atkasuk</u>	City	North Slope	233	237	0
<b>Barrow</b>	<b>City</b>	<b>North Slope</b>	<b>4,212</b>	<b>4,257</b>	<b>0</b>
<u>Bettles</u>	City	Yukon-Koyukuk	12	12	0
<u>Brevig Mission</u>	City	Nome	388	403	0
<u>Buckland</u>	City	Northwest Arctic	416	429	0
<u>Chefornak</u>	City	Bethel	418	429	0
<u>Chevak</u>	City	Wade Hampton	938	963	0
<u>Chignik</u>	City	Lake and Peninsula	91	93	0
<u>Chuathbaluk</u>	City	Bethel	118	120	0
<u>Clark's Point</u>	City	Dillingham	62	64	0
<u>Coffman Cove</u>	City	Prince of Wales-Outer Ketchikan	176	181	0
<u>Cold Bay</u>	City	Aleutians East	108	111	0
<b>Cordova</b>	<b>City</b>	<b>Valdez-Cordova</b>	<b>2,239</b>	<b>2,270</b>	<b>0</b>
<u>Craig</u>	City	Prince of Wales-Outer Ketchikan	1,201	1,239	0
<u>Deering</u>	City	Northwest Arctic	122	124	0
<u>Delta Junction</u>	City	Southeast Fairbanks	958	972	0
<b>Dillingham</b>	<b>City</b>	<b>Dillingham</b>	<b>2,329</b>	<b>2,390</b>	<b>0</b>
<u>Diomedes</u>	City	Nome	115	118	0

<u>Eagle</u>	City	Southeast Fairbanks	86	87	0
<u>Eek</u>	City	Bethel	296	304	0
<u>Egegik</u>	City	Lake and Peninsula	109	111	0
<u>Ekwok</u>	City	Dillingham	115	118	0
<u>Elim</u>	City	Nome	330	343	0
<u>Emmonak</u>	City	Wade Hampton	762	782	0
<u>False Pass</u>	City	Aleutians East	35	36	0
<u>Fort Yukon</u>	City	Yukon-Koyukuk	583	589	0
<u>Galena</u>	City	Yukon-Koyukuk	470	476	0
<u>Gambell</u>	City	Nome	681	707	0
<u>Golovin</u>	City	Nome	156	163	0
<u>Goodnews Bay</u>	City	Bethel	243	250	0
<u>Grayling</u>	City	Yukon-Koyukuk	194	197	0
<u>Gustavus</u>	City	Skagway-Hoonah-Angoon	442	435	0
<u>Holy Cross</u>	City	Yukon-Koyukuk	178	180	0
<u>Hoonah</u>	City	Skagway-Hoonah-Angoon	760	747	0
<u>Hooper Bay</u>	City	Wade Hampton	1,093	1,124	0
<u>Houston</u>	City	Matanuska-Susitna	1,911	1,975	0
<u>Hughes</u>	City	Yukon-Koyukuk	77	78	0
<u>Huslia</u>	City	Yukon-Koyukuk	275	279	0
<u>Hydaburg</u>	City	Prince of Wales-Outer Ketchikan	376	389	0
<u>Kachemak</u>	City	Kenai Peninsula	472	479	0
<u>Kake</u>	City	Wrangell-Petersburg	557	561	0
<u>Kaktovik</u>	City	North Slope	239	241	0
<u>Kaltag</u>	City	Yukon-Koyukuk	190	193	0
<u>Kasaan</u>	City	Prince of Wales-Outer Ketchikan	49	51	0
<u>Kiana</u>	City	Northwest Arctic	361	371	0
<u>King Cove</u>	City	Aleutians East	938	948	0
<u>Kivalina</u>	City	Northwest Arctic	374	386	0
<u>Klawock</u>	City	Prince of Wales-Outer Ketchikan	755	780	0
<u>Kobuk</u>	City	Northwest Arctic	151	154	0
<u>Kotlik</u>	City	Wade Hampton	577	593	0
<u>Kotzebue</u>	City	Northwest Arctic	3,201	3,294	0
<u>Koyuk</u>	City	Nome	332	345	0
<u>Koyukuk</u>	City	Yukon-Koyukuk	96	97	0
<u>Kupreanof</u>	City	Wrangell-Petersburg	27	27	0

