

SB

140

<TARGET><BILL>SB 140</BILL><SUBJECT>SB
140</SUBJECT><COMM>HF IN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 140(L&C)
Fiscal Note Number: 1
(S) Publish Date: 3/14/14

Identifier: SB140-DCCED-AIDEA-02-14-14
Title: AIDEA: ARCTIC DEVELOPMENT
PROGRAM/FUND
Sponsor: MCGUIRE
Requester: Senate Labor and Commerce

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Industrial Development and Export
Authority
Allocation: Alaska Industrial Development and Export
Authority
OMB Component Number: 1234

Expenditures/Revenues

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

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services			25.0	25.0				
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	25.0	25.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1102 AIDEA Rcpt			25.0	25.0				
Total	0.0	0.0	25.0	25.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

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If yes, by what date are the regulations to be adopted, amended or repealed? **01/31/17**

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Mark Davis, Deputy Director Infrastructure and Finance Development
Division: AIDEA
Approved By: Jeanne Mungle, Director
Agency: Administrative Services

Phone: (907)771-3080
Date: 02/14/2013 09:30 AM
Date: 02/15/14

Analysis

SB140 establishes the Arctic Infrastructure development program and a fund associated with that program. The program and fund will support the Alaska Industrial Development and Export Authority's work by providing funding for Arctic infrastructure development. Implementing the program will involve minor modification of regulations, which will be contracted out and performed during FY2016 and FY2017.

HOUSE CS FOR CS FOR SENATE BILL NO. 140(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

1 "An Act creating the Arctic infrastructure development program and fund in the
2 Alaska Industrial Development and Export Authority; and relating to dividends from
3 the Alaska Industrial Development and Export Authority."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 44.88.088(a) is amended to read:

6 (a) The authority shall adopt a policy for payment of a dividend from the
7 revolving fund, [AND A DIVIDEND FROM] the Alaska Industrial Development and
8 Export Authority sustainable energy transmission and supply development fund
9 (AS 44.88.660), and the Arctic infrastructure development fund (AS 44.88.810) to
10 the state each fiscal year. The dividends for a fiscal year shall be made available by the
11 authority before the end of that fiscal year. The authority shall notify the
12 commissioner of revenue when the dividends for a fiscal year are available for
13 appropriation. The amount of the dividend payable from the

14 (1) revolving fund for a fiscal year may not be less than 25 percent nor

1 more than 50 percent of the net income of the revolving fund for the base fiscal year;
 2 however, in no event, may the dividend payable from the revolving fund for a fiscal
 3 year exceed the total unrestricted net income of the revolving fund for the base year;

4 (2) Alaska Industrial Development and Export Authority sustainable
 5 energy transmission and supply development fund (AS 44.88.660) for a fiscal year
 6 may not be less than 25 percent nor more than 50 percent of the net income of the
 7 Alaska Industrial Development and Export Authority sustainable energy transmission
 8 and supply development fund for the base fiscal year; however, [IN NO EVENT,
 9 SHALL] the dividend payable from the Alaska Industrial Development and Export
 10 Authority sustainable energy transmission and supply development fund for a fiscal
 11 year may not exceed the total unrestricted net income of the Alaska Industrial
 12 Development and Export Authority sustainable energy transmission and supply
 13 development fund for the base year;

14 (3) Arctic infrastructure development fund (AS 44.88.810) for a
 15 fiscal year may not be less than 25 percent nor more than 50 percent of the net
 16 income of the Arctic infrastructure development fund for the base fiscal year;
 17 however, the dividend payable from the Arctic infrastructure development fund
 18 for a fiscal year may not exceed the total unrestricted net income of the Arctic
 19 infrastructure development fund for the base year.

20 * Sec. 2. AS 44.88.088(b)(2) is amended to read:

21 (2) "net income" means the change in net position, or the equivalent
 22 term under generally accepted accounting principles, of the revolving fund, [OR] the
 23 change in net position of the Alaska Industrial Development and Export Authority
 24 sustainable energy transmission and supply development fund (AS 44.88.660), or the
 25 change in net position of the Arctic infrastructure development fund
 26 (AS 44.88.810) as set out in the audited financial statements of the authority for the
 27 base fiscal year, excluding amounts attributable to intergovernmental transfers, capital
 28 contributions, grants, or impairment losses on development projects financed under
 29 AS 44.88.172;

30 * Sec. 3. AS 44.88.088(b)(3) is amended to read:

31 (3) "unrestricted net income" means the unrestricted change in net

1 position, or the equivalent term under generally accepted accounting principles, of the
 2 revolving fund, [OR] the Alaska Industrial Development and Export Authority
 3 sustainable energy transmission and supply development fund (AS 44.88.660), or the
 4 Arctic infrastructure development fund (AS 44.88.810) as set out in the audited
 5 financial statements of the authority for the base fiscal year, excluding amounts
 6 attributable to intergovernmental transfers, capital contributions, grants, or impairment
 7 losses on development projects financed under AS 44.88.172.

8 * **Sec. 4.** AS 44.88.159(a) is amended to read:

9 (a) The interest rate on a loan purchased from the proceeds of tax-exempt
 10 bonds secured by the Alaska Industrial Development and Export Authority sustainable
 11 energy transmission and supply development fund (AS 44.88.660) under
 12 AS 44.88.650 - 44.88.690 or by the Arctic infrastructure development fund
 13 (AS 44.88.810) under AS 44.88.800 - 44.88.840 or a loan participation purchased
 14 from the proceeds of tax-exempt bonds or expected by the authority to be purchased
 15 from the proceeds of tax-exempt bonds under AS 44.88.155 shall be determined under
 16 the regulations adopted by the authority under AS 44.88.085(g)(2)(C) and shall be not
 17 less than the cost of funds to the authority. In this subsection, "cost of funds" means
 18 the true interest cost expressed as a rate on tax-exempt bonds of the authority plus an
 19 additional percentage as determined by the authority to represent the allocable
 20 expenses of operation, costs of issuance, and loan servicing costs.

21 * **Sec. 5.** AS 44.88.159(b) is amended to read:

22 (b) The interest rate on a loan purchased from the proceeds of taxable bonds
 23 secured by the Alaska Industrial Development and Export Authority sustainable
 24 energy transmission and supply development fund (AS 44.88.660) under
 25 AS 44.88.650 - 44.88.690 or by the Arctic infrastructure development fund
 26 (AS 44.88.810) under AS 44.88.800 - 44.88.840 or a loan participation purchased
 27 from the proceeds of taxable bonds under AS 44.88.155 or expected by the authority
 28 to be purchased from the proceeds of taxable bonds under AS 44.88.155 shall be
 29 determined under the regulations adopted by the authority under
 30 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In
 31 this subsection, "cost of funds" means the true interest cost expressed as a rate on

1 taxable bonds, plus an additional percentage as determined by the authority to
 2 represent the allocable expenses of operation, costs of issuance, and loan servicing
 3 costs.

4 * **Sec. 6.** AS 44.88.159(d) is amended to read:

5 (d) The provisions of this section apply only to a loan participation purchased
 6 under AS 44.88.155 - 44.88.159 or to a loan made under AS 44.88.650 - 44.88.690 or
 7 44.88.800 - 44.88.840.

8 * **Sec. 7.** AS 44.88.159(e) is amended to read:

9 (e) The interest rate on a loan made under AS 44.88.650 - 44.88.690 or
 10 44.88.800 - 44.88.840 or a loan participation purchased directly from the assets of the
 11 authority shall be determined under the regulations adopted by the authority under
 12 AS 44.88.085(g)(2)(C) and shall be not less than the total of a percentage as
 13 determined by the authority to represent the allocable expenses of operation and costs
 14 of loan origination and servicing, plus the cost of funds. In this subsection,

15 (1) "comparable financial security" means a type or category of
 16 financial security the authority identifies in the regulations adopted by the authority
 17 under AS 44.88.085(g)(2)(C) that has a term and financial conditions comparable to
 18 the term and financial conditions of a loan participation or a loan made under
 19 AS 44.88.650 - 44.88.690 or 44.88.800 - 44.88.840 and for which a regularly
 20 published, nationally recognized market index is available;

21 (2) "cost of funds" means the earnings, expressed as an annual interest
 22 rate, the authority would receive on a comparable financial security, and, for a loan
 23 participation or a loan made under AS 44.88.650 - 44.88.690 or 44.88.800 - 44.88.840
 24 with a fixed interest rate, the cost of funds must equal or exceed the minimum interest
 25 rate;

26 (3) "minimum interest rate" means the five-year return on investment
 27 funds of the authority, expressed as an annual interest rate, achieved by all internal and
 28 external investment managers of the authority combined.

