

SCOMM

#50:9

Red Dog funds may be tied to airport bonds

Daily News reporter

JUNEAU — The House Loans Committee on Tuesday discussed options for attaching a measure to aid the proposed Red Dog mine to a bill authorizing the sale of bonds for improvements to Anchorage International Airport.

The proposed amendment to the bill would authorize the Alaska Industrial Development Authority to sell up to \$175 million worth of bonds to finance construction of a road and port to serve the proposed zinc mine north of Kotzebue.

The original bill would authorize the sale of \$86.5 million worth of bonds for improvements to the main Anchorage airport.

Linking the Red Dog bonds to the airport bonds would make it more difficult for Anchorage legislators to vote against the Red Dog proposal.

Rep. John Sund, D-Ketchikan and chairman of the loans committee, said

the Sheffield administration, which has requested the aid for Red Dog, asked that the Red Dog bond authorization be attached to the airport bonds.

The administration has requested the Red Dog bond authorization be approved with no legally binding conditions attached to it, but the loans committee discussed making the bond authorization contingent on AIDA and the mine developers satisfying several requirements.

The loans committee took no action on the Red Dog proposal but Sund said the committee will continue the discussion on Thursday.

The proposed mine would be developed by Cominco Ltd., a Canada-based international mining company, in partnership with the Kotzebue-based NANA Regional Corp., which owns the mineral deposit.

Cominco has agreed verbally to repay the state \$260 million over 30 years in the form of user fees for the road

and port. That would make state financing of the mine transportation system a low-interest loan with an effective subsidy of tens of millions of dollars.

Under the loans committee staff proposal for bonding conditions, Cominco would have agreed to pay road and port user fees that ensure a "reasonable return on the state's investment." Cominco would have to agree to an accelerated user-fee payment plan if zinc prices rise above a level AIDA determines would yield a "reasonable profit" to Cominco.

Terry Elder, deputy commissioner of the state Department of Commerce and Economic Development, told committee members the proposed conditions on bond authorization could leave the state vulnerable to lawsuits from opponents of the project who might disagree with the administration on what constitutes a reasonable return to the state and a reasonable profit for Cominco.

Alaska State Legislature

Red Dog



House of Representatives

Committee on Loans

POUCH V
JUNEAU, ALASKA 99811

PHONE
(907) 465-4919
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TUESDAY, APRIL 16, 1985
3:30 p.m.
Capitol Room 124 (House Judiciary)

- * HB 105 "An Act relating to the international airports revenue bonds authorization; and providing for an effective date."

Loan Program Funding for FY 86.

For more information, contact JOHN HARTLE
CAPITOL ROOM 411
465-4919

* Indicates first public hearing.



Official Business

COMMITTEE:

House Loans Committee

DATE: 4/16/85

SIGN-IN

Subject of meeting:

HB105 w/ AIDA and
Loan Funding

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Terry Elder	Pouch D	465-2502	D CED	yes
But Wagner	1577 C. ST SEITE 304	465 274-1651	AK Fed. Dev. A.I.A.	Yes
Phil Barnett	419 6th St., Suite 21, JNU	586-2751	Sierra Club Legal Defence Fund	yes
Ron Lind	Pouch Z	465-3911	DOT & PF	-
BRIAN ALLEN	P.O. Box 73075 Fairbanks AK 99707	Juneau: 586-2345	Alaska Environ. Lobby	yes if
H.M. Gregorich	6522 Lukewy, Anchorage	243-0908	Commoner Alaska	required
Don ARGETSINGER	4706 Harding Dr. Anchorage	248-3070	NANA	If Required

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
April 16, 1985
3:30 p.m.

Members Present: Representative John Sund, Chair
Representative Jack Fuller
Representative Sam Cotten
Representative Rick Uehling
Representative Jim Duncan

COMMITTEE CALENDAR

HB 105 "An Act relating to the international airports revenue bonds authorization; and providing for an effective date." (Also Red Dog amendment.)

WITNESS REGISTER

Bert Wangnon, Executive Director
Alaska Industrial Development Authority
1577 "C" Street, Suite 304
Anchorage, AK 99501
274-1651
Position Statement: Testified in favor of Red Dog amendment

Representative Steve Frank
Pouch V
Juneau, AK 99811
465-3709
Position Statement: Questions and comments

Terry Elder, Deputy Commissioner
Department of Commerce and Economic Development
Pouch D
Juneau, AK 99811
465-2502
Position Statement: Testified in favor of Red Dog amendment

Don Argetsinger
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030
Position Statement: Testified in favor of Red Dog amendment

Mary Nordale, Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811
465-2300

Position Statement: Testified in favor of Red Dog amendment

PREVIOUS ACTION

HB 105: Read the first time 01/23/85 with Governor's Transmittal Letter and referred to TRSP Rpt 3DP INR, Loans Referral added on 04/10/85, State Loans, Finance and Rules; fiscal note with analysis in Supplement #7. Previous hearings regarding Red Dog Mine by Loans Committee 2/8/85 (joint with Resources), 3/26/85 and 3/27/85.

ACTION NARRATIVE

TAPE #21, SIDE ONE
Recording
Number 001

The meeting was called to order at 3:33 p.m. by Chairman Sund. Members present included Representative Sund, Representative Uehling, Representative Fuller, and Representative Cotten. Representative Duncan arrived at 3:45 p.m. Representative Frank also attended. Chairman Sund said that the committee would be considering bond authorization for AIDA in the form of amendments to HB 105.

Number 056

Mr. Terry Elder, Deputy Commissioner for DCED, explained what the proposed amendments would do to HB 105. He said they would give AIDA the authority to issue bonds or notes for the financing of the DeLong Mountain Transportation Project in an amount not to exceed \$175 million. He added that there also are other amendments proposed by the committee staff that outline conditions that have to be met before the bonds can be sold.

Number 089

Chairman Sund asked what is the statutory requirement that the Legislature approve AIDA's bonding authority.

Number 095

Mr. Bert Wagon, Executive Director of AIDA, answered that, according to AS 44.88.090, every project exceeding \$50 million must be approved by the Legislature.

Number 155

Chairman Sund started to go through the conditions outlined in the amendment, stating that bonds or notes may not be issued until certain conditions are met. He asked if bond council would be available to

address the applicability of the amendments.

Number 170

Mr. Wagon said that, although bond council had not yet reviewed these specific amendments, AIDA does not feel that any of the conditions destroy the tax exemption. He added that they wanted to avoid creating a direct link between Cominco's tariff payments and the debt service on the bonds, because that may jeopardize the tax exempt status of the bonds.

Number 210

Chairman Sund asked Mr. Elder and Mr. Wagon for their reactions to the proposed conditions.

Number 215

Mr. Elder said that there are some wording problems, for example in item 1c, stating that payments by Cominco, Ltd., to the state will be accelerated. He said that "state" should be replaced with "AIDA". In item 4, he said that they wouldn't want to have to obtain a revenue ruling that all of the bonds would qualify as tax exempt. He suggested deleting everything from "obtains" through "status". He added that the conditions had given them heartburn but that, since they do not destroy the tax exempt status, AIDA would like to see the committee move ahead with them.

Number 265

Chairman Sund said that, since there is no finance plan, the conditions act as a "comfort factor" for the committee.

Number 270

Mr. Elder said that, when things like "reasonable profit" are included in the conditions, his concern would be the possibility of litigation in the future.

Number 278

Representative Uehling asked Mr. Elder if he would make suggestions as to what should be changed.

Number 281

Mr. Elder said that his suggestion would be to include the conditions in a letter of intent, instead of putting them into law. He said that the committee could still accomplish its objectives without the threat of litigation.

Number 295

Chairman Sund asked if AIDA's intention to buy the road corridor from Nana at fair market value was part of the plan all along.

- Number 300 Mr. Wagnon answered that detailed plans had not yet been worked out, but that he was also surprised to learn of this, because in tentative discussions with Nana, they had talked in terms of easements, rights of way, and long term lease arrangements, but not actually buying the land.
- Number 315 Chairman Sund asked why they wouldn't pursue fee simple ownership of the land.
- Number 320 Mr. Wagnon answered that it would be against Nana's corporate philosophy to dispose of any of their land.
- Number 323 Representative Cotten said that, since the road would benefit Nana, it seems strange that AIDA would have to buy the land. He suggested excluding the words "more than fair market value" and include the word "cost", and after the word land include the words "and materials".
- Number 344 Mr. Elder said that, if the legislature is that specific about what should be a negotiable item, they may run the risk of legal problems leading to loss of the contract.
- Number 350 Chairman Sund pointed out that there is no contract.
- Number 355 Mr. Elder said no, but this would be in essence forming a contract.
- Number 360 Representative Frank said that, if Nana wants the state to provide beneficial financing, then they should be willing to put up their part of the deal.
- Number 365 Mr. Wagnon answered that Nana and AIDA have not yet agreed on what the cost will be. He said that, besides the land, there is also the material involved, and Nana will control the vast amount of material (gravel, rip rap, rock.) He said it wouldn't be appropriate for the state to say that they were going to obtain land for free that belongs to a private corporation. Some of these negotiations should not be put into statute.
- Number 380 Chairman Sund said that the committee is trying to give AIDA the authority to issue

bonds, and since AIDA has not given any specifics on these issues, the committee coming up with guidelines to give AIDA direction and make the committee more comfortable.

Number 389

Representative Duncan asked if the land in the national monument has been conveyed to Nana by the Dept. of Interior yet.

Number 400

Mr. Don Argetsinger, Vice President of Nana Regional Corporation, answered that the road would go through land owned by Nana, state land, and it is proposed to go across 15 miles of the monument. He said that they had looked at two options:

(1) to try to get a right of way from the Secretary of Interior with the approval of Congress to go across the monument; and

(2) to do a land exchange between Nana and the Park Service. They chose the second option. Once this is done, they would grant a right of way to AIDA, with an agreed upon fee for the use of the right of way and the materials. He said that it is against corporate policy to sell the land, and the materials cannot be given away because they are share with other regional corporations. Appraisals would be done to determine the value of the land and gravel.

Number 439

Chairman Sund asked if Nana feels that the state should pay fair market value for these things, or if not, what the cost would be.

Number 442

Mr. Argetsinger answered that Nana feels that they need to get a fair market value price, independently determined, for the right of way.

Number 449

Mr. Elder said these kinds of questions are inappropriate for the legislature to consider, since they should be between AIDA and Nana. He added that it is not without precedent to buy materials from a regional corporation.

Number 453

Chairman Sund said that the committee is trying to get an idea of what is being contemplated, and they are not inappropriate.

- Number 464 Representative Duncan said that it looks to him as though the language talks about fair market value, and that Nana is talking about fair market value, so that it is not likely to end up being less.
- Number 470 Mr. Elder answered that there is no reason why Nana should not be compensated for the land and the materials, but that according to the wording, it could be any amount from zero to fair market value.
- Number 480 Representative Frank asked if the project cost estimate includes the cost of materials.
- Number 483 Mr. Wagnon said that the costs had been broken down for the materials, but he could not say exactly what the total is.
- Number 490 Chairman Sund asked for Mr. Argetsinger's comments on number 2 of the conditions, pertaining to the monument land exchange.
- Number 495 Mr. Argetsinger said that Nana is optimistic that the deal will go through.
- Number 498 Representative Uehling asked if the language in numbers 2 or 3 would restrict Nana in their negotiations.
- Number 500 Mr. Argetsinger answered no problem.
- Number 514 Representative Frank asked if the land being given up is larger or smaller than the land Nana would get in exchange, or if it is an acre for acre exchange.
- Number 516 Mr. Argetsinger answered that it is almost an acre for acre exchange. Nana will give up about 900 acres more than they are getting in exchange.
- Number 524 Representative Frank said that it seems inconsistent to be able to trade land but not sell it.
- Number 527 Mr. Argetsinger said that Nana does not feel that a sale is necessary, because they are achieving the same purpose as if they granted title to DOT.
- Number 535 Chairman Sund asked if there would be any problem with selling bonds to build a road

that will be on land not owned by AIDA.