<u>Kwethluk</u>	City	Bethel	721	739	0
<u>Larsen Bay</u>	City	Kodiak Island	87	89	0
<u>Lower Kalskag</u>	City	Bethel	282	290	0
<u>Manokotak</u>	City	Dillingham	442	454	0
<u>Marshall</u>	City	Wade Hampton	414	427	0
<u>McGrath</u>	City	Yukon-Koyukuk	346	351	0
<u>Mekoryuk</u>	City	Bethel	191	197	0
<u>Mountain Village</u>	City	Wade Hampton	813	834	0
<u>Napakiak</u>	City	Bethel	354	363	0
<u>Napaskiak</u>	City	Bethel	405	415	0
<u>Nenana</u>	City	Yukon-Koyukuk	378	383	0
<u>New Stuvahok</u>	City	Dillingham	510	523	0
<u>Newhalen</u>	City	Lake and Peninsula	190	195	0
<u>Nightmute</u>	City	Bethel	280	285	0
<u>Nikolai</u>	City	Yukon-Koyukuk	94	95	0
<u>Nome</u>	City	<u>Nome</u>	3,598	3,731	1
<u>Nondalton</u>	City	Lake and Peninsula	164	167	0
<u>Noorvik</u>	City	Northwest Arctic	668	686	0
<u>North Pole</u>	City	Fairbanks North Star	2,117	2,154	0
<u>Nuiqsut</u>	City	North Slope	402	406	0
<u>Nulato</u>	City	Yukon-Koyukuk	264	267	0
<u>Nunam Iqua</u>	City		187	191	0
<u>Nunapitchuk</u>	City	Bethel	496	508	0
<u>Old Harbor</u>	City	Kodiak Island	218	222	0
<u>Ouzinkie</u>	City	Kodiak Island	161	165	0
<u>Pelican</u>	City	Skagway-Hoonah-Angoon	88	87	0
<u>Petersburg</u>	City	<u>Wrangell-Petersburg</u>	2,949	2,967	1
<u>Pilot Point</u>	City	Lake and Peninsula	68	70	0
<u>Pilot Station</u>	City	Wade Hampton	568	584	0
<u>Platinum</u>	City	Bethel	61	62	0
<u>Point Hope</u>	City	North Slope	674	680	0
<u>Port Alexander</u>	City	Wrangell-Petersburg	52	52	0
<u>Port Heiden</u>	City	Lake and Peninsula	102	105	0
<u>Port Lions</u>	City	Kodiak Island	194	198	0
<u>Quinhagak</u>	City	Bethel	669	684	0
<u>Ruby</u>	City	Yukon-Koyukuk	166	168	0
<u>Russian Mission</u>	City	Wade Hampton	312	319	0

<u>Sand Point</u>	City	Aleutians East	976	990	0
<u>Savoonga</u>	City	Nome	671	697	0
<u>Saxman</u>	City	Ketchikan Gateway	411	415	0
<u>Scammon Bay</u>	City	Wade Hampton	474	489	0
<u>Selawik</u>	City	Northwest Arctic	829	855	0
<u>Seldovia</u>	City	Kenai Peninsula	255	259	0
<u>Seward</u>	City	Kenai Peninsula	2,693	2,726	0
<u>Shageluk</u>	City	Yukon-Koyukuk	83	84	0
<u>Shaktoolik</u>	City	Nome	251	262	0
<u>Shishmaref</u>	City	Nome	563	587	0
<u>Shungnak</u>	City	Northwest Arctic	262	271	0
<u>Salmon</u>	City	Kenai Peninsula	4,163	4,231	0
<u>St. George</u>	City	Aleutians West	102	101	0
<u>St. Mary's</u>	City	Wade Hampton	507	520	0
<u>St. Michael</u>	City	Nome	401	416	0
<u>St. Paul</u>	City	Aleutians West	479	470	0
<u>Stebbins</u>	City	Nome	556	579	0
<u>Tanana</u>	City	Yukon-Koyukuk	246	249	0
<u>Teller</u>	City	Nome	229	238	0
<u>Tenakee Springs</u>	City	Skagway-Hoonah-Angoon	131	128	0
<u>Thorne Bay</u>	City	Prince of Wales-Outer Ketchikan	471	486	0
<u>Togiak</u>	City	Dillingham	817	839	0
<u>Toksook Bay</u>	City	Bethel	590	604	0
<u>Unalakleet</u>	City	Nome	688	715	0
<u>Unalakleet</u>	City	Aleutians West	4,376	4,333	0
<u>Upper Kalskag</u>	City	Bethel	210	214	0
<u>Valdez</u>	City	Valdez-Cordova	3,977	4,032	0
<u>Wainwright</u>	City	North Slope	556	563	0
<u>Wales</u>	City	Nome	145	149	0
<u>White Mountain</u>	City	Nome	190	198	0
<u>Whittier</u>	City	Valdez-Cordova	220	223	0
<u>Wrangell</u>	City and Borough	Wrangell-Petersburg	2,369	2,381	0