29 * **Sec. 8.** AS 44.88.159(f) is amended to read:

30 (f) In determining an interest rate under the regulations adopted by the
 31 authority under AS 44.88.085(g)(2)(C), the authority may determine to disregard the

1 minimum interest rate required under (a), (b), or (e) of this section for a loan
 2 participation purchased by the authority or a loan made under AS 44.88.650 -
 3 44.88.690 or 44.88.800 - 44.88.840 to resolve lending limits or reserve restrictions
 4 imposed on the financial institution and may instead determine to retain the interest
 5 rate existing at the time the authority makes the loan or purchases the authority's loan
 6 participation.

7 * **Sec. 9.** AS 44.88.159(g) is amended to read:

8 (g) The authority may, in the regulations adopted by the authority under
 9 AS 44.88.085(g)(2)(C), establish a program to pay to borrowers of loan participations
 10 determined by the authority to meet sufficient job creation, rural development, Arctic
 11 infrastructure development, renewable energy development, or other economic
 12 development criteria incentive rate rebates of not more than one percent of the interest
 13 rate charged on the authority's portion of a loan participation. The following standards
 14 apply to the program:

15 (1) the payment of an incentive rate rebate may reduce the interest rate
 16 to a rate that is less than the minimum interest rate required under (a), (b), or (e) of this
 17 section;

18 (2) the authority may not commit to pay an incentive rate rebate for a
 19 proposed loan participation if the total of the amount of the proposed loan
 20 participation plus the combined outstanding balance of all loan participations for
 21 which the authority has committed to pay incentive rate rebates would exceed five
 22 percent of the total of the amount of the proposed loan participation plus the combined
 23 outstanding balance of all loan participations of the authority;

24 (3) an incentive rate rebate may not accrue for more than five years
 25 after the date the loan participation is purchased;

26 (4) the authority may establish a separate account for the incentive rate
 27 rebate program.

28 * **Sec. 10.** AS 44.88 is amended by adding new sections to read:

29 **Article 9A. Arctic Infrastructure Development.**

30 **Sec. 44.88.800. Arctic infrastructure development program.** The Arctic
 31 infrastructure development program is created in the authority to promote and provide

1 financing for Arctic infrastructure development.

2 **Sec. 44.88.810. Arctic infrastructure development fund.** The Arctic
3 infrastructure development fund is established in the authority. The fund consists of
4 appropriations made to the fund by the legislature, money or other assets transferred to
5 the fund by a majority vote of the members of the authority under AS 44.88.050 from
6 any other fund controlled by the authority, and unrestricted loan repayments, interest,
7 or other income earned on loans, investments, or assets of the fund. The fund is not an
8 account in the revolving fund established in AS 44.88.060, and the authority shall
9 account for the fund separately from the revolving fund. The authority may create
10 additional accounts in the fund. Subject to agreements made with the holders of the
11 authority's bonds or with other persons, the authority may transfer amounts in an
12 account in the fund to another account in the fund. Amounts deposited in the fund may
13 be pledged to the payment of bonds of the authority or expended for the purposes of
14 AS 44.88.800 - 44.88.840. The authority has the powers and responsibilities
15 established in AS 37.10.071 with respect to the investment of amounts held in the
16 fund.

17 **Sec. 44.88.820. Use of fund balance.** Subject to the requirements of
18 AS 44.88.800 - 44.88.840, the authority may use money in the Arctic infrastructure
19 development fund (AS 44.88.810) for Arctic infrastructure development.

20 **Sec. 44.88.830. Qualified infrastructure development; powers and duties**
21 **of the authority.** (a) Subject to the limitations of AS 44.88.840, for Arctic
22 infrastructure development the authority may

23 (1) use the Arctic infrastructure development fund (AS 44.88.810) to
24 finance Arctic infrastructure development, insure project obligations, guarantee loans
25 or bonds, and establish reserves;

26 (2) acquire real or personal property by purchase, transfer, or
27 foreclosure when the acquisition is necessary to protect the authority's interest in
28 financing;

29 (3) defer principal payments or capitalize interest on Arctic
30 infrastructure development;

31 (4) subject to AS 36.30.085(e), enter into lease agreements, sales-

1 lease-back agreements, build-operate-transfer and operate-transfer agreements, or any
2 similar project financing agreement for a qualified Arctic infrastructure development;

3 (5) enter into agreements with government entities for the transfer and
4 control of infrastructure, facilities, rights-of-way, and studies;

5 (6) contract for services with a professional advisor, including an
6 attorney, bond counsel, engineer, or other technical expert necessary to fulfill the
7 purposes of the program; and

8 (7) subject to AS 44.88.090, borrow money and issue bonds.

9 (b) The authority shall adopt regulations to implement AS 44.88.800 -
10 44.88.840, including

11 (1) a process for acquiring financing under this section;

12 (2) qualifications for Arctic infrastructure development projects
13 applying for financing under this section; and

14 (3) fiscal controls and accounting procedures for the fund.

15 **Sec. 44.88.840. Limitations on financing.** (a) Unless the authority has
16 obtained legislative approval by law, the authority may not use the Arctic
17 infrastructure development fund established in AS 44.88.810 to make

18 (1) a loan for more than one-third of the capital cost of an Arctic
19 infrastructure development; or

20 (2) a loan guarantee if the amount of the guarantee exceeds
21 \$20,000,000.

22 (b) Financing under AS 44.88.830 is limited to the projected life of the Arctic
23 infrastructure development, which may not be more than 40 years.

24 (c) Notwithstanding (a) of this section, the authority may use the Arctic
25 infrastructure development fund established in AS 44.88.810 as security for a bond
26 guarantee.

27 * **Sec. 11.** AS 44.88.900 is amended by adding new paragraphs to read:

28 (18) "Arctic" means the area of the state north of the Arctic Circle,
29 north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim
30 Rivers, all contiguous seas, including the Arctic Ocean, and the Beaufort, Bering, and
31 Chukchi Seas, and the Aleutian Chain;

1 (19) "Arctic infrastructure development" means

2 (A) the construction, improvement, rehabilitation, or expansion
3 of a facility

4 (i) in the Arctic to aid in development or meet
5 emergency response needs; or

6 (ii) in the state if the construction, improvement,
7 rehabilitation, or expansion supports or furthers the development of a
8 facility in the Arctic; or

9 (B) the construction, improvement, rehabilitation, or expansion
10 of a shore-based plant, facility, or equipment used in support of a fishery in the
11 Arctic.

*Adopted
4/19/14*

28-LS1246B
Martin
4/19/14

**HOUSE CS FOR CS FOR SENATE BILL NO. 140(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATOR MCGUIRE

A BILL

FOR AN ACT ENTITLED

1 **"An Act creating the Arctic infrastructure development program and fund in the**
2 **Alaska Industrial Development and Export Authority; and relating to dividends from**
3 **the Alaska Industrial Development and Export Authority."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 44.88.088(a) is amended to read:

6 (a) The authority shall adopt a policy for payment of a dividend from the
7 revolving fund, [AND A DIVIDEND FROM] the Alaska Industrial Development and
8 Export Authority sustainable energy transmission and supply development fund
9 (AS 44.88.660), and the Arctic infrastructure development fund (AS 44.88.810) to
10 the state each fiscal year. The dividends for a fiscal year shall be made available by the
11 authority before the end of that fiscal year. The authority shall notify the
12 commissioner of revenue when the dividends for a fiscal year are available for
13 appropriation. The amount of the dividend payable from the

14 (1) revolving fund for a fiscal year may not be less than 25 percent nor

1 more than 50 percent of the net income of the revolving fund for the base fiscal year;
2 however, in no event, may the dividend payable from the revolving fund for a fiscal
3 year exceed the total unrestricted net income of the revolving fund for the base year;

4 (2) Alaska Industrial Development and Export Authority sustainable
5 energy transmission and supply development fund (AS 44.88.660) for a fiscal year
6 may not be less than 25 percent nor more than 50 percent of the net income of the
7 Alaska Industrial Development and Export Authority sustainable energy transmission
8 and supply development fund for the base fiscal year; however, [IN NO EVENT,
9 SHALL] the dividend payable from the Alaska Industrial Development and Export
10 Authority sustainable energy transmission and supply development fund for a fiscal
11 year may not exceed the total unrestricted net income of the Alaska Industrial
12 Development and Export Authority sustainable energy transmission and supply
13 development fund for the base year;