Number 538 Mr. Wagnon answered that there would be no problem. It depends on the terms of the lease. AIDA will finance nothing unless the lease is 10 years beyond the amortization of the loan.

Number 551 Ms. Mary Nordale, Commissioner of Revenue, said that many states have built public roads on lease-hold right of ways.

Number 560 Chairman Sund asked Mr. Wagnon if he envisions the bond authorization to to more than build the road and port or if some funds will be held in abeyance for future roads.

Number 565 Mr. Wagnon said that AIDA wanted to make sure that they had other dedicated lands available because of possible additional users.

Number 575 Chairman Sund said that he thinks it is essential that the agreement regarding dedicated lands be between AIDA and Nana, but the question remains whether AIDA expects to spend additional money in that region without coming back to the Legislature.

Number 580 Mr. Wagnon said no, unless the proposed project is less than \$50 million.

Number 584 Representative Frank asked what is Nana's position regarding a proposed corridor going all the way across the state.

Number 608 Mr. Argetsinger that there has been talk about the potential to serve other claims in the area in the future.

CHANGE TAPE #21, SIDE TWO

Number 010 Chairman Sund asked Mr. Elder who the finance plan would be submitted to.

Number 013 Mr. Elder answered that it would be submitted to the Board of AIDA, the Governor, the Legislature, and the State Bond Committee, as required by AS 44.88.173.

Number 040 Chairman Sund asked about the toll schedule issue and the question of reasonable rate of

return (item #5). What, he asked, would AIDA do with the money if the project was a great success.

- Number 050 Mr. Wagnon answered that the money would go into the Economic Development Fund, and that the tentative plan is to have an agreement between AIDA and the state for funds to flow back to the state. The bond holders will have first call on the funds, however.
- Number 070 Chairman Sund asked how the funds would get from the Economic Development Fund into the General Fund.
- Number 073 Mr. Wagnon answered that it could be a loan agreement, or it could be subject to reappropriation annually, to leave it in the fund for future projects, etc.
- Number 091 Representative Duncan asked, if the money were left in the Economic Development Fund, would AIDA then be able to use it without legislative approval.
- Number 095 Mr. Wagnon said that, within the \$50 million limit, they could authorize bonds, but that it had never occurred to him that AIDA might have cash available in large amounts to spend on other projects.
- Number 098 Representative Duncan asked if this meant the Legislature would not need to do anything to keep AIDA from spending the money.
- Number 100 Mr. Wagnon answered yes, no special action would need to be taken.
- Number 138 Representative Cotton said that the committee isn't sure what AIDA is able to do with the cash that goes into the Economic Development Fund.
- Number 145 Mr. Wagnon said that legally he thinks AIDA could build a project without legislative approval if the cost was under \$50 million, but he would need to check the statutes to be sure.
- Number 157 Chairman Sund said, under item #5, he wants to know if periodic adjustments to the toll schedule could ever result in tolls going to zero, and if so, for what reasons.

- Number 165 Mr. Wagnon said that his opinion is that the project should be treated like the Brooklyn Bridge in that when you go across you pay a certain fee. Cominco, he added, has offered other proposals. One option is to bind Cominco contractually to make minimum tolls for a set number of years, after which the toll would be adjusted. It would be up to the AIDA Board at that time to determine what the tolls would be. Conceivably, the tolls could go to zero. The more conditions that are placed on the project, he said, the worse it will look to the bond council and the greater the chance of litigation. A letter of intent would be easier to deal with.
- Number 210 Representative Duncan said that zero tolls could not be construed to be a "reasonable return to the state", so zero tolls would not be an option under the language of the amendment.
- Number 215 Mr. Elder said that, at some time in the future, tolls may drop significantly because of an increase in the number of users.
- Number 245 Chairman Sund said that the Legislature will have to make up its mind as to whether it will build the road and port as a total grant, or whether the state will expect some money back, and if so, how much.
- Number 250 Mr. Elder said that there has never been any suggestion that it be a total grant.
- Number 255 Mr. Wagnon said that Cominco has agreed to pay user fees for the road and port of \$260 million over a 30 year period. This does not include Operation and Maintenance costs, which will always be paid by the users.
- Number 271 Chairman Sund asked what authority AIDA would have to impose continuing toll fees on Cominco after they have paid back the \$260 million.
- Number 275 Mr. Elder said that AIDA has the authority to negotiate a contract with Cominco that would settle those kinds of questions.
- Number 282 Mr. Wagnon said that AS 44.88.080 gives AIDA the authority to enter into such contracts.

- Number 295 Chairman Sund pointed out that there is no mechanism currently in place for the money to flow from the Economic Development Fund to anywhere else.
- Number 305 Mr. Elder said that reappropriation would be a mechanism for accomplishing this.
- Number 345 Mr. Wagnon said that probably the Economic Development Fund would be pledged for payment of the bonds.
- Number 355 Chairman Sund said that item #6 addresses the question of who would make sure that the conditions of the agreement are being met, and assigns this job to the Budget and Audit Committee.
- Number 364 Representative Duncan pointed out that the Budget and Audit Committee has limited powers, and #6 does not say what would happen after Budget and Audit gets the report.
- Number 370 Mr. Wagnon said that he has problems with the word "reasonable" and what this means.
- Number 407 Commissioner Nordale said that she is concerned about having the bond conditions incorporated in the authorization to issue the bonds. She suggested that Section 2 be ended at the end of the sentence (after "project") and another section be created stating that any financing plan approved by the Board of AIDA would incorporate to the extent feasible the following conditions. This would give them the leeway to deal with the ambiguities in the conditions.
- Number 490 There was discussion about having bond council available to answer questions and give advice, and about Commissioner Nordale's suggestions.
- Number 570 Chairman Sund said that a proposed CS for HB 105 would be prepared in time for a 3:00p.m. Thursday meeting.
- Number 579 The meeting was adjourned at 5:00 p.m.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
April 18, 1985
3:00 p.m.

Members Present: Representative John Sund, Chair
Representative Jack Fuller
Representative Rick Uehling
Representative Sam Cotten
Representative Jim Duncan

COMMITTEE CALENDAR

HB 105 "An Act relating to the international airports revenue bonds authorization; and providing for an effective date." (With Red Dog Amendment.)

WITNESS REGISTER

Terry Elder, Deputy Commissioner
DCED
Pouch D
Juneau, AK 99811
465-2502
Position Statement: Testified in favor of Red Dog.

Ken Vassar
Wohlforth and Flint
900 W. 5th Avenue, Suite 600
Anchorage, AK 99501
276-6401
Position Statement: Testified as Bond Council for AIDA.

Mary Nordale, Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811
465-2300
Position Statement: Observer.

David Kennedy
GCO Minerals Co.
1031 W. 4th Ave. #300
Anchorage, AK 99501
274-9541
Position Statement: Testified in favor of DeLong Mountains Transportation Project.

Brian Allen
Alaska Environmental Lobby
P.O. Box 73075

Fairbanks, AK 99707
586-2345

Position Statement: Opposed to DeLong Mountain Transportation Project.

Phil Barnett
Sierra Club Legal Defense Fund
419 6th Street, Suite 321
Juneau, AK 99801
586-2751

Position Statement: Opposed to DeLong Mountain Transportation Project.

Maureen Kennedy, Director
AKPIRG
P.O. Box 1093
Anchorage, AK 99510
278-3661

Position Statement: Posed questions regarding Red Dog.

Don Argetsinger
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK 99501
248-3030

Position Statement: Testified in favor of Red Dog.

PREVIOUS ACTION

HB 105: Read the first time 01/23/85 with Governor's Transmittal Letter and referred to TRSP Rpt 3DP 1NR, Loans Referral added on 04/10/85, State Loans, Finance and Rules; fiscal note with analysis in Supplement #7. Previous hearings regarding Red Dog Mine by Loans Committee 2/8/85 (joint with Resources), 3/26/85 and 3/27/85. HB 105 with Red Dog testimony heard by House Loans Committee on 4/16/85.

ACTION NARRATIVE

TAPE # 22, Side One
Recording
Number 001

The meeting was called to order by Chairman Sund at 3:12 p.m. Members present included Representative Sund, Representative Cotten, and Representative Fuller. Representative Uehling arrive at 3:35. Representative Duncan arrive at 3:44. Chairman Sund explained that CSHB 105 (Loans) adds three sections to the bill: Sec. 2 authorizes

AIDA to sell \$175 million in bonds to finance the DeLong Mountain Transportation Project; Sec. 3 lists the conditions that must first be met before the bonds are issued; and Sec. 4 requires AIDA to report annually to the Legislative Budget and Audit Committee, and to turn over to the Department of Revenue any toll money received in excess of what is required to pay off the bonds. This money would be deposited in the General Fund.

Number 107 Mr. Terry Elder, Deputy Commissioner for DCED, commended the committee for the work done on the CS. He said it would accomplish the goals laid out in the last meeting and also allow for work to proceed on the project. He said that he was pleased with the CS and supportive of it.

Number 140 Representative Cotten asked if Mr. Elder's view was also the position of the Administration.

Number 141 Mr. Elder answered yes, it is the Administration's position.

Number 142 Representative Cotten asked why the Administration did not introduce a bill that would allow the issue to be considered separately from the Anchorage Airport Bonds.

Number 145 Mr. Elder said that he did not know why.

Number 149 Mr. Ken Vassar of Wohlforth and Flint, Bond Council for AIDA, said that with respect to the Red Dog Project, AIDA has been retained by Cominco. For this reason, AIDA has retained the services of an independent bond council for the DeLong Mountain Transportation Project. He said that he would discuss the effects of this legislation on bond issuance and the ability of AIDA to issue bonds under the conditions outlined in the CS. He said that it appears to be a good bill with conditions that can be met without hindering or unnecessarily obstructing the issuance of the bonds.

Number 190 Chairman Sund asked Mr. Vassar what AIDA's bonding history is, and what do they call their bonds.

Number 195 Mr. Vassar responded that the term "revenue

bonds" refers to bonds where the debt service payments are secured solely by the revenue of the project being financed. Some of AIDA's bonds are secured in this way, but they also issue general obligation bonds of the Authority, in which case the bond holders also have the right to look to certain other assets for security for the bonds.