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## House Special Committee Military and Veterans Affairs

### Memorandum

TO: Rep. Gabrielle LeDoux, House C&RA Co-Chair  
Rep. Benjamin Nageak, House C&RA Co-Chair

FROM: Rep. Neal Foster, C&RA Committee Member

DATE: March 31, 2013

RE: HB 166 BULK FUEL REVOLVING LOAN FUND Hearing Request

I respectfully request a hearing for HB 166 Bulk Fuel Revolving Loan Fund—at your earliest convenience.

HB 166 increases the size of the community that can participate in the Bulk Fuel Revolving Loan Fund program from 2,000 to 4,000 for communities that are not on the road system.

My staff contact for this legislation is Paul Labolle, who can be reached at 465-3789.

Thank you for your consideration of this request.

District 39: Alatna, Alcan Border, Allakaket City, Arctic Village, Beaver, Betties City, Birch Creek, Brevig Mission City, Central, Chalkyitsik, Chicken, Chisana, Chistochina, Chitina, Circle, Coldfoot, Copper Center, Diomedea City, Dot Lake, Dot Lake Villages, Dry Creek, Eagle City, Eagle Village, Elim City, Evansville, Fort Yukon City, Gakona, Galena City, Gambell City, Golovin City, Gulkana, Healy Lake, Hughes City, Huslia City, Kaltag City, Kenny Lake, Koyuk City, Koyukuk City, Livengood, McCarthy, Mentasta Lake, Nabesna, New Allakaket, Nome City, Northway, Northway Junction, Northway Village, Nulato City, Paxson, Port Clarence, Rampart, Savoonga City, Shaktoolik City, Shishmaref City, Silver Springs, Slana, St. Michael City, Stebbins City, Stevens Village, Tanacross, Tazlina, Teller City, Tetlin, Tok, Unalakleet City, Venetie, Wales City, White Mountain City and Wiseman.

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### Sponsor Statement

HB 166

BULK FUEL REVOLVING LOAN FUND

House Bill 166 would expand the communities that qualify for the bulk fuel revolving loan fund from 2,000 to 4,000 if those communities are not on the State road system. It also has a corresponding increase on the cap that can be lent to a community.

I urge your support of this legislation.

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# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 166  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB166-DCCED-DCRA-04-04-13  
Title: BULK FUEL REVOLVING LOAN FUND  
Sponsor: FOSTER  
Requester: House Community and Regional Affairs

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Community and Regional Affairs  
Allocation: Community and Regional Affairs  
OMB Component Number: 2879

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>

**Fund Source (Operating Only)**

1004 Gen Fund	(9,854.0)						
1074 Bulk Fuel	9,854.0						
<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>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 02/01/14

**Why this fiscal note differs from previous version:**

Not applicable, initial version.