14 **(3) Arctic infrastructure development fund (AS 44.88.810) for a**
15 **fiscal year may not be less than 25 percent nor more than 50 percent of the net**
16 **income of the Arctic infrastructure development fund for the base fiscal year;**
17 **however, the dividend payable from the Arctic infrastructure development fund**
18 **for a fiscal year may not exceed the total unrestricted net income of the Arctic**
19 **infrastructure development fund for the base year.**

20 * Sec. 2. AS 44.88.088(b)(2) is amended to read:

21 (2) "net income" means the change in net position, or the equivalent
22 term under generally accepted accounting principles, of the revolving fund, [OR] the
23 change in net position of the Alaska Industrial Development and Export Authority
24 sustainable energy transmission and supply development fund (AS 44.88.660), or the
25 **change in net position of the Arctic infrastructure development fund**
26 **(AS 44.88.810)** as set out in the audited financial statements of the authority for the
27 base fiscal year, excluding amounts attributable to intergovernmental transfers, capital
28 contributions, grants, or impairment losses on development projects financed under
29 AS 44.88.172;

30 * Sec. 3. AS 44.88.088(b)(3) is amended to read:

31 (3) "unrestricted net income" means the unrestricted change in net

1 position, or the equivalent term under generally accepted accounting principles, of the
2 revolving fund, [OR] the Alaska Industrial Development and Export Authority
3 sustainable energy transmission and supply development fund (AS 44.88.660), or the
4 Arctic infrastructure development fund (AS 44.88.810) as set out in the audited
5 financial statements of the authority for the base fiscal year, excluding amounts
6 attributable to intergovernmental transfers, capital contributions, grants, or impairment
7 losses on development projects financed under AS 44.88.172.

8 * **Sec. 4.** AS 44.88.159(a) is amended to read:

9 (a) The interest rate on a loan purchased from the proceeds of tax-exempt
10 bonds secured by the Alaska Industrial Development and Export Authority sustainable
11 energy transmission and supply development fund (AS 44.88.660) under
12 AS 44.88.650 - 44.88.690 or by the Arctic infrastructure development fund
13 (AS 44.88.810) under AS 44.88.800 - 44.88.840 or a loan participation purchased
14 from the proceeds of tax-exempt bonds or expected by the authority to be purchased
15 from the proceeds of tax-exempt bonds under AS 44.88.155 shall be determined under
16 the regulations adopted by the authority under AS 44.88.085(g)(2)(C) and shall be not
17 less than the cost of funds to the authority. In this subsection, "cost of funds" means
18 the true interest cost expressed as a rate on tax-exempt bonds of the authority plus an
19 additional percentage as determined by the authority to represent the allocable
20 expenses of operation, costs of issuance, and loan servicing costs.

21 * **Sec. 5.** AS 44.88.159(b) is amended to read:

22 (b) The interest rate on a loan purchased from the proceeds of taxable bonds
23 secured by the Alaska Industrial Development and Export Authority sustainable
24 energy transmission and supply development fund (AS 44.88.660) under
25 AS 44.88.650 - 44.88.690 or by the Arctic infrastructure development fund
26 (AS 44.88.810) under AS 44.88.800 - 44.88.840 or a loan participation purchased
27 from the proceeds of taxable bonds under AS 44.88.155 or expected by the authority
28 to be purchased from the proceeds of taxable bonds under AS 44.88.155 shall be
29 determined under the regulations adopted by the authority under
30 AS 44.88.085(g)(2)(C) and shall be not less than the cost of funds to the authority. In
31 this subsection, "cost of funds" means the true interest cost expressed as a rate on

1 taxable bonds, plus an additional percentage as determined by the authority to
2 represent the allocable expenses of operation, costs of issuance, and loan servicing
3 costs.

4 * **Sec. 6.** AS 44.88.159(d) is amended to read:

5 (d) The provisions of this section apply only to a loan participation purchased
6 under AS 44.88.155 - 44.88.159 or to a loan made under AS 44.88.650 - 44.88.690 **or**
7 **44.88.800 - 44.88.840.**

8 * **Sec. 7.** AS 44.88.159(e) is amended to read:

9 (e) The interest rate on a loan made under AS 44.88.650 - 44.88.690 **or**
10 **44.88.800 - 44.88.840** or a loan participation purchased directly from the assets of the
11 authority shall be determined under the regulations adopted by the authority under
12 AS 44.88.085(g)(2)(C) and shall be not less than the total of a percentage as
13 determined by the authority to represent the allocable expenses of operation and costs
14 of loan origination and servicing, plus the cost of funds. In this subsection,

15 (1) "comparable financial security" means a type or category of
16 financial security the authority identifies in the regulations adopted by the authority
17 under AS 44.88.085(g)(2)(C) that has a term and financial conditions comparable to
18 the term and financial conditions of a loan participation or a loan made under
19 AS 44.88.650 - 44.88.690 **or 44.88.800 - 44.88.840** and for which a regularly
20 published, nationally recognized market index is available;

21 (2) "cost of funds" means the earnings, expressed as an annual interest
22 rate, the authority would receive on a comparable financial security, and, for a loan
23 participation or a loan made under AS 44.88.650 - 44.88.690 **or 44.88.800 - 44.88.840**
24 with a fixed interest rate, the cost of funds must equal or exceed the minimum interest
25 rate;

26 (3) "minimum interest rate" means the five-year return on investment
27 funds of the authority, expressed as an annual interest rate, achieved by all internal and
28 external investment managers of the authority combined.

29 * **Sec. 8.** AS 44.88.159(f) is amended to read:

30 (f) In determining an interest rate under the regulations adopted by the
31 authority under AS 44.88.085(g)(2)(C), the authority may determine to disregard the

1 minimum interest rate required under (a), (b), or (e) of this section for a loan
 2 participation purchased by the authority or a loan made under AS 44.88.650 -
 3 44.88.690 or 44.88.800 - 44.88.840 to resolve lending limits or reserve restrictions
 4 imposed on the financial institution and may instead determine to retain the interest
 5 rate existing at the time the authority makes the loan or purchases the authority's loan
 6 participation.

7 * **Sec. 9.** AS 44.88.159(g) is amended to read:

8 (g) The authority may, in the regulations adopted by the authority under
 9 AS 44.88.085(g)(2)(C), establish a program to pay to borrowers of loan participations
 10 determined by the authority to meet sufficient job creation, rural development, Arctic
 11 infrastructure development, renewable energy development, or other economic
 12 development criteria incentive rate rebates of not more than one percent of the interest
 13 rate charged on the authority's portion of a loan participation. The following standards
 14 apply to the program:

15 (1) the payment of an incentive rate rebate may reduce the interest rate
 16 to a rate that is less than the minimum interest rate required under (a), (b), or (e) of this
 17 section;

18 (2) the authority may not commit to pay an incentive rate rebate for a
 19 proposed loan participation if the total of the amount of the proposed loan
 20 participation plus the combined outstanding balance of all loan participations for
 21 which the authority has committed to pay incentive rate rebates would exceed five
 22 percent of the total of the amount of the proposed loan participation plus the combined
 23 outstanding balance of all loan participations of the authority;

24 (3) an incentive rate rebate may not accrue for more than five years
 25 after the date the loan participation is purchased;

26 (4) the authority may establish a separate account for the incentive rate
 27 rebate program.

28 * **Sec. 10.** AS 44.88 is amended by adding new sections to read:

29 **Article 9A. Arctic Infrastructure Development.**

30 **Sec. 44.88.800. Arctic infrastructure development program.** The Arctic
 31 infrastructure development program is created in the authority to promote and provide

1 financing for Arctic infrastructure development.

2 **Sec. 44.88.810. Arctic infrastructure development fund.** The Arctic
 3 infrastructure development fund is established in the authority. The fund consists of
 4 appropriations made to the fund by the legislature, money or other assets transferred to
 5 the fund by a majority vote of the members of the authority under AS 44.88.050 from
 6 any other fund controlled by the authority, and unrestricted loan repayments, interest,
 7 or other income earned on loans, investments, or assets of the fund. The fund is not an
 8 account in the revolving fund established in AS 44.88.060, and the authority shall
 9 account for the fund separately from the revolving fund. The authority may create
 10 additional accounts in the fund. Subject to agreements made with the holders of the
 11 authority's bonds or with other persons, the authority may transfer amounts in an
 12 account in the fund to another account in the fund. Amounts deposited in the fund may
 13 be pledged to the payment of bonds of the authority or expended for the purposes of
 14 AS 44.88.800 - 44.88.840. The authority has the powers and responsibilities
 15 established in AS 37.10.071 with respect to the investment of amounts held in the
 16 fund.