- Number 225 Chairman Sund asked, if the project goes ahead and bonds are sold, will any other of AIDA's assets be exposed.
- Number 230 Mr. Vassar answered that it would depend on how the project is put together. Typically, he added, AIDA pledges a particular fund.
- Number 238 Representative Cotten asked Mr. Elder what his intention is as far as what might be negotiated.
- Number 240 Mr. Elder said that they do not want to be restricted to Revenue bonds, but that it is the intention to pledge only the Economic Development Fund, its assets and cash flow.
- Number 250 Representative Cotten asked if there would be any difficulty for a bond sale if the legislature were to limit the ability of AIDA to pledge only the Economic Development Fund and the revenues from the project.
- Number 260 Mr. Vassar answered that the effect would be to limit the way that the transaction could be structured and so would limit AIDA's flexibility to put together a deal that would be optimally satisfactory in the marketplace.
- Number 270 Mr. Elder said that AS 44.88.172 (b) says that if a project is financed or developed through use of the assets of the Economic Development Fund, the Authority may not pledge or use other assets of the Authority to assist in the financing, development or operation of the project.
- Number 285 Representative Cotten asked if it was yet known how much the Legislature would be asked to put into the Economic Development Fund.
- Number 290 Mr. Elder answered that letters to Senator

Sturgulewski outline what the Legislature has been asked to do. This includes the appropriation of loans (\$130 million) from the Department of Revenue, roughly \$3 million that AIDA already has, and the authority to utilize funds already within AIDA for the project. This would include funds that are currently in multi-family housing programs that are in excess of the needs of that program (about \$12 million.)

- Number 300 Representative Cotten commented that this is money that would otherwise be available to the Legislature for reappropriation. He then added up the numbers, including \$18 million in revenue that would be produced from these loans in FY 86, for a total of \$33 million for FY 86 that would otherwise be available to the Legislature.
- Number 310 Mr. Elder confirmed that this would be the total and noted that the \$3 million and the \$12 million would be available only for reappropriation.
- Number 315 Representative Cotten asked Mr. Elder if the revenues from the loans would stay in the Economic Development Fund until they exceed the debt service requirement.
- Number 320 Mr. Elder said yes, this would be the case.
- Number 328 Chairman Sund asked Mr. Milt Barker, Deputy Commissioner of Treasury for the Department of Revenue, if anything being done by the committee with respect to this issue would affect the general obligating authority of ability of the state.
- Number 328 Mr. Barker answered that there would be no direct effect. General Obligation Bonds are secured and paid by General Fund appropriations, whereas these bonds are secured by project revenues and the Economic Development Fund. Therefore, these will not be counted toward the State's outstanding debt. However, if the project is a success, it would increase the state's debt capacity. If the project were a failure and the state agreed to pick up the tab, which it is in no way obligated to do, then the state's debt capacity would be affected.
- Number 364 Representative Cotten asked Mr. Vassar how

big the Economic Development Fund would have to be before money could be returned to the General Fund.

Number 379

Mr. Vassar answered that it is typical to have one year's average annual debt service in a fund like the Economic Development Fund. It is also typical that 15% of the principle amount of the bonds is considered a ceiling for what is reasonably required to be in such a fund.

Number 420

Mr. Brian Allen, volunteer for the Alaska Environmental Lobby, said that there were no public hearings on Red Dog during the 1984 session. He said that the Red Dog issue is important to the Environmental Lobby for four reasons:

- (1) because it affects natural resource conservation and development;
- (2) the development of the mine and transportation corridor should be sensible and environmentally responsible;
- (3) state subsidies are huge, and the state is going into the mining business with very little public debate or approval; and
- (4) the state should be cautious in giving so much power to AIDA. He also said that the Environmental Lobby is concerned about the health of the workers who may be mining the lead, and about the fact that the state will be making cash contributions to help the project along. The level of the subsidy, he said, depends on the tolls that will be paid by Cominco, and these have not yet been set. The longer the interval without toll payments from Cominco, the greater the state contribution to the project. He concluded by urging the State to wait until all the facts are in (i.e. the finance plan.)

Number 532

Mr. Phil Barnett, attorney for the Sierra Club Legal Defense Fund, testified that the legislation appears to be unconstitutional, because it would be committing future revenues to a certain project. This loan package, he said, does not fall into any category that has been used as an exception to the dedicated funds provision. The

method which the state is choosing to subsidize the project creates a constitutional problem.

- Number 563 Representative Uehling asked Mr. Barnett how this project differs from other loan funds that have been dedicated.
- Number 570 Mr. Barnett responded that those other loan funds were dedicated to be used for their original purpose (i.e. a revolving loan fund.) These loans, however, were set up to generate revenues for the state and also to accomplish whatever purposes underlie the original legislation.
- Number 581 Representative Uehling said that he does not see how this is any different.
- Number 588 Chairman Sund said that there are loan funds that revolve with the principle, some with the principle and interest, and some that don't revolve at all. None of the loan funds being considered for transfer from the Department of Revenue are revolving.
- Number 595 Mr. Barnett responded that this project shows the soundness of the prohibition of dedicated funds, that it is unclear what the amount of the subsidy is, and that the legislature should get an idea of what the subsidy is. Also, they should know if the bonds are tax-exempt or taxable, and what kind of agreement for repayment there will be with AIDA.
- Number 600 Chairman Sund asked Mr. Barnett if he saw any problem with the legislature making a direct appropriation to help finance the project.
- Number 605 Mr. Barnett responded that he saw no constitutional problem regarding dedicated funds with that approach. He added that he would urge the Legislature to approach the project like an investment, by making a direct appropriation and then charging tolls.
- Number 612 Representative Cotten expressed surprise that the Sierra Club is approaching the question of this project from a constitutional perspective, rather than environmental. He asked if the Sierra Club

is opposed to the mine or to the road.

Number 620 Mr. Barnett said that he was acting on behalf of the Environmental Lobby in reviewing the legislation. However, the Alaska Chapter of the Sierra Club is opposed to the location of the road corridor, i.e. through a national monument.

Number 625 Representative Cotten said that he had asked the question out of curiosity, with all due respect for the fact that Mr. Barnett had every right to testify in whatever way he chose.

Number 630 Representative Uehling asked Mr. Barnett if he had any objection to the language on page two regarding the National Monument.

Number 635 Mr. Barnett responded that the Sierra Club is opposed to the road going through the monument, but that he saw no legal problem with the language.

Number 649 Representative Cotten moved to adopt CSHB 105 (Loans), dated April 18, 1985. There were no objections and the CS was adopted.

Number 655 Representative Cotten then moved to delete the phrase "to the extent feasible" from page 2, line 1.

CHANGE TAPE #22, SIDE TWO

Number 001 Representative Duncan said that he would support the amendment with the understanding that the Finance Committee would have a chance to look at it.

Number 010 chairman Sund said that he would feel more comfortable if the language were deleted, then there would be an opportunity to see what the ramifications of this would be before the Finance Committee hearing. There were no objections, and the motion passed.

Number 068 Mr. David Kennedy, geologist for GCO Minerals, testified in favor of the DeLong Mountain Transportation Project, since GCO Minerals Co. and Noranda have the lick deposit about 12 miles N.W. of Red Dog. He said that there is need for a specific access guarantees for future users.

Number 145

Ms. Maureen Kennedy, Director of Alaska Public Interest Research Group (AKPIRG), said that AKPIRG is supportive of the Red Dog Mine itself, and believes that state participation is appropriate to get the project over the hump of marginal economics in the beginning. However, she said, there are many questions left unanswered, and that state involvement in the project is premature because of the uncertainties, such as the lack of a finance plan. She said that, although the Department of Revenue says that they anticipate the revenues coming from the loan portfolio will be about \$18 million this year. However, the Governor's budget indicates a \$31 million figure. AKPIRG's specific suggestions, she added, include the Legislature requiring Nana to make the land for the road available at no cost. The precise amount of the subsidy should also be quantified, and the combined users should be required to reimburse the state at the market rate of interest plus principle. She concluded by saying that, if the project is delayed and the "window of opportunity" is missed, then the state should be able to revoke the bond authorization. She suggested that the bond authorization automatically lapse after a certain date if bonds have not yet been issued, after which the Legislature can reconsider the issue.

Number 316

Representative Cotten said that Mr. Elder said that the total cost to the state this year would be \$33 million.

Number 320

Ms. Kennedy responded that she believed the figure should be \$46 million, to reflect \$31 million in revenues from the loan programs.

Number 352

Chairman Sund pointed out that the \$12 million from multi-family housing is already in AIDA and not in the General Fund. He went on to say that, regarding the cost of the land for the road corridor, the language saying "no more than fair market value" allows Nana to discuss the issue of what they want to charge for the lease of the land. He also said that he is not supportive of an arbitrary deadline, but that a mechanism for doing that is already built in, since bonds cannot be sold until the finance plan is completed.

Number 370

Representative Cotten moved to report out CSHB 105 (Loans), as amended, with individual recommendations. The motion passed with no objections.

Number 385

The meeting was adjourned at 4:35 p.m.

HOUSE SPECIAL COMMITTEE ON LOANS
Joint meeting with House Resources Committee
February 8, 1985
8:30 a.m.

Members Present:

Loans: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller

Resources: Representative Dick Shultz, co-chair
Representative Kay Wallis
Representative Dave Thompson
Representative Mike W. Miller
Representative Bette Cato
Representative Drue Pearce
Representative Roger Jenkins

Members Absent:

Loans: Representative Sam Cotten
Representative Jim Duncan

Resources: Representative Adelheid Herrmann

Also Present: Representative Steve Rieger
Representative Randy Phillips
Representative Steve Frank

COMMITTEE CALENDAR

Red Dog Mine: Cominco and Alaska Industrial Development Authority presentations.

WITNESS REGISTER

Bert Wagnon, Executive Director
Alaska Industrial Development Authority
1577 "C" Street, Suite 304
Anchorage, AK 99501
274-1651

Position Statement: Testified in favor of DeLong Mountains Transportation Project.

Hank Giegerich, President and General Manager
Cominco Alaska, Inc.
5660 "B" Street
Anchorage, AK 99502
563-3686

Position Statement: Testified in favor of Red Dog mine.

Bill Wilson, President
Cominco, Ltd.
Suite 2300

200 Granville St.
Vancouver, B.C. V6C2R2
No phone given
Position Statement: Testified in favor of Red Dog.

John Schaeffer, President
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030
Position Statement: Testified in favor of Red Dog

David S. Kennedy, Senior Geologist
GCO Minerals Co.
1031 W. 4th Ave.
Anchorage, AK
274-9541
Position Statement: Observer

Geoffrey Snow, President
Noranda Exploration, Inc.
139 E. 51st Ave.
Anchorage, AK
561-1036
Position Statement: Observer

ACTION NARRATIVE

Tape #5
Side 1
Recording
Number 001 Chairman Sund called the meeting to order at 8:35 a.m. Members present were Representatives Thompson, Jenkins, M.W. Miller, Cato, Shultz, Sund and Pearce. Representative Wallis arrived at 8:35, Representatives Uehling and Fuller arrived at 8:47. Chairman Sund introduced Bert Wagon, Executive Director of AIDA.