Prepared By:	Scott Ruby, Director	Phone:	(907)269-4569
Division	Community and Regional Affairs	Date:	04/04/2013 06:00 PM
Approved By:	Jo Ellen Hanrahan, Director	Date:	04/06/13
	Administrative Services Division		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB166

Analysis

This bill will increase the maximum amount of a loan that may be issued under the Bulk Fuel Loan Account from \$750,000 to \$1.5 million. The maximum amount under the Bulk Fuel Bridge Loan Account will remain at \$750,000. This bill will also amend the eligibility criteria of both loan programs. Currently, only entities in communities with a population under 2,000 are eligible to apply; this bill will increase that population limit to entities in communities under 4,000.

There are no anticipated fiscal impacts to the operating budget of the Division of Community and Regional Affairs from this bill.

This bill would require the Division to amend existing regulations to conform with the changes to the statute and regulations and will take approximately six months to be finalized.

If this bill were to pass, it is likely that the funding available within the Bulk Fuel Loan Program would not be sufficient to meet the demand for loans under the revised program. To prevent having to reject borrowers due to a lack of funds, a fund capitalization to the Bulk Fuel Revolving Loan Fund estimated at \$9,854.0 would be required. The estimate was derived by:

Total funding in the *Bulk Fuel Loan* account is \$15.4 million. In FY 2012, \$13.2 million in loans were approved. The account had 44 borrowers.

Only three of the six newly eligible communities are likely to participate, since three of them have year round barge delivery available. However, multiple entities in a community could request loans. If maximum loans were requested in three of these communities, \$4.5 million would be needed to fund these loans.

Historically, fuel and/or electrical cooperatives have not participated in the loan program. We feel this is because of the relatively small amount of the loans available, and the relatively high interest rate charged. Under the new program, after two years, the interest rate would drop to 2%. This rate, along with the higher maximum loan, may make it attractive to cooperatives such as AVEC. If only one cooperative borrowed the maximum amount of funding, \$3.6 million would be needed.

The price of fuel continues to rise. If a 5% increase in existing loans were required due to fuel price increases, \$660.0 would be needed to cover the existing loans.

All of these scenarios considered together:

Existing loans (FY 2012 history)	\$13,200.0
Increase in existing loans by 5% due to cost increases	\$ 660.0
Three individual communities requesting a maximum loan	\$4,500.0
<u>One Electric Cooperative representing 3 communities</u>	<u>\$3,600.0</u>
Total of Requests	\$21,960.0
Existing funding in Loan Account	\$15,400.0
Deficit in Bulk Fuel Loan Account	\$6,560.0

To provide a buffer for fluctuations in the cost of oil or borrowers over the next several years, it is recommended there a 15% buffer be maintained over expected loans. This would raise the deficit of funds to \$9,854.0 (\$21,960.0 \* 1.15 = \$25,254.0 - \$15,400.0 = \$9,854.0).

## Effects of HB 166 on Bulk Fuel Loan Accounts

The current program is made up of two loan accounts, the Bulk Fuel Loan Account, and the Bulk Fuel Bridge Loan Account. The effects of this legislation would be primarily on the Bulk Fuel Loan Account.

There are three significant changes proposed by this bill:

1. Six new communities would be eligible for loans under either funding source.
2. The maximum loan for a community under the Bulk Fuel Loan Account would double from \$750,000 to \$1.5 million.
3. The maximum loan for cooperatives under the Bulk Fuel Loan Account would double from \$1.8 to \$3.6 million.

### **BULK FUEL LOAN ACCOUNT**

Total funding in the *Bulk Fuel Loan* account is \$15.4M. In FY 2012, \$13.2M in loans were approved. The account had 44 borrowers.

Only three of the six newly eligible communities are likely to participate, since three of them have year round barge delivery available. However, multiple entities in a community could request loans. If maximum loans were requested in three of these communities, \$4.5 million would be needed to fund these loans.

Historically, fuel and/or electrical cooperatives have not participated in the loan program. We feel this is because of the relatively small amount of the loans available, and the relatively high interest rate charged. Under the new program, after two years, the interest rate would drop to 2%. This rate, along with the higher maximum loan, may make it attractive to cooperatives such as AVEC. If only one cooperative borrowed the maximum amount of funding, \$3.6 million would be needed.