17 **Sec. 44.88.820. Use of fund balance.** Subject to the requirements of
 18 AS 44.88.800 - 44.88.840, the authority may use money in the Arctic infrastructure
 19 development fund (AS 44.88.810) for Arctic infrastructure development.

20 **Sec. 44.88.830. Qualified infrastructure development; powers and duties**
 21 **of the authority.** (a) Subject to the limitations of AS 44.88.840, for Arctic
 22 infrastructure development the authority may

23 (1) use the Arctic infrastructure development fund (AS 44.88.810) to
 24 finance Arctic infrastructure development, insure project obligations, guarantee loans
 25 or bonds, and establish reserves;

26 (2) acquire real or personal property by purchase, transfer, or
 27 foreclosure when the acquisition is necessary to protect the authority's interest in
 28 financing;

29 (3) defer principal payments or capitalize interest on Arctic
 30 infrastructure development;

31 (4) subject to AS 36.30.085(e), enter into lease agreements, sales-

1 lease-back agreements, build-operate-transfer and operate-transfer agreements, or any
2 similar project financing agreement for a qualified Arctic infrastructure development;

3 (5) enter into agreements with government entities for the transfer and
4 control of infrastructure, facilities, rights-of-way, and studies;

5 (6) contract for services with a professional advisor, including an
6 attorney, bond counsel, engineer, or other technical expert necessary to fulfill the
7 purposes of the program; and

8 (7) subject to AS 44.88.090, borrow money and issue bonds.

9 (b) The authority shall adopt regulations to implement AS 44.88.800 -
10 44.88.840, including

11 (1) a process for acquiring financing under this section;

12 (2) qualifications for Arctic infrastructure development projects
13 applying for financing under this section; and

14 (3) fiscal controls and accounting procedures for the fund.

15 **Sec. 44.88.840. Limitations on financing.** (a) Unless the authority has
16 obtained legislative approval by law, the authority may not use the Arctic
17 infrastructure development fund established in AS 44.88.810 to make

18 (1) a loan for more than one-third of the capital cost of an Arctic
19 infrastructure development; or

20 (2) a loan guarantee if the amount of the guarantee exceeds
21 \$20,000,000.

22 (b) Financing under AS 44.88.830 is limited to the projected life of the Arctic
23 infrastructure development, which may not be more than 40 years.

24 (c) Notwithstanding (a) of this section, the authority may use the Arctic
25 infrastructure development fund established in AS 44.88.810 as security for a bond
26 guarantee.

27 * **Sec. 11.** AS 44.88.900 is amended by adding new paragraphs to read:

28 (18) "Arctic" means the area of the state north of the Arctic Circle,
29 north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim
30 Rivers, all contiguous seas, including the Arctic Ocean, and the Beaufort, Bering, and
31 Chukchi Seas, and the Aleutian Chain;

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(19) "Arctic infrastructure development" means

(A) the construction, improvement, rehabilitation, or expansion of a facility

(i) in the Arctic to aid in development or meet emergency response needs; or

(ii) in the state if the construction, improvement, rehabilitation, or expansion supports or furthers the development of a facility in the Arctic; or

(B) the construction, improvement, rehabilitation, or expansion of a shore-based plant, facility, or equipment used in support of a fishery in the Arctic.

Arctic Boundary as defined by the Arctic Research and Policy Act (ARPA)

All United States and foreign territory north of the Arctic Circle and all United States territory north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers; all contiguous seas, including the Arctic Ocean and the Beaufort, Bering and Chukchi Seas; and the Aleutian chain.¹



Credit: US Arctic Research Commission

Acknowledgement: Funding for this map was provided by the National Science Foundation through the Arctic Research Mapping Application (armap.org) and Contract #0520837 to CH2M HILL for the Interagency Arctic Research Policy Committee (IARPC).

Map author: Allison Gaylord, Nuna Technologies. May 27, 2009.

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Senator Lesil McGuire

Sponsor Statement

CS SB 140 (FIN)
28-LS1246\E

"An Act creating the Arctic Infrastructure and development program and fund in the Alaska Industrial Development and Export Authority; and relating to dividends from the Alaska Industrial Development and Export Authority."

Globally, all eyes are on the Arctic. The World Economic Forum has recently identified Arctic Infrastructure development as one of the top Four (4) challenges facing the regions. Alaska's future is in the Arctic, and in order for Alaskans to capitalize on the incredible opportunities and overcome the significant challenges that this region presents, we must begin to build infrastructure now.

Aside from a few areas in Norway and the Russian Federation the Arctic as a whole remains vastly underserved by transportation, ports, communication, emergency response, defense and other critical infrastructure. For further development to occur, which Alaskans deserve, both public and private interests must come together to boost the investment in the Arctic.

For these reasons I have introduced Senate Bill 140, *Arctic Infrastructure Development Fund ("AIDF")*. SB 140 expands AIDEA's tool bag by extending the same authority for loans, loan guarantees, bonds and bond guarantees that it currently utilizes in the energy sector via the SETS fund (AS 44.88.650- 690) in order to develop Infrastructure in the Arctic. AIDEA used SETS to facilitate the financing of the Interior Energy Project. This tool helps to create the public-private partnerships that are needed to encourage large investment in capital intensive infrastructure.

SB 140 extends AIDEA's existing power to finance, or facilitate the financing of projects to the realm of Arctic Infrastructure by granting the Authority the ability to:

1. Insure project obligations and guarantee loans or bonds for projects.
2. Defer principle payments and capitalize interest.
3. Offer financing terms of up to 40 years.

4. Enter into lease agreements, sales-lease-back agreements, build-operate-transfer agreements and other agreements to finance Arctic infrastructure projects.
5. Finance certain aspects of Fisheries in the Arctic.

Many of these powers already provide flexible terms that can reduce the ultimate cost of energy (via the SETS program) to consumers, and if it can work in the energy realm, it can work for infrastructure. However, CSSB 140 (L&C) also requires legislative approval for investments that are more than one-third of a project's capital costs or if a loan guarantee exceeds \$20 Million. By subjecting certain investments to legislative approval, CSSB 140 (L&C) maintains an appropriate level of due diligence for projects.

By making financing available we can empower communities and attract a global pool of investment that is an alternative to the traditional grant model that too often underfunds projects and leads to delays. Relying on credit also ensures that sponsors have some skin in the game and a stake in the project's success. Most importantly, we expand the arena of where Alaskan assets are working in order to grow our own economy. Currently, many of Alaska's savings accounts are invested in stocks and bonds that drive economic activity outside of Alaska. SB 140 suggests instead that some of those savings be invested here in Alaska through AIDEA, not as blank checks for development, but as investments for our future in Arctic Infrastructure.

For the purposes of this Act, I propose that this program and fund focus infrastructure development in the geographical definition of the Arctic as laid out in Arctic Research and Policy Act (amended 1990). That definition includes the area of the State of Alaska north of the Arctic Circle, north and west of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers, all contiguous seas, including the Arctic Ocean, and the Beaufort, Bering, and Chukchi Seas, and the Aleutian chain.

With AIDF I am proposing that the State expand AIDEA's existing authority to finance, or facilitate the financing of, Arctic Infrastructure.

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CS SB140 (FIN) Arctic Infrastructure Development Fund (AIDF) Sectional Analysis 28-LS1246\E

Section 1. AS 44.88.088(a) is amended

- Page 1, Line 5 thru Page 2, Line 19.
 - This section establishes that the Alaska Industrial Development and Export Authority (AIDEA) shall adopt a policy for payment of a dividend from the Arctic infrastructure development fund (AS 44.88.810) to the state each fiscal year.
 - The dividend may not be less than 25% nor more than 50% of the net income of the fund.
 - This puts the AIDF in-line with AIDEA's sustainable energy transmission and supply development fund (SETS) (AS 44.88.660).

Section 2. AS 44.88.088(b)(2) is amended

- Page 2, Lines 20-29
 - This section defines "net income" for the purposes of this chapter.
 - The definition now includes the AIDF.