Number 020 Mr. Wagon testified on behalf of AIDA in favor of the DeLong Mountains Transportation Project, including a port and a 55 mile long road in Western DeLong Mountains area near Kevalina. Estimated costs are \$65 million for the port and \$85 million for the road. Proposed mineral development in the region includes Red Dog Mine. He added that the entire region is heavily mineralized with good potential for future development. AIDA is proposing to construct the transportation project and then charge user fees to all users. Initially, Cominco would be the only significant user. Mr. Wagon said that the \$150 million to build the project can come from tax exempt revenue bonds, loans to AIDA and possibly state grants. So far the \$3.4 million appropriation to AIDA by the legislature in 1984 has been used to pay for financial plan costs, engineering services, and miscellaneous AIDA expenses. An additional \$18 million state loan is in the governor's FY 86 budget request. Mr. Wagon justified the project on the grounds that it would bring jobs, tax revenues and increase economic stability to Alaska. He added that there has been a resolution of intent

between the Department of Commerce and Cominco. A RFP for the finance plan has been distributed (deadline 2/15/85,) as well as a RFP for civil engineering services.

Number 150 Representative Thompson asked Mr. Wagnon if the cost estimates for the port and road were AIDA's or Cominco's.

Number 154 Mr. Wagnon responded that they are Cominco's figures, stated in 1985 dollars.

Number 156 Chairman Sund asked if the finance plan will have to be submitted to the legislature.

Number 158 Mr. Wagnon answered that it must be submitted to the legislature, governor and State Bond Committee, but does not require legislative approval.

Number 208 Representative Frank asked if the debt to AIDA would be retired by fees from the initial user (Cominco).

Number 216 Mr. Wagnon responded that fees from future users would be required, and that about a \$10 million tariff is expected from the first significant user of the project.

Number 240 There was discussion regarding the use of tax exempt bonds to finance the project beyond the \$18 million in direct loan from the state.

Number 258 Representative Uehling asked what the projected costs of the project for the next several years would be.

Number 262 Mr. Wagnon answered that AIDA anticipates bonding for at least a portion of the remainder of the project beyond the \$18 million loan for FY 86, but that if general funds were to be used for the entire project, the requirement would be \$18 million in FY 86, \$50 million for the second year, \$50 million for the third year, and \$10 or \$20 million for the fourth year. He said that AIDA feels that that would be an unacceptable burden for the general fund to bear. Therefore, AIDA is working on alternative finance plans.

Number 313 John Schaeffer, president of Nana Regional Corporation, owner of the Red Dog deposit, testified in favor of the project. The reasons he cited are that the project would provide about 400 jobs, more than half of which would be filled locally. Nana Regional Corporation would also get 4% of the net smelter return until Cominco recovers its investment, then 25% of net profits after that, increasing by 5% every 5 years to a maximum of 50%. Of this money, Nana would get one third and the remaining two thirds would be distributed among eleven other regional corporations state-wide.

Number 465 Mr. Bill Wilson, president of Cominco, Ltd., summarized Cominco's activities world wide, discussed shifts in markets for zinc in recent years, and said that Cominco wants to bring Red Dog into production by the end of the decade. He said that Cominco was prepared to make guarantees covering repayment of the state financing and start-up of the

mine, backed by \$2 billion in Cominco assets (Canadian dollars). He said that the current price of zinc is \$.43 per pound.

Number 585 Mr. Giegerich gave a slide presentation to emphasize what Cominco believes the Red Dog development would mean to Alaska. He emphasized that 300 people would be employed during the construction phase, and about 400 when the mine is in operation and about 230 in the service industries. Cominco anticipates expenditures in Alaska of about \$100 million yearly: \$20 million in wages, \$5 million in Alaskan purchases (services and materials,) \$20 million in transportation payments, and \$30 million in royalty payments. He emphasized that timing is critical because the world zinc industry is competitive and that a commitment is needed from the legislature in 1985 so that Red Dog can be brought into production by the end of the decade. He said that the capital cost of Red Dog is estimated at \$400 million in 1985 dollars, \$250 million of which is for the mine facilities and \$150 million for transportation. He said that Cominco's proposal provides for a 30 year payback of the state's investment: \$260 million in toll fees and taxes of \$360 million (shared by Cominco and the Regional Corporations.) He said that Cominco has invested \$25 million in the project to date, and will reach \$40 million by the end of 1985.

Side 2

Recording

Number 106 Chairman Sund asked how Cominco feels about the risk involved in going ahead with the project before getting a commitment from the state.

Number 110 Mr. Wilson answered that Cominco's willingness to go ahead with the project depends on obtaining the AIDA loan, settling on an appropriate route to the sea, and location of the mine in terms of management. Currently, the proposed mine site is in the North Slope Borough, and there is talk of moving boundaries and organizing a borough in the Nana Region.

Number 167 Representative Pearce asked Mr. Giegerich about the length of the shipping season.

Number 170 Mr. Giegerich responded that the shipping season is about 100 days, but the mine would operate year-round. He added that working capital (what it takes until the mine is operational and product is sold) is 35-50% of the capital cost. This compares with about 10% for a non-arctic project.

Number 180 There was some discussion regarding the marketing of ore when the shipping season is short.

Number 205 Representative Frank asked how the \$10 million tariff was determined.

Number 208 Mr. Giegerich said that \$10 million is based on the \$150 million estimated capital cost, plus the payment schedule Cominco felt they could afford.

Number 215 There was some discussion regarding the price of zinc and what it would take for Cominco to recover its investment, and also about the

quality of ore, the stripping ratio and cost of transportation as those variables affect the cost of operation.

Number 306 There was some discussion regarding the average mining rate of return on investments and Cominco's expectation of a 20% return.

Number 350 Chairman Sund expressed doubts about the state becoming a risk taker in a private enterprise, unless the risk factors are identified, and concern about the cost of the state being a facilitator in financing the project. He said he would want to see the financial plan.

Number 357 Representative Frank asked when the financial plan would be ready.

Number 368 Mr. Wagnum answered that it should be ready by April 15th.

Number 372 The meeting was adjourned at 9:45 a.m.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS

AND

HOUSE RESOURCES
STANDING COMMITTEE
February 8, 1985
8:30 a.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller

Members Present: Representative Dick Shultz, co-chair
Representative Kay Wallis
Representative Dave Thompson
Representative Mike W. Miller
Representative Bette Cato
Representative Drue Pearce
Representative Roger Jenkins

Members Absent: Representative Sam Cotten
Representative Jim Duncan
Representative Adelheid Herrmann

COMMITTEE CALENDAR

Red Dog Mine: Cominco and Alaska Industrial Development
Authority presentations.

WITNESS REGISTER

Bert Wagon, Executive Director
Alaska Industrial Development Authority
1577 "C" Street, Suite 304
Anchorage, AK 99501
274-1651

Position Statement: Testified in favor of DeLong Mountains
Transportation Project.

Hank Giegerich, President and General Manager
Cominco Alaska, Inc.
5660 "B" Street
Anchorage, AK 99502
563-3686

Position Statement: Testified in favor of Red Dog mine.

Bill Wilson, President
Cominco, Ltd.
Suite 2300

200 Granville St.
Vancouver, B.C. V6C2R2
Position Statement: Testified in favor of Red Dog.

John Schaeffer, President
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030
Position Statement: Testified in favor of Red Dog

David S. Kennedy, Senior Geologist
GCO Minerals Co.
1031 W. 4th Ave.
Anchorage, AK
274-9541
Position Statement: Observer

Geoffrey Snow, President
Noranda Exploration, Inc.
139 E. 51st Ave.
Anchorage, AK
561-1036
Position Statement: Observer

Representative Steve Rieger
Pouch V
Juneau, AK 99811
465-3464
Position Statement: Observer

Representative Randy Phillips
Pouch V
Juneau, AK 99811
465-4949
Position Statement: Observer

Representative Steve Frank
Pouch V
Juneau, AK 99811
465-3709
Position Statement: Observer

ACTION NARRATIVE

TAPE #5, SIDE ONE
Recording
Number 001

Chairman Sund called the meeting to order at 8:35 a.m. Members present were Representatives Thompson, Jenkins, M.W. Miller, Caco, Shultz, Sund and Pearce. Representative Wallis arrived at 8:35 a.m. Representatives Uehling and Fuller arrived

at 8:47 a.m. Chairman Sund introduced Bert Wagon, Executive Director of AIDA.

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up of the mine, backed by \$2 billion in Cominco assets (Canadian dollars). He said that the current price of zinc is \$.43 per pound.

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CHANGE TAPE #5 TO SIDE TWO

Number 106

Chairman Sund asked how Cominco feels about the risk involved in going ahead with the project before getting a commitment from the state.

Number 110

Mr. Wilson answered that Cominco's willingness to go ahead with the project depends on obtaining the AIDA loan, settling on an appropriate route to the sea, and location of the mine in terms of management. Currently, the proposed mine site is in the North Slope Borough, and there is talk of moving boundaries and organizing a borough in the Nana Region.

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about the length of the shipping season.

- Number 170 Mr. Giegerich responded that the shipping season is about 100 days, but the mine would operate year-round. He added that working capital (what it takes until the mine is operational and product is sold) is 35-50% of the capital cost. This compares with about 10% for a non-arctic project.
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- Number 306 There was some discussion regarding the average mining rate of return on investments and Cominco's expectation of a 20% return.
- Number 350 Chairman Sund expressed doubts about the state becoming a risk taker in a private enterprise, unless the risk factors are identified, and concern about the cost of the state being a facilitator in financing the project. He said he would want to see the financial plan.
- Number 357 Representative Frank asked when the financial plan would be ready.
- Number 368 Mr. Wagnon answered that it should be ready by April 15th.
- Number 372 The meeting was adjourned at 9:45 a.m.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
March 26, 1985
3:00 p.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Sam Cotton
Representative Jim Duncan

Members Absent: Representative Jack Fuller

COMMITTEE CALENDAR

SB 186 "An Act authorizing the governor to lend up to \$3,400,000 from the disaster relief fund for a breakwater failure on St. Paul Island; and providing for an effective date."

Red Dog Mine Hearing

WITNESS REGISTER

Bert Wagon, Executive Director
Alaska Industrial Development Authority
1577 "C" Street, Suite 304
Anchorage, AK 99501
274-1651
Position Statement: Testified in favor of appropriations for Red Dog.

John Sims, Office of Mineral Development
DCED
675 7th Ave. Stn. A
Fairbanks, AK
462-7464
Position Statement: Observer

Anselm Staack
Dept. of Administration
Pouch C
Juneau, AK 99811
465-2200
Position Statement: Testified re. SB 186

Terry Elder
Dept. of Commerce and Economic Development
Pouch D
Juneau, AK 99811
465-2502
Position Statement: Testified in favor of Red Dog.

Loren Lounsbury
Dept. of Commerce and Economic Development
Pouch D
Juneau, AK 99811
465-2500
Position Statement: Observer

Clark Gruening,
representing City of St. Paul
217 Second St., Suite 204
Juneau, AK 99811
586-8110
Position Statement: Testified in favor of SB 186

Hank Giegerich, President and General Manager
Cominco Alaska, Inc.
6562 Cabeway
Anchorage, AK 99502
243-0908
Position Statement: Observer

Don Argetsinger
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030
Position Statement: Observer

Randy Phillips, Representative
Pouch V
Juneau, AK 99811
465-4949
Position Statement: Questions and Statements

Steve Frank, Representative
Pouch V
Juneau, AK 99811
465-3709
Position Statement: Questions and Statements

Fred Zharoff, Senator
Pouch V
Juneau, AK 99811
465-3844
Position Statement: in favor of SB 186

PREVIOUS ACTION

SB 186: Read the first time 02/22/85 and referred to State Affairs Rpt 4DP. Passed by the Senate on 03/15/85.