The price of fuel continues to rise. If a 5% increase in existing loans were required due to fuel price increases, \$660,000 would be needed to cover the existing loans.

All of these scenarios considered together:

• Existing loans (FY 2012 history)	\$13,200,000
• Increase in existing loans by 5% due to cost increases	\$ 660,000
• Three individual communities requesting a maximum loan	\$4,500,000
• <u>One Electric Cooperative representing 3 communities</u>	<u>\$3,600,000</u>
Total of Requests	\$21,960,000
 Existing funding in Loan Account	 \$15,400,000
 Deficit in Bulk Fuel Loan Account	 \$ 6,560,000

To provide a buffer for fluctuations in the cost of oil or borrowers over the next several years, it is recommended there a 15% buffer be maintained over expected loans. This would raise the deficit of funds to approximately \$9.85 million.

### **BRIDGE LOAN ACCOUNT**

Of the changes that this bill makes, the only one that affects the Bulk Fuel Bridge Loan Account is the one affecting the size of community that can apply. Maximum loan amounts are not affected. Since the larger communities are likely to have borrowers with better credit, it is not anticipated that any of the entities added with a larger community would be referred to the Bridge Loan Account.

Currently the Bridge Loan account has \$8.2 million in funding. In 2012, there was a maximum of \$6.4 million in committed funds. Assuming a 5% increase in the cost of fuel, the maximum requests would rise to \$6.7 million. Even with this increase in demand, the account would have a 18% which would likely be sufficient for several years.

#### **CONCLUSION**

If this legislation were to pass, an appropriation of approximately \$10 million would be needed to the Bulk Fuel Loan fund to allow the program to meet the needs of existing borrowers, potential new borrowers, and account for the annual increase in fuel costs. No additional appropriation would be needed to the Bulk Fuel Bridge Loan Account due to this legislation.

Neither of these accounts are dedicated funds. If in the future, funding from these accounts were needed for higher priority purposes, the legislature could appropriate these funds for a different use.

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## Kimberly Clark

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**From:** Kimberly Clark  
**Sent:** Monday, May 13, 2013 12:50 PM  
**To:** Christa Von Bergen; Doanh Tran; Erika O'Sullivan; Kimberly Clark; Konrad Jackson; Kristin Kranendonk; Lisa Vaught; Paul Labolle; Robin Sahnaw  
**Subject:** House C&RA Nome Committee meeting July 19& 20th

Hello,

The House Community & Regional Affairs Committee has received approval from the Speakers office this morning to hold a committee meeting in Nome as discussed during the April 9<sup>th</sup> committee meeting.

**I need a count of how many committee members will be able to attend the House Community & Regional Affairs Committee in Nome July 19 & 20th?**

Also, please let me know if any staff will possibly be attending so I have an accurate head count. (We do not have approval for staff travel/hotel but staff is more than welcome to attend with own source of travel/hotel purchase).

### **NOME July 19-20**

Tentatively: Tours the 19<sup>th</sup> of July

C&RA Meeting: 20<sup>th</sup> of July est. time 9:30am-12:30pm, Place TBD (Old church is being used so it may be at the council chambers)

I will be sending information on hotel/bed and breakfasts as soon as I get the information so you can make your boss's hotel/travel arrangements.

I will send official memo once I have official information on time/place and if we can get approval to join the PNWER group for tours.

Thank you,

*Kimberly Clark  
Committee Aide to House C&RA  
Office of Representative Benjamin Nageak  
State Capitol, RM 428  
PH 907-465-3018  
FAX 907-465-2827*

**Joel Lounsbury**

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**From:** Kimberly Clark  
**Sent:** Tuesday, May 07, 2013 2:52 PM  
**To:** Joel Lounsbury  
**Subject:** FW: Community & Regional Affairs Committee Meeting in Nome

Kimberly Clark  
Committee Aide to House C&RA  
Office of Representative Benjamin Nageak  
State Capitol, RM 428  
PH 907-465-3018  
FAX 907-465-2827

*Approval 5/13/13  
Mike Chenault gnd*

**From:** Kimberly Clark  
**Sent:** Thursday, May 02, 2013 2:18 PM  
**To:** 'Joel.Lounsbury@akleg.gov'  
**Cc:** Dirk Moffatt (Dirk.Moffatt@akleg.gov)  
**Subject:** Community & Regional Affairs Committee Meeting in Nome

Hi Joel,

I'm not quite sure if this goes to you to seek pre-approval for our C&RA Committee members to travel to Nome for a Committee meeting. Outlined below is information regarding why and when. I would like to know the possibility of this happening before I have the Committee Members submit travel approval. This isn't a definite date of July 20<sup>th</sup> as I have not heard back from all committee members yet.