Section 3. AS 44.88.088(b)(3) is amended

- Page 2, line 30 thru Page 3, line 7
 - This section defines "unrestricted net income" for the purposes of this chapter.
 - The definition now includes the AIDF

Sections 4-8 AS 44.88.159(a)(b)(d)(e)(f) are amended

- Page 3, Line 8 thru Page 5, Line 6
 - These sections make conforming changes to include loans from the Arctic Infrastructure Development fund to existing statues regarding interest rates and other requirements for loans from funds managed by AIDEA.
 - These changes place the same requirements on the AIDF that currently exist for the SETS fund.

Section 9 AS 44.88.159(g) is amended

- Page 5, lines 7-27
 - This section adds the AIDF to the types of programs to pay borrowers of loan participation the Authority may establish.

Section 10 AS 44.88 is amended to add a new section

- Page 5, line 29 thru Page 6, line 1 (AS 44.88.800)
 - This section establishes the Arctic Infrastructure Development Program and fund.
 - The purpose of this fund is to promote and provide financing for Arctic Infrastructure development.
- Page 6, line 2-16 (AS 44.88.810)
 - This section defines what the fund consists of:
 - Direct appropriations made by the legislature
 - Money or assets transferred to the fund by AIDEA from any other fund controlled by AIDEA
 - These transfers would require a majority vote by the members of the authority- essentially an action by the Board of Directors
 - Unrestricted loan repayments
 - Interest
 - Other income earned by the fund
 - Investment or assets of the fund.
 - This section also allows separate accounts to be established within the fund and managed by AIDEA.
 - This section establishes the AIDF and clarifies that it is not part of the revolving fund.
- Page 6, lines 17-19 (AS 44.88.820)
 - Clarifies that the fund will be used for Arctic Infrastructure development.
- Page 6, lines 20 thru Page 7, line 21 (AS 44.88.830)
 - Establishes the Powers and Duties of the authority regarding the AIDF
 - This section mirrors the Powers and Duties of the SETS fund.
 - Allows AIDEA to use the AIDF for:
 - Finance Arctic Infrastructure development
 - Insure project obligations
 - Guarantee loans or bonds
 - Establish reserves.
 - Acquire real or personal property by
 - Purchase, transfer, or foreclosure
 - Defer principle payments or capitalize interest on Arctic Infrastructure development

- Enter into lease agreements, sales-lease-back agreements, build-operate-transfer and operate-transfer agreements or similar financing agreements
 - Enter into agreements with government entities for the transfer and control of infrastructure, facilities, rights-of-way, and studies
 - Allows contract services
 - Allows the fund to borrow money or issue bonds
 - Allows AIDEA to use the fund to provide loan guarantees of no less than \$7,000,000 and no more than 1/3 of the capital cost of the project for:
 - Purchase or repair of vessels used in federally managed fisheries
 - The purchase of quota shares or individual fishing quota used in federally managed fisheries in the Arctic.
 - Directs AIDEA to establish regulations to implement the fund
- Page 7, lines 22 thru Page 8, Line 2 (AS 44.88.840)
 - Establishes the limitations on financing in the AIDF
 - Provides that legislative authority would be needed to go beyond the limitations set forth in this section, the Authority may not use the AIDF to make the following:
 - A loan for more than 1/3 of the capital cost of the development
 - A loan guarantee if the amount of the guarantee exceeds \$20 Million
 - Financing for more than 40yrs
 - Notwithstanding (a) of this section (legislative approval) the Authority can use the fund as security for a bond guarantee.

Section 11. AS 44.88.900 is amended

- Page 8, lines 2-19
 - Defines “Arctic” in a geographical boundary similar to the boundary set forth in the Arctic Region Policy Act (ARPA)
 - North of the Arctic Circle
 - North and West of the boundary formed by the Porcupine, Yukon, and Kuskokwim Rivers
 - All contiguous seas including
 - The Arctic Ocean
 - Beaufort, Bering and Chukchi Seas
 - The Aleutian Chain
- Page 8, Lines 7-19
 - Defines “Arctic Infrastructure development”
 - The definition includes the “construction, improvement, rehabilitation, or expansion of a facility” for two purposes:
 - In the Arctic to aid in development or meet emergency response needs
 - In the State to further the development of a facility in the Arctic.

- The fund can be used for construction, improvement, rehabilitation, or expansion of a shore-based plant, facility, or equipment used in support of a fishery in the Arctic.

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CS SB 140 28-LS1246\E

Explanation of changes

Section 1. 44.88.088(a)

- Page 1, Line 5 thru Page 2, Line 19
 - This section of existing statute establishes that the Alaska Industrial Development and Export Authority (AIDEA) shall adopt a policy for payment of a dividend to the state each fiscal year from two existing funds.
 - Line 9: adds the Arctic infrastructure development fund (AS 44.88.810) to the list of funds that repay a dividend each year to the state.
 - Page 2, Lines 14- 19 define the amount of the dividend from the AIDF: the dividend may not be less than 25% nor more than 50% of the net income of the fund.
 - This section puts the AIDF in-line with AIDEA's sustainable energy transmission and supply development fund (SETS).

Section 2. AS 44.88.088(b)(2)

- Page 2, Lines 20-29
 - This section of existing statute defines "net income"
 - Lines 24-26: inserts the Arctic infrastructure development fund

Section 3. AS 44.88.088(b)(3)

- Page 2, line 30 thru Page 3, line 7
 - This section defines "unrestricted net income" for the purposes of this chapter.
 - Page 3, lines 3-4: inserts the Arctic infrastructure development fund

Sections 4-9: No change

Section 10. AS 44.88

- Page 5, line 29 thru Page 8, line 2
 - Page 6, line 5:
 - Following “fund”
 - Insert: “by a majority vote of the members of the authority under AS 44.88.050 from any other fund controlled”
 - This change clarifies that AIDEA is authorized to transfer money or assets from other funds it controls if there is a majority vote of the members, which constitutes an action of the Board of Directors.
 - Page 7 lines 9-15
 - This subsection allows the fund to be used to provide loan guarantees for:
 - The purchase or repair of vessels used in a federally managed fishery
 - The purchase of quota shares or individual quota used in a federally managed fishery in the Arctic
 - The loan guarantees cannot, without legislative approval, be less than \$7,000,000 nor more than 1/3 of the capital cost of the project.
 - Page 7, Line 18:
 - Delete: “an application”
 - Insert: “a”
 - This reduces the encumbrance of an application being filled out, but the due diligence on the applicant and the project remain unchanged.

Section 11. AS 44.88.900

- Page 8, lines 4-18
 - Page 8, Line 8-18: A new definition of “Arctic Infrastructure Development” is established.
 - (19) “Arctic infrastructure development” means
 - (A) the construction, improvement, rehabilitation, or expansion of a facility [IN THE ARCTIC OF A PORT, ROAD, ENERGY PROJECT, HANGAR, OR FACILITY TO AID IN DEVELOPMENT OR MEET EMERGENCY RESPONSE NEEDS].
 - (i) In the Arctic to aid in development or meet emergency response needs; or
 - (ii) In the state if the construction, improvement, rehabilitation, or expansion supports or furthers the development of a facility in the Arctic.

- The removal of the list of types of facilities in (19)(A) was done to ensure that the list was inclusive, rather than exclusive, of unforeseen future infrastructure needs.
- The addition of (19)(A)(ii) was done to ensure that the fund was authorized to help finance infrastructure needs in all areas of the state that may be necessary to support the development of infrastructure in the Arctic.
- The addition of (19)(B) was done to ensure that the shore-based plant, facility, or equipment used to support a fishery in the Arctic was included in the same financing limitations as other shore-based infrastructure in the Arctic under Section 10 (AS 44.88.840) (Page 7, line 22- thru Page 8, line 2) of this bill.