Red Dog Mine: Please refer to House Special

Committee on State Loans dated 02/08/85.

ACTION NARRATIVE

TAPE #17, Side 1
Recording
Number 001

Chairman Sund Called the meeting to order at 3:46 p.m. Members present were Representatives Sund, Cotten, and Uehling. Representative Phillips and Representative Frank also attended. Representative Duncan arrived at 4:05 p.m.

Number 015

Senator Zharoff said that the St. Paul Breakwater has received damage from two storms. SB 186 would authorize a loan for \$3.4 million from the Disaster Relief Fund to the Division of Risk Management to repair damage. Zharoff continued to say that the project is covered by insurance and the loan will be repaid from proceeds. A \$2.5 million Federal EDA grant is conditional upon completion of Phase 1 by June 30.

Number 119

Mr. Anselm Stack, Deputy Commissioner for the Department of Administration, with responsibility for the Division of Risk Management. He said that the St. Paul Breakwater falls under an "all risk" policy held by the Division. He added that the deductible under the "all-risk" program coverage amounted to \$600,000, \$300,000 per storm. The deductible would be paid out of the annual cash flow appropriation to the Division. \$3.4 million would eventually be covered by the insurance, which added to the \$600,000 deductible equals \$4 million total to repair the damage.

Number 170

Chairman Sund asked if there were any design defects.

Number 175

Mr. Staack answered that he was not aware of any.

Number 179

Representative Frank asked if all capital projects are covered by all risk insurance.

Number 183

Mr. Staack answered that most projects are covered, but not all.

Number 203

Representative Frank then asked if the builders were responsible to provide risk

insurance.

- Number 206 Mr. Staack answered that, in this case, St. Paul contracted out the Phase 1 construction through a transfer of responsibility agreement. He said that often builders carry insurance.
- Number 226 Representative Frank said he thought it was the builder's responsibility while under construction to provide this insurance.
- Number 230 Mr. Staack answered that, in this case, there will be claims against the builder, but that the Division of Risk Management believes they have the first responsibility to go in and get their claims reimbursed.
- Number 240 Representative Uehling asked what kind of insurance they carry.
- Number 245 Mr. Staack said that there were several and that it is good coverage.
- Number 250 Representative Uehling then continued by asking when they expected payment from the insurance company.
- Number 280 Mr. Stack said that partial payment will be in 120 days, but will not receive full reimbursement until late in the year.
- Number 285 Chairman Sund asked if the 4 million dollars was an estimated cost and who would make up the \$600,000 deductible.
- Number 290 Mr. Staack said that it was an estimated cost and appropriations from loss reserves in the Division of Risk Management would make up the \$600,000 difference.
- Number 314 Representative Frank asked what the state policy was regarding insurance, because he thought the state wasn't at risk until the project was completed.
- Number 319 Mr. Staack said the department has accepted that the project was substantially completed at the time of the damage.
- Number 354 Mr. Clark Gruening, representing the City of St. Paul, made himself available to answer questions.

- Number 356 There was some discussion regarding insurance coverage, and assurances given that the state would be repaid the full \$3.4 million before St. Paul received any money.
- Number 450 Chairman Sund suggested that the committee draft a letter of intent saying that St. Paul agrees to relinquish all claims to the insurance settlement and any other claims they may have, including the amount of the deductible.
- Number 470 Mr. Staack said that if the insurance payment was low, the Division of Risk Management would pay extra and request an appropriation from the legislature.
- Number 515 Representative Cotten made a motion to move SB 186 with a letter of intent and individual recommendations. There were no objections, so the motion passed.
- Number 525 Chairman Sund opened the meeting for Red Dog testimony.
- Number 536 Mr. Terry Elder, Deputy Commissioner of DCED, testified that the Administration supports Red Dog, and urged legislative approval of the \$18 million loan. He added that the Board of AIDA supports the project, and expressed his belief that the project makes sound social and economic sense for Alaska.
- Number 590 Chairman Sund commented that it is appropriate for the state to function as a facilitator in financing projects, but that the state should not be put at risk in this project. He also expressed concern for the opportunity cost to the state.
- Number 610 Mr. Elder addressed the question of risk by saying that Cominco is agreeing to pay toll fees that would repay the state investment, the operation and maintenance, minimum toll payments and other payments necessary to repay the state's investment if the mine is delayed or if production is suspended after operation commences. Also, if the price of zinc goes higher than expected, then the state should recover its investment at an accelerated rate. He added that Nana Regional Corporation has agreed to provide necessary land to accomodate reasonable

expansion for future users.

Number 624

Chairman Sund asked if these guarantees are being made by Cominco Ltd. in Canada or C.P. Railroad.

Number 626

Mr. Bert Wagon, Executive Director of AIDA, answered that the guarantees are made by Cominco Ltd., which has most of the financial strength. He emphasized that the road and port would be owned and operated by the State of Alaska but that all the operations and maintenance expense would be paid by the users, 100% by Cominco as long as they are the only user. The \$18 million requested would be appropriated to the Economic Development Fund. Additional security will be required to satisfy the bond market. He said that the finance plan, being prepared by Stanford Research institute, will be available in late April or early May of 1985. He said that they also want to appropriate loans through the Department of Revenue and deposit them in the Economic Development Fund. He said that this would keep them from coming back to ask for more money next year. He said that Cominco is willing to pay about \$260 million over a 25 year period in the form of toll fees alone. Interest rate on the loans is still hypothetical.

CHANGE TAPE #17, SIDE TWO

Number 119

Chairman Sund asked how the loan funds would be obtained from where they are now into the Economic Development Fund.

Number 125

Mr. Wagon said that an appropriation bill for about \$130 million would be needed.

Number 140

Chairman Sund noted that the total being requested is then \$148 million (\$130 million plus \$18 million.)

Number 147

Mr. Elder said that any finance plan by SRI will include some bonding for the project, which would require bonding authorization and assets in the Economic Development Fund. The cash itself would not be used for the project, he said, but rather the bonds. He also said that he and Paul Engleman have estimated that the present value of the direct corporate taxes and the avoided

transfer costs alone is \$210 million, not including user fees or anything else.

Number 200 Chairman Sund asked for a detailed account of Mr. Elder's statement about the \$210 million. He also asked Mr. Elder to explain what an avoided transfer payment is.

Number 210 Mr. Elder answered that an avoided transfer payment is like a welfare payment that the state is currently making that it won't have to make after the person is employed.

Number 220 Representative Cotten asked who calculated that this would amount to \$40 million. Someone answered that the \$40 million is based on estimates of the total transfer payments going into the region.

Number 222 Representative Phillips asked about the alleged conflict of interest rising from the fact that the SRI representative preparing the finance plan was a former Cominco employee.

Number 230 Mr. Wagnon explained the process by which SRI was selected, and that it was later discovered that Olaf Wolf had been employed by Cominco and was drawing a pension. Mr. Wagnon said that he then became concerned about the appearance of a conflict of interest and requested that Mr. Wolf be removed from the study. SRI then substituted Eugene Thayers for the study, and since he had good qualifications, the Board of AIDA decided to go ahead with contract with SRI. There was an appeal, which was dismissed by the Commissioner of Administration, so the Commissioner's decision to go with SRI is final.

Number 265 Representative Duncan asked which is being suggested in the March 19th letter to Chairman Sund.

Number 273 Mr. Wagnon answered that they are advocating Case 4, which asks for all the money this year. By contrast, Case 3 requires AIDA to come back to the Legislature each year for more money.

Number 316 Mr. Elder explained that the timing and amount of the bond sale is different in the different cases.

- Number 366 Chairman Sund asked about the statement in the same letter which says that no provision has been made to repay the state contribution.
- Number 372 Mr. Wagnon said that the statement results from the assuming a bond interest rate of 10.5% and that \$155 million in bonds would be issued. In this case, the state would not be repaid until the \$155 million in bonds had been liquidated, after 25 years.
- Number 387 Representative Duncan asked if SRI shares the concern that there should not be a large or repeated appropriation.
- Number 395 Mr. Elder answered that since SRI is working for AIDA, they would share AIDA's concern.
- Number 410 Chairman Sund expressed concern that, since AIDA (as represented by the commissioners) and the Governor are in favor of this project, there are varying reports as to what the cost to the state will be, depending on who you talk to. By the time the SRI report is ready, the \$148 million will already have been appropriated.
- Number 420 Mr. Elder said that if you look at the returns, the cost to the state is in fact a profit.
- Number 457 Chairman Sund requested a draft of the appropriation bill. The meeting was adjourned at 5:00 p.m., to be reconvened at 3:30 p.m. on March 27, 1985.

HOUSE SPECIAL COMMITTEE
ON STATE LOANS
March 27, 1985
3:30 p.m.

Members Present: Representative John Sund, Chair
Representative Rick Uehling
Representative Jack Fuller
Representative Sam Cotten
Representative Jim Duncan

COMMITTEE CALENDAR

Red Dog Mine Hearing

WITNESS REGISTER

John Sims, Office of Mineral Development
DCED

675 7th Ave. Stn. A
Fairbanks, AK
462-7464

Position Statement: Observer

Terry Elder, Deputy Commissioner
Dept. of Commerce and Economic Development
Pouch D

Juneau, AK 99811
465-2502

Position Statement: Testified in favor of Red Dog Development

Hank Giegerich, President and General Manager
Cominco Alaska, Inc.

6562 Cabeway
Anchorage, AK 99502
243-0908

Position Statement: Testified in favor of Red Dog

R.R. Stone
Cominco, Ltd.
385 Moyne Dr.
West Vancouver, B.C.
926-2595

Position Statement: Testified on behalf of Cominco, Ltd.

Don Argetsinger
Nana Regional Corporation
4706 Harding Drive
Anchorage, AK
248-3030

Position Statement: Testified re. acquisition of monument land.

Representative Steve Frank
Pouch V
Juneau, AK 99811
465-3709
Position Statement: Questions and Statements

Steve Kettel
Dept. of Revenue
Pouch SA
Juneau, AK 99811
465-2343
Position Statement: Observer

Philip S. Barnett
Sierra Club Legal Defense Fund
419 6th St., Suite 321
Juneau, AK 99811
586-2751
Position Statement: Observer

Michael Cushing
Dept. of Community & Regional Affairs
Pouch BH
Juneau, AK 99811
465-4750
Position Statement: Observer

Mary Nordale, Commissioner
Department of Revenue
Pouch S
Juneau, AK 99811
465-2300
Position Statement: Testified in favor of appropriation for road
and port.

PREVIOUS ACTION

Red Dog Mine: Refer to House Special
Committee on State Loans Minutes dated
02/08/85 and 03/26/85.

ACTION NARRATIVE

TAPE #18, SIDE ONE
Recording
Number 001

The meeting was called to order by Chairman
Sund at 3:36 p.m. Members present were
Representative Sund, Representative Cotten,
Representative Fuller, and Representative
Uehling. Representative Duncan arrived at
3:45 p.m. Representative Frank was also
present. Representative Uehling and

Representative Frank left at 4:05 p.m.
Representative Uehling returned at 4:30 p.m.
Chairman Sund asked Mr. Terry Elder, Deputy
Commissioner of DCED, to explain Case #4 in
terms of the loan appropriation.