During one of our April 9<sup>th</sup> committee meeting, the House C&RA Committee discussed wanting a Committee Meeting and tour of two fuel facilities and the Port traffic and flow in Nome plus the mining dredges. We have two bills sponsored by Rep Foster, HB 181 Short Title "MINING LICENSE REVENUE; REVENUE SHARING" and HB 166 Short Title "BULK FUEL REVOLVING LOAN FUND" that are held in committee per the committee needing additional information and wanting to see first-hand in Nome how both bills will benefit them.

HB 181: REPRESENTATIVE FOSTER explained that in 2011 the Department of Natural Resources (DNR) conducted an offshore mineral lease sale off the coast of Nome. The sale prompted a spike in demand for docking space at the Nome harbor; space that the harbor doesn't have and can't afford to build. From 2011 to 2012, the total dockings increased from 271 to 436. While the state received revenue from this increase in dockings, there was no framework to help the city with the new infrastructure necessary to accommodate the increase in traffic. This legislation would help provide the necessary framework.

Per April 9th C&RA Committee, REPRESENTATIVE HERRON noted that the last time he was in Nome was the end of August, which is a really busy time for the gold miners and the community. He opined that [HB 181 and the discussion thus far] hardly explains what is going on in the community. In the middle of July the Pacific Northwest Economic Region (PNWER) is having its annual summit at which there will be 200-300 legislators from Canada as well as legislators from Oregon, Washington, Idaho, and Montana for a total of about 600 people in Anchorage. The day after the summit there is a day trip to Nome to view the activities of the Bering Sea Gold television show. Since it's difficult to capture the impact of the aforementioned on Nome, Representative Herron suggested the committee hold HB 181 and visit Nome to understand the goal of HB 181 and the relationship [the community] has with the growing [gold mining] industry and economy. Such a visit will provide a better understanding of how DNR can't even comprehend the impact to the community.

REPRESENTATIVE HERRON also reiterated the need to see the situation in person and characterized it as an investment in making decisions for communities and regions that are impacted by economic impacts. Furthermore, he suggested that the expense of the committee traveling to Nome will be small relative to the impact of moving HB 181 forward.

HB 166: REPRESENTATIVE FOSTER explained that HB 166 addresses who qualifies for the bulk fuel revolving loan fund. Currently, the bulk fuel revolving loan fund applies to communities with populations that fall below 2,000, but doesn't make a distinction between communities that are on or off the road system. This legislation maintains the aforementioned for communities connected by the road system, but also allows for communities with populations that are less than 4,000 to qualify as well. The legislation also increases the maximum amount requested [from the bulk fuel loan] from \$750,000 to \$1,500,000.

REPRESENTATIVE REINBOLD suggested that a committee visit to [Nome] should also include further education regarding the fuel and energy situation in the area.

We could hit two birds with one stone so I am seeking pre-approval for the House C&RA Committee members to travel to Nome to have a committee meeting on Saturday July 20<sup>th</sup> while also having the committee members participate in the PNWER all day gold rush tours on Friday July 19<sup>th</sup> as it includes the areas they would like to see first-hand: the port and gold mining dredge tours given by Nome Mayor Michels.

Thank you,

*Kimberly Clark  
Committee Aide to House C&RA  
Office of Representative Benjamin Nageak  
State Capitol, RM 428  
PH 907-465-3018  
FAX 907-465-2827*

- Thank for coming so far.
- Leadership takes heat for travel that Legislators do, but they will never turn down travel to Rural AK and encourage it.
- Glad can see what life in rural Alaska is like. Rich in mining and Alaska Native history. We're a town that very much supports each other when families face difficulties.
- And as you'll learn we are quickly becoming one of the gateways to the Arctic, and with that comes a need to quickly ramp up our local infrastructure to meet the oncoming needs.