PRELIMINARY REPORT

TO THE ALASKA STATE LEGISLATURE

SUBMITTED JANUARY 30, 2014

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960 ***5.3 Planning and Infrastructure***

961 *Introduction*

962 A full analysis of Planning and Infrastructure requires a collection and review of cross-border,
963 national, state, regional and community economic development plans, transportation plans, and
964 strategic planning documents.¹⁴ The goal should be to identify ways in which multiple levels of
965 planning are integrated and coordinated to support economic and community development, and
966 response operations, in the Alaskan Arctic. Planning and Infrastructure should accommodate:

- 967 • Ports, Harbors, Places of Refuge, and Anchorages
- 968 • Telecommunications, Aids to Navigation, and Data Acquisition and Sharing
- 969 • Emergency Management and Response
- 970 • Transportation and Access to Resources
- 971 • Energy Extraction, Production and Delivery
- 972 • Human Resources, Workforce Development, Research, Education and Training
- 973 • Sewer and Water

974 Critical to our understanding of these areas is the extent to which they are inter-linked as
975 fundamental building blocks of sustainable development in the Alaskan Arctic. The vast majority
976 of work to date in these areas has been intermittent (conducted on a project by project basis),
977 uncoordinated (unresponsive to a direct point of contact or leadership team) and independent
978 (unable to take into account inter-modal and cross-sector assets or processes). In order to ensure
979 future prosperity in the Arctic, Alaska must implement strategic, integrated, and intentional
980 planning that results in safe, secure, affordable, efficient, and reliable activities.

981 *Background*¹⁵

982 When considering planning and infrastructure in the Alaskan Arctic, it is important to understand
983 the scope of the region, its resources and broader issues of concern. The coastline from Dutch
984 Harbor in the Aleutians to Barrow on the North Slope is the same distance as the coastline from
985 Maine to the southern tip of Florida. Within the Alaskan Arctic, there is a vast array of resources.

986 2012 saw the lowest level of summer sea ice, covering only 3.4 million square kilometers. Sea
987 ice recovered somewhat in 2013, however the overall trend is decreasing sea ice at an aerial
988 extent of 2.7% per decade and accelerating. Predictions are wide-ranging, but there could be a
989 completely ice-free Arctic ocean (in summer months) as early as the 2030's. As ice melts,
990 shipping though the Arctic will increase. Businesses can reduce shipping costs by as much as
991 40% using Arctic routes rather than the Suez Canal. While this is still not (and may not ever be)
992 a major shipping route, there is increasing activity – mainly along the Northern Sea Route (along

¹⁴ See Panel Appendix C Reference list

¹⁵ Adapted from the Alaska Northern Waters Task Force final report, which continues to be relevant

993 Russia's northern coast) and through the Bering Strait. According to the U.S. Committee on the
994 Marine Transportation System, a record 46 vessels transited the Northern Sea Route in 2012
995 compared to 36 in 2011 and 4 in 2010. According to Russian officials, 71 vessels transited the
996 NSR in 2013.¹⁶ In 2012, 1.2 million tons of cargo, up 50% from 2011, was shipped through the
997 Northern Sea Route. In Alaska, and specifically the Bering Sea, vessel traffic is also increasing.
998 Between 2008 and 2012, vessel transits in the Bering Sea rose from 220 to 480. On top of
999 minimal communication equipment, poor weather forecasts, and poor sea ice predictions, the
1000 nearest emergency response facilities are located in Anchorage, Kodiak and Dutch Harbor,
1001 which are at least 635 miles away from the maritime Arctic Circle. There is a critical need to
1002 improve infrastructure along the coast to support search-and-rescue efforts and oil spill response
1003 to keep up with additional marine traffic and other human activity.

1004 Clearly, the Arctic is experiencing profound change as it is confronted with the increasingly
1005 evident forces of globalization and climate change, as well as new economic challenges for its
1006 communities. But this area is not new to the world. Indigenous peoples have been living in the
1007 Arctic for thousands of years. It is home to many Alaska Native cultures that rely on subsistence
1008 hunting and fishing. It is also an area of heightened environmental importance. Even in a region
1009 that is characterized by harsh climates, extreme weather conditions, and times of constant light
1010 followed by constant darkness, there is an abundance of life.

1011 Increasing changes and activity in the Alaskan Arctic are likely to hold enormous implications
1012 for both existing and future construction of infrastructure. The ability to better predict and
1013 understand the effects of phenomena such as widespread thawing of permafrost will help Alaska
1014 prepare for considerable maintenance issues on existing roads, airports, buildings, and pipelines.
1015 Just as importantly, it will aid engineers when it comes to properly siting, designing, and
1016 constructing new infrastructure capable of withstanding future changes in their specific
1017 environments. The Alaska Department of Transportation and Public Facilities (ADOTPF) have
1018 also examined these important concerns in their report on the "Impact of Climate Change on
1019 Alaska's Transportation Infrastructure."¹⁷

1020 These changes pose significant challenges to some communities in Arctic coastal and riverine
1021 areas, most notably those located along the Bering and Chukchi Seas. A number of communities
1022 are threatened with increased rates of coastal erosion and flooding as a result of storm activity
1023 and battered shorelines once protected by shore-fast ice. These problems could become chronic
1024 as the climate warms, seasonal sea ice retreats, and destructive coastal storms become more
1025 frequent. These important concerns have been recognized in reports issued by the state of
1026 Alaska's Climate Change Subcabinet Immediate Action and Adaptation work groups.

¹⁶ See reference, <http://news.nationalgeographic.com/news/energy/2013/11/131129-arctic-shipping-soars-led-by-russia/>

¹⁷ See reference, <http://climate.dot.gov/documents/workshop1002/smith.pdf>

Planning and Infrastructure

1027 Immediate investment in Arctic infrastructure is a priority for Alaska and is relevant to the
1028 interests of the entire United States. Alaska will need to explore ways to attract substantial
1029 sources of capital investment in addition to state and federal funding. Action is needed to enable
1030 the responsible development of resources; facilitate, secure, and benefit from new global
1031 transportation routes; and safeguard Arctic residents and ecosystems. This investment will
1032 improve the safety, security, and reliability of transportation in the region—a goal established by
1033 the U.S. Arctic Policy signed by President Bush in 2009 and included in the 2013 U.S. National
1034 Strategy for the Arctic Region.

1035 Over the last 50 years, the state (through the Village Safe Water program within the Alaska
1036 Department of Environmental Conservation) and its federal funding partners (EPA, USDA Rural
1037 Development and Indian Health Service) have supported community sanitation systems in rural
1038 Alaska. However, DEC reports that the cost of addressing rural sanitation needs has increased
1039 substantially in recent years while annual funding has decreased substantially. If this long-term
1040 trend continues, many rural Alaska homes will never receive adequate water and sewer service,
1041 and many others will lose service as resources will be insufficient to replace all aging
1042 infrastructure.

1043 With transformation in the Arctic calling for a broad spectrum of new facilities on such a large
1044 scale, the state of Alaska must take an active role in regional planning efforts with communities
1045 and their stakeholders, while also keeping in mind the maintenance and upkeep of existing
1046 infrastructure. This will help communities develop local strategies and ensure that the state is
1047 getting the most return on investment for local projects. Some communities may not have the
1048 resources to adequately prepare for the future, and the state should take this opportunity to help
1049 increase local capacity for the benefit of all Alaskans.

1050 *Discussion and Considerations*

1051 Alaska is on a cusp; declining oil production and the reliance on that revenue stream have
1052 minimized the development of other resources and the infrastructure necessary for that
1053 development. Regardless of whether the development is of oil, gas, methane gas hydrates,
1054 minerals, geothermal, other renewable resources or the development of transportation
1055 capabilities, a new focus on the development of a statewide *infrastructure system* is necessary
1056 and timely. Regionalizing such a system – and beginning with emerging challenges and future
1057 scenarios in the Arctic – allows planning to take place that recognizes local and community
1058 concerns, prioritizes local resources differently, and provides the greatest leverage to address
1059 localized challenges and the greatest amount of opportunity. Infrastructure contributes to
1060 *economic growth* (acting through both supply and demand) as well as a peoples' quality of life.

1061 The state of Alaska, then, should consider as a fundamental aspect of its Arctic policy the active
1062 development of Arctic infrastructure.¹⁸ Indeed, a robust Arctic infrastructure system is the best
1063 answer to economic development planning. This will require the state to make public
1064 infrastructure investment decisions based on three components: good economic practices
1065 ensuring financial stability; minimizing the impact on the land ensuring environmental
1066 sustainability; and assuring the impact on the peoples of Alaska is always positive.

1067 The primary concern should be the meaningful evaluation of – and investment in – response
1068 capacity. Alaska must take a leadership role in its emergency management systems in order to
1069 reduce uncertainty. A tiered approach whereby Alaska is able to identify primary, secondary and
1070 tertiary response assets is warranted. Included in the mix should be consideration of private
1071 and/or industry-owned assets, which may be closer to an impacted area than public resources.

1072 Increasing attention should be paid to communications and navigational aids, as well as
1073 mapping, hydrography, and bathymetry. The state of Alaska can facilitate this to a large extent,
1074 working with federal partners and industry. The same is true for data sharing, increased research
1075 collaboration, and private-public partnerships in acquisition and value-added products.