- Number 012 Mr. Elder explained that the fourth scenario was put together by AIDA, and that what they hope to do is create a bonding mechanism for construction of the port and the road. Both the \$18 million appropriation and the loan appropriation from the Department of Revenue would be deposited in AIDA's Economic Development Fund.
- Number 035 Chairman Sund asked what type of loans are in that portfolio, what the maturities are.
- Number 040 Mr. Elder answered that there was \$141 million worth of outstanding principal amount as of January 31, 1985. The average interest rate is about 7.9%. The average maturity is about 10 years or less, though he said he wasn't sure.
- Number 076 Representative Uehling asked if money that is lapsing from the loan programs would now be made available to AIDA.
- Number 085 Mr. Elder answered no, these loans are owned by the Department of Revenue and serviced by DCED, as distinguished from cash that could be reappropriated because it had not been loaned out yet.
- Number 125 Representative Frank asked if the bonds would also be collateralized by a financial arrangement with Cominco.
- Number 130 Mr. Elder answered that, as part of the finance plan, there would be a contract with Cominco for user fees.
- Number 140 Representative Frank asked how the \$100 million estimated par value of the loans relates to the \$141 million figure.
- Number 145 Mr. Elder answered that there is \$100 million in "good loans", but that there is a high delinquency rate.
- Number 167 Representative Frank asked how bonds could be collateralized by bad loans.

- Number 170 Mr. Elder answered that they were not all bad loans, just that there is a high delinquency rate.
- Number 180 Representative Frank noted a sentence that says no provision has been made to repay the state's contribution but that it might be paid out of excess revenues. He asked how this fits with Cominco's pledge to repay the state.
- Number 200 Mr. Elder answered that perhaps it does not fit, and said that he anticipates that the finance plan will reflect all the income that the state will receive.
- Number 230 Chairman Sund asked what is the cash flow of the existing loans.
- Number 235 Mr. Elder estimated that it is the neighborhood of \$15 to \$20 million annually. He added that the assets and the cash flow will collateralize the bonds, as well as the user fees. However, cash from user fees will not happen until the mine is in production. The cash flow would be used to meet annual obligations on the debt service in the meantime.
- Number 257 Chairman Sund asked Mr. Elder what the legislature has to do in order to implement the plan that he is discussing.
- Number 265 Mr. Elder answered that the legislature would have to appropriate \$18 million to AIDA, to appropriate the outstanding principal amounts of the loans held by the Department of Revenue to AIDA, and to give AIDA the authority to issue bonds in an amount not to exceed \$175 million.
- Number 280 Chairman Sund asked if these bonds would go against the state's bonding capacity.
- Number 283 Mr. Elder answered no, they would be the obligation of AIDA.
- Number 292 Representative Frank asked Mr. Elder why \$18 million appropriation plus \$141 million in loans is needed in order to proceed on schedule.
- Number 298 Mr. Elder answered that they want to proceed with construction in calendar year 1986.

The \$18 million plus some of the proceeds from the bond sales would be required to do the final engineering and design, to bring them up to the point of construction. Some of the \$18 million might also be used to pay the debt service on the bonds. The project would be delayed another year if the money is not appropriated for FY 86.

- Number 310 Chairman Sund asked if the bonds will be tax exempt.
- Number 314 Mr. Elder answered that they would be, if possible, but that the IRS would have to rule on it. He added that they are fairly sure that the bonds for the port will be tax exempt, but less sure about the road.
- Number 330 Representative Cotten asked if it is unusual for AIDA to take an active role in promoting this kind of project.
- Number 335 Mr. Elder answered that is not unusual, but this is the first owner-operator project for AIDA.
- Number 340 Representative Cotten asked how the possibility of cost overruns is being considered.
- Number 344 Mr. Elder answered that the estimates have been reviewed by experts, and they feels comfortable that the estimates are accurate.
- Number 355 Representative Cotten said that there is always a good chance of cost overruns and asked how they would deal with a 25% overrun.
- Number 380 Mr. Elder answered that some contingency had been worked into the plan, and that a change in the estimate of cost could be handled by the bond financing.
- Number 390 Chairman Sund asked if there is a guarantee of completion with Cominco.
- Number 395 Mr. Elder answered that, as a part of the finance plan, there will be a contract that would obligate the users to meet the debt obligations of the authority.
- Number 402 Representative Frank asked why AIDA was chosen instead of DOTPF to build the

project.

- Number 410 Mr. Elder answered that AIDA was chosen because of their expertise in putting financing packages together. Number
- Number 420 Mr. Hank Giegerich, President of Cominco Alaska, introduced himself and Mr. Bob Stone, Vice President of Finance for Cominco, Ltd.
- Number 430 Representative Cotten noted that the finance plan may not be ready until May 1, even though originally they thought it would be available April 15.
- Number 435 Mr. Elder answered that there had been delays and that the first draft would be available on May 6, but that SRI would be available in mid to late April to discuss the plan.
- Number 460 Representative Cotten expressed concern that the legislature would only have one week to review the finance plan and make a decision.
- Number 465 Mr. Elder answered that what is being requested of the legislature is the tools for the finance plan, and that there has been a verbal promise of safeguards by Cominco. The committee might want to draft a letter of intent which addresses these safeguards and making the use of the \$18 conditional upon meeting the conditions of the letter.
- Number 480 Chairman Sund said that the committee will work on language for such a letter. He asked Mr. Giegerich when Cominco will start spending money.
- Number 485 Mr. Giegerich answered that Cominco would start spending money about the same time the state does, in order to get modules constructed.
- Number 495 Chairman Sund asked how much of Cominco's money would be spent in Alaska.
- Number 500 Mr. Giegerich answered that the modules would be built outside, but that all the on-site work would of course be in Alaska, and offered to provide the committee with a breakdown of where the money would be spent.

- Number 520 Chairman Sund asked how the congressional action to provide access across the monument is coming.
- Number 540 Mr. Don Argetsinger of the Nana Corporation answered that a land exchange agreement with the Department of Interior has been signed, requiring confirming legislation which was introduced early in February. He said that he expects passage by the time Congress recesses in early August. He added that if the bill does not pass by then, it will delay construction, but that there has been no significant objection to the bill so far.
- Number 556 Representative Duncan asked what Cominco would do if the legislature does not act this session on the requests for appropriations.
- Number 565 Mr. Giegerich answered that Cominco would not trash the whole project, but that Cominco is concerned that the mine be operational by the end of the decade because of the anticipated market opportunity at that time.
- Number 620 Representative Duncan expressed concern that the first draft of the finance plan would not be ready until May 6, hinting that the money should not be appropriated until 1986 when the plan has been completed. He asked if Cominco would use their own resources until that time.
- Number 630 Mr. Giegerich answered that Cominco must make a commitment to the construction of the modules early in 1986 and must have a contractor ready to go to work in July. He said that Cominco's board probably would not give the authority to proceed with the project if the state did not appropriate the money.
- Number 618 Mr. Stone added that Cominco had already spent about \$25 million by the end of 1984 and that the 1985 expenditures will be about \$12 million. He guessed that, if an agreement with the state is reached this session, it would be presented to the Board in the August meeting, after which the board would give the authority to proceed.

CHANGE TAPE #18, SIDE TWO

- Number 056 Mr. Elder said that, since this is being developed as a publicly owned and operated regional transportation system, the state would not want a private corporation to develop the road and port. He added that all the details would be worked out before the sale of any bonds.
- Number 108 Chairman Sund asked if the bond people would put a requirement of completion of the entire project on the bonds, since they will be paid off by toll fees after the mine is operational.
- Number 120 Mr. Elder answered that the bond people would probably require some sort of take or pay contract.
- Number 150 Ms. Mary Nordale, Commissioner of the Department of Revenue, said that the finance plan may not be complete in every detail when it comes out, and that they want a commitment from the legislature with the needed guarantees, so that AIDA can "fine tune" the finance plan.
- Number 155 Mr. Giegerich said that Cominco is prepared to make a guarantee that the mine will be operational within a definite time period after completion of the transportation system, providing they can work out an agreement with AIDA. He added that Cominco understands that AIDA is committed to working out the details of a financial arrangement with Cominco during the next month.
- Number 180 Representative Duncan asked Mr. Elder if they have talked to some bond people about the acceptability of the plan for bonding.
- Number 190 Mr. Elder answered that AIDA has run it by its own financial advisor.
- Number 200 Representative Duncan asked what would happen if the fund were capitalized but there was no appropriation this year.
- Number 212 Mr. Elder answered that there would be expenditures early in 1986, and that without the \$18 million appropriation, the project would probably be delayed.
- Number 237 Mr. Giegerich added that the \$18 million is

necessary to both AIDA and Cominco.

Number 250

Ms. Nordale said that the finance package must be put together by AIDA. The \$18 million would fund the preliminary work necessary to determine construction costs and the amount needed for the total financing of the project. Since AIDA, as an agency of the state, will own the transportation system, then they must borrow the money.

Number 290

Chairman Sund said that there is a \$100 million cap on loan programs this year, requiring \$30 million to be cut from existing loan programs. If \$18 million is appropriated to AIDA, then other programs will have to be chopped. He said that it is an important decision to be made with insufficient data.

Number 300

Mr. Giegerich said that it is his understanding that AIDA needs the \$18 million in order to put together the total financial plan, and Cominco must see the financial plan in order to make a commitment.

Number 310

Representative Duncan asked Mr. Elder how much money would be needed between January and May of 1986.

Number 312

Mr. Elder answered that he did not know, but that funds will be needed up front for construction of the project so that they can make commitments.

Number 338

Ms. Nordale said that the \$18 million will go for engineering for designing the project, and costs will not be determined until that is done.

Number 345

Representative Duncan asked why the cash flow from the loans could not be used instead of an \$18 million appropriation.

Number 350

Ms. Nordale offered to meet with Representative Duncan to explain it. She said that starting July 1 there will be no money, and if they wait until January 1 when there will be money, they will have lost a year on the project.

Number 375

Chairman Sund asked how much of the \$18

million and the \$141 million would ever come back to the General Fund.

Number 380

Mr. Elder answered that, if the mine is developed, taxes and avoided transfer payments would be worth \$210 million (present value), which goes to the General Fund.

Number 408

Representative Duncan asked if it would be possible to outline what the \$18 million will be used for. He also asked that they investigate how the \$18 million could be reduced.

Number 420

Mr. Elder answered that they would do as Representative Duncan requests and that they will not ask for more than is needed.

Number 437

Representative Uehling agreed with Representative Duncan that the legislature should know what the \$18 million will be spent for, and asked what is the time line for cost estimates, engineering the road, etc.

Number 450

Mr. Elder said that he did not know.


Number 465

Chairman Sund said that a meeting needs to be set to draft a letter of intent. The meeting was adjourned at 4:50 p.m.

4/25/85

MEMORANDUM

TO: Rep. John Sund

FROM: John Hartle, 

RE. CSHB 105 (Finance)

House Bill 105 is scheduled for Finance Committee consideration today and Rep. Adams has asked you to present the Loans CS. The Finance Committee Substitute is very close to the Loans CS, with just a couple changes which were taken from the proposed Senate Resources CS.

The House Special Committee on Loans held five hearings on the Delong Mountains Transportation project. I feel that we gave the proposal a health dose of skepticism, especially the state financing. The problems we had were never with the mine itself, never with Cominco or NANA, only with the state agencies working on the project.