House Bill 181 is ~~really about fairness~~. In 2011 the Department of Natural Resources conducted an offshore mineral lease sale off the coast of Nome. This sale prompted a spike in demand for docking at the Nome harbor, space the harbor does not have and cannot afford to build. From 2011 to 2012 total dockings went from 271 to 436. While the State received revenue from this, there was no frame work to help the city with the new infrastructure that was needed. This provides that framework.

House Bill 166 looks at who qualifies for the bulk fuel revolving loan fund. The current law is for communities under 2000 but makes no distinction between communities that are on or off the road system. This bill keeps the designation of 2000 for connected communities but allows for communities less than 4000 to qualify if they are off of the road system...and it increases the limit from \$750,000 to \$1.5 million. (Paul)

Presented by:  
Mayor Michels  
Action Taken:  
Yes 6  
No 0  
Abstain 0

**CITY OF NOME, ALASKA**

**RESOLUTION NO. R-12-12-07**

**A RESOLUTION ENDORSING PROJECTS AND POSITION STATEMENTS  
FOR THE CITY OF NOME 2013 FEDERAL LEGISLATIVE PRIORITIES**

**WHEREAS**, a public hearing and joint work session of the Nome City Council, Nome Joint Utility Systems, Nome Public Schools and the Port of Nome was held in Nome, Alaska on November 19, 2012; and

**WHEREAS**, City leaders look to the Federal Government for assistance as a partner with Nome to improve the quality of life for all of Nome's residents; and

**WHEREAS**, it is with unanimity the following community infrastructure items are considered worthy of advocacy to Federal legislative and administrative leaders:

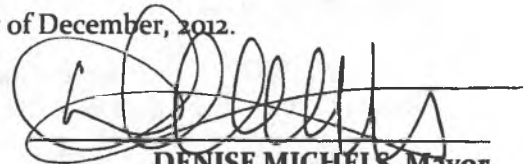
- Navigation Improvements Project Cap for Construction Expenses Associated with Contractor Suit;
- Small Boat Harbor Turning Basin Dredging Depth Authorization Language;
- Arctic Access Port/Causeway Extension;
- Nome Seawall Extension;
- United States Coast Guard Seasonal Forward Operating Location in Nome;
- Alaska Army National Guard Readiness Center and Field Maintenance Shop Facility;
- Community Power Generation Issues:
  - 1) Develop Alternative Energy Production Sources, Including Geo-Thermal and Energy Storage Technology;
  - 2) Study Alternate Power and Fuel Source;
  - 3) Power Distribution System Upgrades;
  - 4) Enhanced Energy Storage.
- Extension of Steadman Street Utility Corridor;
- Acquisition of USAF West Nome Tank Farm Property and Block 20, Nome Airport.

WHEREAS, it is with unanimity that the following legislative position statement is supported by the City of Nome and considered worthy of advocacy to Federal legislative and administrative leaders:

- Support of the Arctic Marine Shipping Assessment 2009 Report Recommendation;
- Ratification of the United Nation's Convention on the Law of the Sea;
- Support of the Northern Waters Task Force Recommendations;
- Support for Outer Continental Shelf Revenue Sharing.

NOW, THEREFORE, BE IT RESOLVED that the Nome City Council endorses the aforementioned items for inclusion in the City of Nome 2013 Federal Legislative Priorities Package.

APPROVED and SIGNED this 17<sup>th</sup> day of December, 2012.



DENISE MICHELS, Mayor

ATTEST:



TOM MORAN, City Clerk



April 8, 2013

Alaska State Legislature  
House of Representatives  
Community and Regional Affairs Committee Members

RE: House Bill 181: "An Act relating to the accounting for money received by the state from the mining license tax, mining lease payments, and royalties from mining on state tide and submerged land seaward of a municipality, and the availability of that money for appropriation to certain boroughs and municipalities outside of a borough."