1076 It is worth recognizing that differences in proximity, risk, geography, and scale of challenge
1077 make evaluation of response capacity and the need for infrastructure difficult—there is not a one-
1078 size-fits-all approach to infrastructure development.

1079 Infrastructure development must be responsive to social, environmental and cultural impacts as a
1080 core element of sustainable development. This is important not only for transportation
1081 infrastructure, but for energy development and transmission. Furthermore, accessibility of high
1082 speed internet in rural communities is still a major obstacle for participation in decision making
1083 and is needed to foster more innovation for sustainable businesses in rural villages, and to inspire
1084 the state's young people to return after college.

1085 Creative funding strategies (i.e., public-private partnerships) for infrastructure cannot be ignored.
1086 Much of the critical infrastructure throughout the North is under the same influences of time,
1087 climate change and dwindling resources – planning should occur accordingly. At the same time,
1088 investments in infrastructure should be leveraged—an intermodal approach and layering of
1089 resources has a multiplier effect on infrastructure development and a direct impact on economic
1090 and community development. In addition, planning and infrastructure development needs to
1091 account for global supply chains and staging infrastructure outside Alaska.

1092 Lack of adequate water and sewer service is posing a serious health risk in a number of
1093 communities in rural Alaska including in the Arctic. Residents without running water and flush
1094 toilets have a significantly higher incidence of serious infection than persons with sanitation

¹⁸ See Appendix A "Alaska Northern Waters Task Force" - Findings and Recommendations Pg. 18

Planning and Infrastructure

1095 service. Approximately 4,500 households in rural Alaska lack running water and flush toilets and
1096 many of the 30,000 homes currently connected to systems are in jeopardy of losing service due
1097 to system age, deterioration, and harsh weather conditions.

1098 Finally, Alaska's greatest resource is its people, who should be prepared to compete beyond the
1099 state for opportunities around the world. Only in this way can Alaska ensure its competitiveness.
1100 Adequate funding for education from pre-kindergarten through college will be necessary, as well
1101 as investment in technical trainings.

1102 *Conclusion: Policy Recommendations*

1103 Strategic Recommendations

- 1104 • Conduct a comprehensive Arctic region economic and infrastructure assessment and
1105 planning process that integrates local, regional, state and federal planning efforts.
- 1106 • Encourage the development of an inter-agency and inter-governmental working group
1107 tasked with working with multiple levels of stakeholders to develop and implement a
1108 prioritization, funding and implementation mechanism for constructing and maintaining
1109 infrastructure and economic development.

1110 Other Recommendations

- 1111 1. Sub-area plans have identified response sites but there is not enough funding to place
1112 container vans for all sites. Additionally, current planning does not identify public and
1113 private or industry-owned assets. Local communities are not up to date with National
1114 Incident Management System/Incident Command System (NIMS/ICS) nor are first
1115 responders trained in HAZWOPER, etc.
 - 1116 A. The state of Alaska should work with industry to identify and develop primary,
1117 secondary and tertiary response infrastructure (and corresponding equipment) and
1118 train and sustain first responders.
 - 1119 B. The state of Alaska should recognize that local contingency plans listing assets must
1120 be included in the Sub-area plans.
- 1121 2. In federal waters the U.S. Coast Guard is in charge of navigational aids; NOAA and the
1122 U.S. Army Corps of Engineers are charged with mapping and bathymetry; and the Alaska
1123 Department of Natural Resources (DNR) is responsible for this in state lands. The private
1124 sector is also collecting data on leased areas.
 - 1125 A. The state of Alaska should support, invest in and complete increased communications
1126 and navigational infrastructure, mapping, hydrographic and bathymetry with data
1127 shared using collaborative research and private-public partnerships.

- 1128 B. The state of Alaska should coordinate with internal and external agencies and gather
1129 private sector data for completion of mapping, hydrographic and bathymetry data
1130 sharing.
- 1131 3. Each region or community has their own separate plans for infrastructure development,
1132 but these plans are not incorporated into a holistic Alaska Arctic plan. Infrastructure
1133 development should be responsive to social, environmental and cultural impacts and that
1134 intermodal infrastructure should benefit economic and community development.
- 1135 A. The state of Alaska should initiate a comprehensive Arctic region economic and
1136 infrastructure assessment and plan.
- 1137 B. The state of Alaska should include in such a plan criteria (that identifies proximity,
1138 risk, geography and scale of challenge to include intermodal infrastructure) from
1139 which projects could be prioritized.
- 1140 4. The state is operating under a banner of fiscal constraint – state, federal and local budgets
1141 are dwindling – while the vast majority of (and increasing) infrastructure projects are in
1142 the millions of dollars.
- 1143 A. The state of Alaska should establish infrastructure funding mechanisms for multiple
1144 infrastructure projects and should include incentives for cross-project planning and
1145 for public-private partnerships.
- 1146 5. The Alaskan Arctic's hub communities have regional training facilities. Some programs
1147 are for high school students only or for adults only.
- 1148 A. The state of Alaska should create additional programs for adults and students in
1149 vocational training.
- 1150 B. The state of Alaska should develop Arctic workforce development and education
1151 opportunities for Alaska's workforce, to include ice navigation, marine mammal
1152 observation, spill response, SAR, pilotage, and engineering.
- 1153 6. The state and federal governments should continue to work together to assure reliable
1154 delivery of adequate water and sewer service in all Alaska Arctic communities.
- 1155 A. Alaska should work with interested parties within the United States and other Arctic
1156 nations to investigate alternative approaches that are less costly to build, operate and
1157 maintain in small Arctic communities.
- 1158 B. Alaska should continue to encourage the U.S. Department of State to include
1159 fostering new technological approaches for in-home water and sewer infrastructure as
1160 part of the agenda for the U.S. chairmanship of the Arctic Council in 2015-17.
- 1161

CITY OF SEWARD
P.O. BOX 167
SEWARD, ALASKA 99664-0167



- Main Office (907) 224-4050
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- City Clerk (907) 224-4046
- Community Development (907) 224-4049
- Utilities (907) 224-4050
- Fax (907) 224-4038

February 26, 2014

Honorable Members of the Alaska State Legislature,

The Alaska Arctic Policy Commission has worked to ensure that our state has a strong voice in influencing Federal Arctic Policy to recognize the needs of Alaska. In doing so it has also identified opportunities that we can take advantage of on our own without federal concurrence or intervention.

One such opportunity is also a need and that is for the development of viable infrastructure in and in support of the Arctic region. Like all infrastructures, this comes with a price and SB140/HB288 identifies a viable method for financing necessary development through the Alaska Industrial Development and Export Authority.

The City of Seward supports these bills and recognizes that if we as a State are to be successful in the Arctic, we must have response capability and access to resources that can only be realized at a deep water port in the Arctic. We also recognize that developing such port or ports will require logistic and staging area support from outside the immediate Arctic region, and we must be prepared to address that need as well. If we as a state cannot provide that basic level of support, we fear that entities outside of the State of Alaska will do so instead. It would be a sad statement for our entry into the Arctic to be launched by another state.

The city requests your support for passage of SB140 and companion HB288 as a capitalization mechanism to develop the port infrastructure necessary to prosper in the Arctic.

Thank you for the opportunity to comment and for your work in making the Arctic opportunities a reality.

Respectfully yours,

A handwritten signature in cursive script that reads "James Hunt".