The situation is that we have no finance plan to work with. The AIDA statutes mandate that a plan of finance be in place before any debt is issued for a project that they intend to own and operate. Due to administrative procedures the finance plan is delayed; SRI, the contractor, will make an oral presentation on April 30 and may have a

draft plan ready by May 6. I assume that this plan will be subject to change many times before all is said and done.

The bill has been looked at by AIDA's bond attorney and found not to cause any problems for the bond issue.

The Loans CS does three things:

1. Authorizes and increase of the Anchorage Airport bonds by \$23.7 million. We didn't really hear this issue in Loans; House Transportation Committee heard this bill as originally introduced.

2. Authorizes AIDA to issue up to \$175 million in bonds for the DeLong Mountains Transportation Project. These are "moral obligation" bonds, though are CS takes out those specific words. The bond authorization was taken from a draft by the AG's office and rewritten by legislative legal services. Moral obligation is a term of art which, as I understand it, mainly means that the Authority will have a pledged fund for the issue. As I understand it these binds will be a general obligation of AIDA.

3. Attaches some conditions of the bond authorization. The Committee did not want to authorize any state agency to issue such a large amount of bonds (without a plan of finance) without some basic conditions being attached. This is a generic concern having nothing to do with Red Dog; it would apply to any state agency and any project of this size. This is particularly true as AIDA has never constructed anything.

Sectional Analysis:

Section 1. This is the Anchorage Airport bonds authorization.

(Someone else would be better to answer any questions on this).

Section 2. AIDA authorization to issue up to \$175 million in bonds. The latest plan from the Administration I believe calls for issuance of \$135 million.

Section 3. Reminds AIDA to follow AS 44.88.173 which requires the plan of finance. Then says that AIDA will incorporate into the final finance plan the following terms and conditions:

(best to just read the bill here for the conditions...)

Cominco will agree to pay for operation and maintenance on the road proportional to its use of the facility.

If Cominco ceases to develop the mine it will pay AIDA back for all costs and debts incurred.

Toll fees may be adjusted if the price of zinc goes up enough.

The land is made available for the route through the monument (if that is the route they actually use).

Page 2, line 33 (item (3)): NANA agrees to make available land for future expansion of the road and port. This section attracts a lot of

attention for the phrase "at no more than market value." The purpose of the section is to see that land is available to other users (i.e. that NANA and Cominco do not try to keep others out)

AIDA maximizes the use of tax-exempt financing.

A toll schedule is established that (A) ensures a reasonable rate of return on the state's investment and (B) guarantees equitable access to the facility by all users.

The road construction is subject to AS 36 - local hire and prevailing wage.

A new provision (from the Senate Bill): reasonable access to the road and port is guaranteed to all users.

AIDA is required to notify Legislative Budget and Audit that the above conditions have been met.

AIDA agrees that all funds from the project not needed for bond covenants will be returned to the General Fund. (This section has been amended in the Finance CS to meet the concerns of AIDA's bond attorney)

KEY:-
— additions to Loans CS
[] deletions from
Loans CS

Original sponsor: Rules/Governor

1
2 IN THE HOUSE

BY THE FINANCE COMMITTEE

3 CS FOR HOUSE BILL NO. 105 (Finance)
4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the authorization of bonds or
8 notes, establishing conditions under which the bonds
9 or notes for the DeLong Mountain transportation
10 project may be issued; and providing for an effective
11 date."

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

13 * Section 1. AS 37.15.410 is amended to read:

14 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of provid-
15 ing part or all of the money to be used, with or without any grants or
16 other money that [WHICH] may become available, the issuance and sale
17 of revenue bonds of the state in the total principal sum of not to
18 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,
19 construct, and install the additions, improvements, extensions, and
20 facilities authorized in AS 37.15.510. The principal of and interest
21 on these bonds shall be paid out of and secured by the gross revenues
22 derived by the state from the ownership, lease, use, and operation of
23 the airports, and of all the facilities of them and out of any other
24 revenues or money that [WHICH] the state legislature may provide
25 exclusive of any state tax or license.

26 * Sec. 2. The Alaska Industrial Development Authority is authorized to
27 issue bonds or notes in a principal amount not to exceed \$175,000,000 to
28 provide financing for the DeLong Mountain transportation project.

29 * Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may
be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and shall incorporate into the final finance plan for the
2 DeLong Mountain transportation project the following terms and conditions:
3

4 (i) Cominco, Ltd. is required to agree in writing that

5 (A) Cominco, Ltd. will pay for all or a portion of the
6 operation and maintenance of facilities constructed as part of the
7 project based on the use Cominco Alaska makes of the facilities com-
8 pared to the use made by others;

9 (B) if Cominco Alaska ceases to develop the Red Dog Mine
10 after costs or debts have been incurred by the Alaska Industrial
11 Development Authority for the project, Cominco, Ltd. will repay the
12 authority for those costs and debts;

13 [Alaska Ind. Development] (C) toll fees paid by Cominco Alaska for the use of facil-
14 ities constructed as part of the project to the Alaska Industrial
15 Development Authority may be periodically adjusted if the price of
16 zinc rises above a level that yields a return on investment commen-
17 surate with risk;

18 (2) the United States government makes available land in the
19 Cape Krusenstern National Monument that is included in the proposed land
20 [is conveyed to] exchange with NANA Regional Corporation to the corporation for construction
21 of a transportation system; [by the U.S. Department of the Interior]

22 (3) NANA Regional Corporation is required to agree in writing to
23 make available to the Alaska Industrial Development Authority, at no more
24 than fair market value, land needed for the port and road constructed as
25 part of the project and land needed for future expansion of the road and
26 port;

27 (4) tax exempt financing for the project is used to the maximum
28 extent possible;

29 (5) a toll schedule, that may be periodically adjusted, is
established for use of facilities constructed as part of the project that

1
2 (A) ensures a reasonable return on the state's investment
3 in the project; and

4 (B) guarantees equitable access to the facilities by all
5 users;

6 (6) contracts for the construction, operation, and maintenance
7 of the port and road are subject to AS 36;

8 (7) reasonable access to the port and road is guaranteed to all
9 users.

10 * Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may
11 be issued the Alaska Industrial Development Authority shall

12 (1) report in writing to the legislative budget and audit
13 committee that the conditions under sec. 3 of this Act have been met; and

14 (2) agree with the Department of Revenue in writing to deliver
15 all money generated by the DeLong Mountain transportation project to the
16 Department of Revenue for deposit in the general fund, other than money
17 necessary for payment of the principal and interest on bonds or notes
18 issued under sec. 2 of this Act and except as may otherwise be provided in
19 the bond or note covenants. [to the Dept. of Rev. for deposit in the general fund]

20 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
21 10.070(c).

Original sponsor: Rules/Governor

1
2 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

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4 IN THE LEGISLATURE OF THE STATE OF ALASKA
5 FOURTEENTH LEGISLATURE - FIRST SESSION

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17 of revenue bonds of the state in the total principal sum of not to
18 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,
19 construct, and install the additions, improvements, extensions, and
20 facilities authorized in AS 37.15.510. The principal of and interest
21 on these bonds shall be paid out of and secured by the gross revenues
22 derived by the state from the ownership, lease, use, and operation of
23 the airports, and of all the facilities of them and out of any other
24 revenues or money that [WHICH] the state legislature may provide
25 exclusive of any state tax or license.

26 * Sec. 2. The Alaska Industrial Development Authority is authorized to
27 issue bonds or notes in a principal amount not to exceed \$175,000,000 to
28 provide financing for the DeLong Mountain transportation project.

29 * Sec. 3. Before bonds or notes authorized under sec. 2 of this Act may
be issued the Alaska Industrial Development Authority shall comply with

1 AS 44.88.173 and, to the extent feasible, shall incorporate into the final
2 finance plan for the DeLong Mountain transportation project the following
3 terms and conditions:
4

5 (1) Cominco, Ltd. is required to agree in writing that

6 (A) Cominco, Ltd. will pay for all or a portion of the
7 operation and maintenance of facilities constructed as part of the
8 project based on the use Cominco Alaska makes of the facilities com-
9 pared to the use made by others;

10 (B) if Cominco Alaska ceases to develop the Red Dog Mine
11 after costs or debts have been incurred for the project, Cominco, Ltd.
12 will repay the Alaska Industrial Development Authority for those costs
13 and debts;

14 (C) toll fees paid by Cominco Alaska for the use of facil-
15 ities constructed as part of the project to the Alaska Industrial
16 Development Authority may be periodically adjusted if the price of
17 zinc rises above a level that yields a return on investment commen-
18 surate with risk;

19 (2) land in the Cape Krusenstern National Monument is conveyed
20 to NANA Regional Corporation by the United States Department of the In-
21 terior;

22 (3) NANA Regional Corporation is required to agree in writing to
23 make available to the Alaska Industrial Development Authority, at no more
24 than fair market value, land needed for the port and road constructed as
25 part of the project and land needed for future expansion of the road and
26 port;

27 (4) tax exempt financing for the project is used to the maximum
28 extent possible;

29 (5) a toll schedule, that may be periodically adjusted, is
established for use of facilities constructed as part of the project that

1
2 (A) ensures a reasonable return on the state's investment
3 in the project; and

4 (B) guarantees equitable access to the facilities by all
5 users.

6 * Sec. 4. Before bonds or notes authorized under sec. 2 of this Act may
7 be issued the Alaska Industrial Development Authority shall

8 (1) report in writing to the legislative budget and audit
9 committee that the conditions under sec. 3 of this Act have been met; and

10 (2) agree with the Department of Revenue in writing to deliver
11 all money generated by the DeLong Mountain transportation project, other
12 than money necessary for payment of the principal and interest on bonds or
13 notes issued under sec. 2 of this Act, ^{and except as may otherwise be provided in} to the Department of Revenue for
14 deposit in the general fund. ^{bonds or note}
^{conditions}

15 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
16 10.070(c).
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Cook
4/17/85

Original sponsor: Rules/Governor

1
2 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON STATE LOANS

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17 of revenue bonds of the state in the total principal sum of not to
18 exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip,
19 construct, and install the additions, improvements, extensions, and
20 facilities authorized in AS 37.15.510. The principal of and interest
21 on these bonds shall be paid out of and secured by the gross revenues
22 derived by the state from the ownership, lease, use, and operation of
23 the airports, and of all the facilities of them and out of any other
24 revenues or money that [WHICH] the state legislature may provide
25 exclusive of any state tax or license.

26 * Sec. 2. Subject to sec. 3 of this Act, the Alaska Industrial
27 Development Authority is authorized to issue bonds or notes in a principal
28 amount not to exceed \$175,000,000 to provide financing for the DeLong
29 Mountain transportation project.