The City of Nome Supports HB181.

With the recent sustained high prices for precious metal and a State of Alaska DNR sponsored lease sale, Nome has experienced an influx of off-shore and placer miners. These miners have provided an economic boost to local merchants and the local economy, but at the same time have adversely impacted some of the city services to the community. Even though the City of Nome normally funds services with a variety of revenue sources like property or sales taxes, revenues to cover the cost of an additional \$60,000 annually for staffing associated with the seasonal influx of miners is not sufficient. In addition, the City of Nome has expended \$302,500 for the growth of our Port facility and to expand facilities to support the gold dredging fleet. Similar effects are experienced in other communities from the seasonal nature of the fishing industry on coastal communities.

A potential solution to a portion of the revenue shortfall may be possible with the reallocation of the State of Alaska mining license tax. The State of Alaska mining license tax applies to all mining operations, regardless of land status, size, or location. Presently there is no uniform mechanism to allocate portions of the revenues back into the communities impacted by the resource development. Such a revenue sharing model is effective in the Alaska fishing industry and a similar program has been successful in revenue sharing from the oil and gas industry in the Gulf of Mexico.

Sharing portions of state revenues from mining developments with local communities in a predictable fashion will reduce the need for local governments to impose their own targeted taxes on the industry and allow local communities to provide services to all entities in the community.

- Lastly I want to thank the Gov & Council Sullivan for providing a seasonal position for me and give me a role Denise Harding to which play a seasonal enforcement position as the city ends up dealing w/ all spills in the harbor because there are no repercussions for bad behavior.

Sincerely,

Denise Michels  
Mayor

Cc: Representative Neal Foster  
Senator Donny Olson  
Nome Common Council

Support  
to meet popular  
housing.

How many approval permits last year  
80?

This year 2014

# Alaska House of Representatives

Rep. Neal Foster, Co-Chair  
P.O. Box 1630  
Nome, Alaska 99762

Phone: (907) 443-5036  
Fax: (907) 443-2162



During the Legislative Session  
Alaska State Capitol, Room 434  
Juneau, Alaska 99801

Phone: (907) 465-3789  
Fax: (907) 465-3242

## House Special Committee Military and Veterans Affairs

### Memorandum

TO: Rep. Gabrielle LeDoux, House C&RA Co-Chair  
Rep. Benjamin Nageak, House C&RA Co-Chair

FROM: Rep. Neal Foster, C&RA Committee Member

DATE: March 31, 2013

RE: HB 166 BULK FUEL REVOLVING LOAN FUND Hearing Request

I respectfully request a hearing for HB 166 Bulk Fuel Revolving Loan Fund—at your earliest convenience.

HB 166 increases the size of the community that can participate in the Bulk Fuel Revolving Loan Fund program from 2,000 to 4,000 for communities that are not on the road system.

My staff contact for this legislation is Paul Labolle, who can be reached at 465-3789.

Thank you for your consideration of this request.

District 39: Alatna, Alcan Border, Allakaket City, Arctic Village, Beaver, Bettles City, Birch Creek, Brevig Mission City, Central, Chalkyitsik, Chicken, Chisana, Chistochina, Chitina, Circle, Coldfoot, Copper Center, Diomedea City, Dot Lake, Dot Lake Villages, Dry Creek, Eagle City, Eagle Village, Elim City, Evansville, Fort Yukon City, Gakona, Galena City, Gambell City, Golovin City, Gulkana, Healy Lake, Hughes City, Huslia City, Kaltag City, Kenny Lake, Koyuk City, Koyukuk City, Livengood, McCarthy, Mentasta Lake, Nabesna, New Allakaket, Nome City, Northway, Northway Junction, Northway Village, Nulato City, Paxson, Port Clarence, Rampart, Savoonga City, Shaktoolik City, Shishmaref City, Silver Springs, Slana, St. Michael City, Stebbins City, Stevens Village, Tanacross, Tazlina, Teller City, Tetlin, Tok, Unalakleet City, Venetie, Wales City, White Mountain City and Wiseman.