James Hunt
City Manager,
Seward, Alaska

Raymond Watson, Chairperson
Myron P. Naneng Sr., President
Phone: (907) 643-7300
Fax: (907) 643-3369
Web: www.avcp.org

AVCP

Association of Village Council Presidents
Administration
Pouch 219, Bethel, AK 99559

The Voice of the Region



Akiachak
Akiak
Alakanuk
Andreafsky
Aniak
Atnautluk
Bethel
Bill Moore's Sl.
Cheforak
Chevak
Chusthaluk
Chuloonawick
Crooked Creek
Eek
Emmonak
Georgetown
Goodnews Bay
Hamilton
Hooper Bay
Lower Kalskag
Upper Kalskag
Kasigluk
Kipnuk
Kongiganak
Kotlik
Kwethluk
Kwigillingok
Lime Village
Marshall
Mekoryuk
Mtn. Village
Napaimiut
Napaklak
Napaskiak
Newtok
Nightmute
Nunakuyak
Nunam Iqua
Nunapitchuk
Ohogamiut
Oscarville
Paimiut
Pilot Station
Pitka's Point
Platinum
Quinhagak
Red Devil
Russian Mission
Scammon Bay
Sleetmute
St. Mary's
Stony River
Tuluksak
Tuntuliak
Tununak
Urukumiut

March 18, 2013

The Honorable Lesil McGuire
Alaska State Legislature
State Capitol Room 103
Juneau AK, 99801

RE: Letter of Support for SB 140 Arctic Infrastructure and Development Fund for the Alaska Industrial Development and Export Authority

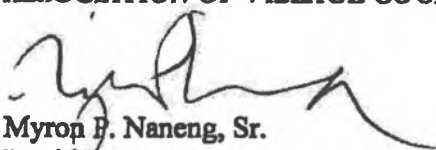
Dear Senator McGuire:

Thank you for sponsoring Senate Bill 140 "An Act creating the Arctic Infrastructure and development program and fund in the Alaska Industrial Development and Export Authority."

The Association of Village Council Presidents (AVCP) is a tribal 501(c)(3) non-profit organization based in Bethel, Alaska. AVCP serves and represents 56 federally recognized tribes that reside in small isolated villages scattered throughout the Yukon-Kuskokwim Delta in an area that is approximately 59,000 square miles, roughly the size of the State of Oregon.

AVCP supports SB 140 and the investment it would create in much needed Arctic infrastructure and economic development in Arctic Alaska. AVCP especially supports the fisheries provision within SB 140 which creates increased local ownership of Alaska fisheries as we believe this provision will create much needed jobs and economic development in our rural villages.

Sincerely,
ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS


Myron P. Naneng, Sr.
President



Senator Lesil McGuire
Office of Senator McGuire
Rules Committee Chair
State Capitol, Room 103
Juneau, AK 99801-1182

February 27, 2014

Dear Senator McGuire:

Thank you for sponsoring Senate Bill 140 "An Act creating the Arctic Infrastructure and development program and fund in the Alaska Industrial Development and Export Authority." As you are aware through your work as a Senator and Co-Chair of the Alaska Arctic Policy Commission, there are significant infrastructure needs in rural Alaska and the Arctic in particular. High energy costs, lack of transportation infrastructure (roads and ports), lack of broadband, etc. are significant barriers to developing the economy of Arctic communities and pose challenges protection of subsistence resources, safe maritime transportation and resource development in the Arctic. Addressing these existing gaps in basic infrastructure will require significant investment.

NANA Regional Corporation, Inc. (NANA) is one of the 13 Regional Alaska Native corporations created pursuant to the Alaska Native Claims Settlement Act (ANCSA) of 1971. NANA has more than 13,500 shareholders descended from the Iñupiat of Northwest Alaska, 6,000 of which live within the NANA region. The Arctic is and will continue to be our home for many generations to come. NANA's mission is to improve the quality of life for our people by maximizing economic growth, protecting and enhancing our lands, and promoting healthy communities with decisions, and behaviors inspired by our Iñupiat Iñitqusi values consistent with our core principles.

NANA works to evaluate how it can enhance lands and utilize other resources to improve the economic conditions for its shareholders in Northwest Alaska while protecting our subsistence culture and resources. We sought, and continue to seek partners to work with us in this mission. As a region we recognize how AIDEA can play a critical role in resource development projects through infrastructure development like the Delong Mountain Transportation System. Our work evaluating the barriers to economic development has shown that the most significant challenges in developing the economy or in being prepared to protect our subsistence and human resources are the high cost of energy and lack of infrastructure. Tackling these challenges will require public and private partnerships and direct investment from the state and federal governments. AIDEA can continue to be an important part of the solution for the Arctic through SB 140.

Sincerely,

Marie N. Greene

President and CEO

CC:

Senator Donny Olson

Representative Ben Nageak

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
Barrow, Alaska 99723
Phone: 907 852-2611 or 0200
Fax: 907 852-0337 or 2595



Charlotte E. Brower, Mayor

March 19, 2014

The Honorable Lesil McGuire
Alaska State Senate
State Capital Room 103
Juneau, Alaska 99801

Subject: Support for Senate Bill 140

Dear Senator McGuire:

This letter is to express support for SB140, an Act creating the Arctic Infrastructure and development program and fund in AIDEA. Your efforts to call attention to the need for Arctic infrastructure as the Co-Chair of the Alaska Arctic Policy Commission are greatly appreciated.

As the world looks toward the Arctic for future development, there is a growing need for the development of infrastructure in order to meet the demands of public and private concerns. Everything from basic logistics, staging, marine servicing, communications, emergency response, and transportation systems are currently lacking.

All levels of government – federal, state, and municipal – will need to work in conjunction with the private sector to plan, design, permit, finance, and build all these systems. The mechanisms in SB140 are a good way to begin to set up a means for all of these entities to join forces. Through the use of loans, loan guarantees, and access to low-cost capital, AIDEA can provide the tools to start public-private partnerships.

Thank you for this opportunity to offer our support for this legislation.

Sincerely,

Charlotte Brower, Mayor
North Slope Borough

cc: Senator Donald Olson
Representative Ben Nageak



March 20, 2013

The Honorable Lesil McGuire
State Capitol Room 103
Juneau AK, 99801

The Honorable Peter Micciche
State Capitol Room 125
Juneau AK, 99801

RE: Letter of Support for SB 140 Arctic Infrastructure and Development Fund for AIDEA

Dear Senator McGuire and Senator Micciche:

Thank you for your recent efforts on Senate Bill 140 "An Act creating the Arctic infrastructure development program and fund in the Alaska Industrial Development and Export Authority." Lack of infrastructure in the Arctic represents a significant barrier to economic development.

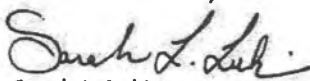
Pt Public Policy (PtPP) is at the forefront of international, national, and statewide Arctic policy. PtPP is part of the Pt Capital family of companies, which collectively are focused on responsibly developing the Arctic through thoughtful policy, global investment, public private partnerships, and working with Alaska Native corporations and rural Alaska villages.

PtPP supports SB 140; a progressive economic development and infrastructure bill sponsored by Senator McGuire that strengthens the capabilities of AIDEA to invest in Arctic resource development, international shipping and trade, and fisheries through infrastructure development, financing, and public and private partnerships.

AIDEA currently does not have the authority to finance fisheries, the third largest industry in Alaska. Importantly, Senator Micciche introduced an Amendment in the Senate Labor and Commerce Committee to include a provision in SB 140 focused on increasing local ownership of Alaskan fisheries by combining the State of Alaska's strong credit rating and low cost of capital to provide Alaskans more affordable large-scale fisheries financing. This fisheries provision is consistent with the broader bill and makes it a much stronger bill. The fisheries provision will spur economic development and create jobs, especially in coastal communities within Alaska, and urge more of Alaska's fisheries to be owned by Alaskans. The beauty of the provision is that it provides these benefits without a subsidy and limited risk to the State. The profits earned by Alaskan fisheries will stay largely in Alaska, positively affecting the broader Alaska economy.

Thank you for your time and your efforts on behalf of Alaska's Arctic and Alaska fisheries.

Sincerely,
PT PUBLIC POLICY, LLC


Sarah L. Lukin
Chief Operating Officer

188 West Northern Lights Boulevard, Suite 920
Anchorage, Alaska 99503
907.433.6600



TRIMBLE STRATEGIES, LLC

1407 W. 31st Ave. Suite 500 – Anchorage, Alaska 99503 | Phone (907) 351-5785 | www.trimblestrategies.com

The Honorable Senator Mike Dunleavy,
Chair, Alaska Senate Labor and Commerce Committee

I am writing to you today to express support for the passage of SB 140 that would create an Arctic Infrastructure Program/ Fund within AIDEA. The Arctic is the future of Alaska, and we must invest in infrastructure now if we are to have a place of meaning in the new global frontier that is the Arctic region. Industry has responded to the call of public investment with the Interior Energy Project and the time is now to further additional public-private investments within Alaska. The era of “easy money” is approaching its end in our state and the age of “smart money” is now upon us. Enabling AIDEA through the creation of an Arctic Infrastructure Program/ Fund and the additional powers that SB 140 provides is an investment in “smart money” for the future of Alaska. I appreciate your consideration in seeing this important opportunity for Alaska’s future become a reality.

Sincerely,

Stephen Trimble | President
Trimble Strategies, LLC