* Sec. 3. Bonds or notes may not be issued for the Delong Mountain

1 transportation project until

2 (1) Cominco, Ltd. agrees in writing to terms and conditions
3 under which

4 (A) Cominco, Ltd. will pay for all or a portion of the
5 operation and maintenance of facilities constructed as part of the
6 project based on the use Cominco, Ltd. makes of the facilities com-
7 pared to the use made by others;

8 (B) Cominco, Ltd. will repay all expenditures by the state
9 for the project through toll fees for the use of facilities construct-
10 ed as part of the project;

11 (C) payments by Cominco, Ltd. to the Alaska Industrial
12 Development Authority will be accelerated if the price of zinc rises
13 above a level determined by the Alaska Industrial Development
14 Authority to yield a reasonable return on investment;

15 (2) land in the Cape Krusenstern National Monument is conveyed
16 to NANA Regional Corporation by the United States Department of the In-
17 terior;

18 (3) NANA Regional Corporation agrees in writing to make avail-
19 able to the Alaska Industrial Development Authority, at no more than fair
20 market value, land needed for the port and road constructed as part of the
21 DeLong Mountain transportation project and land needed for future expansion
22 of the road and port;

23 (4) the Alaska Industrial Development Authority adopts a
24 financial plan for the DeLong Mountain transportation project that uses tax
25 exempt financing to the maximum extent possible;

26 (5) the Alaska Industrial Development Authority establishes a
27 toll schedule for use of facilities constructed as part of the DeLong
28 Mountain transportation project that ensures a reasonable return on the
29 state's investment in the project and guarantees equitable access to the

1 facilities by all users; the toll schedule may be periodically adjusted;
2 and
3

4 (6) the Alaska Industrial Development Authority reports in
5 writing to the legislative budget and audit committee that the conditions
6 under (1) - (5) of this section have been met.

7 * Sec. 4. Notwithstanding limitations on the establishment of a capital
8 reserve fund under AS 44.88.105, the Alaska Industrial Development
9 Authority may covenant and agree with the trustee or holders of the bonds
10 or notes authorized under sec. 2 of this Act that the authority will
11 establish a capital reserve fund for the purpose of securing the bonds or
12 notes, that the chairman of the authority will, by January 2 of each year,
13 certify in writing to the governor and the legislature the amount required
14 to restore the capital reserve fund to the capital reserve fund
15 requirement, and that the legislature may appropriate to the authority the
16 amount certified by the chairman. Nothing in this section creates a debt
17 or liability of the state.

18 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).

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A M E N D M E N T

Offered in the HOUSE

TO: HB 105

BY THE HOUSE SPECIAL

COMMITTEE ON STATE LOANS

Page 1, lines 6 and 7, delete:

"international airport revenue bonds authorization" and insert "authorization of bonds or notes, establishing conditions under which the bonds or notes for the DeLong Mountain transportation project may be issued"

Page 1, after line 22, insert the following new bill sections:

"* Sec. 2. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project. ~~Bonds or notes may not be issued under this section until~~

Sec. 3. The board of AIDA shall, prior to issuance and sale of the
 (1) Cominco, Ltd. agrees in writing to terms and conditions under which

(A) Cominco, Ltd. will pay for all or a portion of the operation and maintenance of facilities constructed as part of the project based on the use Cominco, Ltd. makes of the facilities compared to the use made by others;

(B) Cominco, Ltd. will repay all expenditures by the state for the project through toll fees for the use of facilities constructed as part of the project;

(C) payments by Cominco, Ltd. to the state will be

bonds, incorporate in its financing plan, to the extent necessary and appropriate the following terms and conditions:

accelerated if the price of zinc rises above a level determined by the Alaska Industrial Development Authority to yield a reasonable profit;

(2) land in the Cape Krusenstern National Monument is conveyed to NANA Regional Corporation by the United States Department of the Interior;

(3) NANA Regional Corporation agrees in writing to make available to the Alaska Industrial Development Authority, at no more than fair market value, land needed for the port and road constructed as part of the DeLong Mountain transportation project and land needed for future expansion of the road and port;

(4) the Alaska Industrial Development Authority obtains a ruling from the Internal Revenue Service that bonds or notes issued under this section will qualify for tax exempt status;

(5) the Alaska Industrial Development Authority establishes a toll schedule for use of facilities constructed as part of the DeLong Mountain transportation project that ensures a reasonable return on the state's investment in the project and guarantees equitable access to the facilities by all users; the toll schedule may be periodically adjusted; and

see 4 (6) the Alaska Industrial Development Authority reports in writing to the legislative budget and audit committee that the conditions under (1) - (5) of this section have been met.

* Sec. 3. Notwithstanding limitations on the establishment of a capital reserve fund under AS 44.88.105, the authority may covenant and agree with the trustee or holders of the bonds or notes authorized under sec. 2 of this Act that the authority will establish a capital reserve fund for the

purpose of securing the bonds or notes, that the chairman of the authority will, by January 2 of each year, certify in writing to the governor and the legislature the amount required to restore the capital reserve fund to the capital reserve fund requirement, and that the legislature may appropriate to the authority the amount certified by the chairman. Nothing in this section creates a debt or liability of the state."

Renumber the following bill section.

Introduced: 1/23/85
Referred: Transportation and
Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 105

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the international air-ports revenue bonds authorization and to the authorization of bonds or notes for the DeLong Mountain transportation project and the establishment of conditions under which the bonds or notes for the DeLong Mountain transportation project may be issued; and providing for an effective date."

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

* Section 1. AS 37.15.410 is amended to read:

Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$86,525,000 [\$62,825,000] is authorized to acquire, equip, construct, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.510. The principal of and interest on these bonds

shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use, and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license.

what kind?

* Sec. 2. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project.

* Sec. 3. Prior to the issuance and sale of any bonds or notes authorized in Sec. 2 the board of directors of the Alaska Industrial Development Authority ~~to the extent feasible~~ shall incorporate into the final finance plan substantially the following terms and conditions:

comply with AS 44.88.173 and shall

(1) Cominco, Ltd. agrees in writing that

(A) Cominco, Ltd. will pay for all or a portion of the operation and maintenance of facilities constructed as part of the project, based on the use Cominco, Ltd. makes of the facilities compared to the use made by others;

(B) if Cominco Alaska ceases to develop the Red Dog mine after expenditures on the road or port have commenced, Cominco, Ltd. will repay all expenditures by the Alaska Industrial Development Authority on the DeLong Mountain transportation project;

(C) toll fees ^{paid} by Cominco, Ltd. to the Alaska Industrial Development Authority may be ^{periodically} adjusted if the price of zinc rises above a level agreed upon with the authority, which yields a return or investment commensurate with the risk;

for the use of the road and port facilities


(2) land in the Cape Krusenstern National Monument is conveyed to NANA Regional Corporation by the United States Department of the Interior;

(3) NANA Regional Corporation agrees in writing to make available to the Alaska Industrial Development Authority, at no more than fair market value, land needed for the port and road constructed as part of the DeLong Mountain transportation project, and land needed for future expansion of the road and port;

(4) The Alaska Industrial Development Authority shall maximize the use of tax exempt financing;

(5) The Alaska Industrial Development Authority establishes a toll schedule for use of facilities constructed as part of the DeLong Mountain transportation project that ensures ^{that (a)} a reasonable return on the state's investment, commensurate with project viability and future usage, ^(b) and guarantees equitable ^(c) access to the facilities by all users; ^(d) the toll schedule ^{shall} ~~may~~ be periodically adjusted. ^(e) ^(see ?)

* Sec. 4. The Alaska Industrial Development Authority reports in writing to the legislative budget and audit committee that the conditions under (1) - (5) of Section 3 of this act have been met.

 * Sec. 5. Notwithstanding limitations on the establishment of a capital reserve fund under AS 44.88.105, the authority may covenant and agree with the trustee or holders of the bonds or notes authorized under Sec. 2 of this act that the authority will establish a capital reserve fund for the purpose of securing the bonds or notes, that the chairman of the authority will, by January 2 of each year, certify in writing to the governor and the legislature the amount

required to restore the capital reserve fund to the capital reserve
fund requirement, and that the legislature may appropriate to the
authority the amount certified by the chairman. Nothing in this
section creates a debt or liability of the state.

* Sec. 6. This act takes effect immediately in accordance with
AS 01.10.070(c).

(DEPT. OF Commerce + Economic Development)

SUGGESTED DRAFT OF LETTER OF INTENT ATTACHED TO THE APPROPRIATION BILL WHICH INCLUDES THE APPROPRIATION OF \$18.0 MILLION AND REVENUE'S LOANS TO AIDA:

It is the intent of the Legislature that, before the appropriation of \$18.0 million and loans to the Economic Development Fund may be expended, obligated, or encumbered, the Alaska Industrial Development Authority must enter into a binding contractual agreement(s) with Cominco, Ltd. and with Nana Regional Corporation to execute substantially the assurances and guarantees represented by the parties to the Legislature.

Specifically, those assurances and guarantees are as follows:

1. Cominco, Ltd. will guarantee to pay toll fees that will repay State expenditures.
2. Cominco, Ltd. will guarantee to pay the operation and maintenance costs of the road and port facilities.
3. Cominco, Ltd. will guarantee minimum toll payments and other payments necessary to repay the State's investment if the mine is delayed or if production is suspended after operation commences.

4. Cominco, Ltd. will agree that, to the extent that the price of zinc should rise above a level presently contemplated to yield a reasonable profit, the State's investment will be repaid at an accelerated rate.

5. Nana Regional Corporation will guarantee to provide necessary land to accomodate reasonable expansion requirements for future users at the port site.

DRAFT
Law

DeLong²
Lr 52 3/28/85
#3

1 IN THE _____

BY THE _____ COMMITTEE
±

2 _____ BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project;
8 and providing for an effective date."

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

10 * Section 1. The Alaska Industrial Development Authority is authorized
11 to issue bonds or notes in a principal amount not to exceed \$175 million to
12 provide financing for the development of the DeLong Mountain transportation
13 project.

14 * Sec. 2. The authority may pledge the moral obligation of the state in
15 support of the issuance of bonds or notes authorized under sec. 1. If the
16 moral obligation of the state is pledged, the authority shall establish
17 appropriate capital reserve funds, and the chairman of the authority shall,
18 no later than January 2 of each year, certify in writing to the governor
19 and the legislature the amount, if any, required to restore a capital
20 reserve fund to the capital reserve fund requirements. The legislature may
21 appropriate to the authority the amount certified by the chairman of the
22 authority. Nothing in this section creates a debt or liability of the
23 state.

24 * Sec. 3. The authority may not issue bonds or notes authorized under
25 this Act unless any limitations imposed by law with respect to the expendi-
26 ture of money appropriated for the fiscal year ending June 30, 1986 to the
27 authority as loans or grants for the purpose of the DeLong Mountain trans-
28 portation project have been satisfied.

29 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
10.070(c).

DRAFT
Law

Copy
LPSJ #4
3/28/85

"PROPOSED SECTION TO BUDGET BILL"

1
2 * Sec. __. (a) All right, title, and interest in loans of the type
3 described in (b) of this section, in an amount not to exceed \$142,000,000
4 in unpaid principal as of July 1, 1985, and all right, title, and interest
5 in all mortgages, notes, and other instruments of security made in connec-
6 tion with those loans, purchased or acquired by the Department of Revenue
7 and held in the general fund on July 1, 1985, are transferred and appropri-
8 ated to the Alaska Industrial Development Authority for the purposes of its
9 economic development fund (AS 44.88.172).

10 (b) This section transfers and appropriates

11 (1) veterans loans acquired or made under AS 26.15;

12 (2) commercial fishing loans acquired or made under AS 16.10.-
13 300 -- 16.10.360;

14 (3) small business loans acquired or made under AS 45.95;

15 (4) tourism loans acquired or made under AS 45.90;

16 (5) fisheries enhancement loans acquired or made under AS 16.10;

17 (6) child care loans acquired or made under AS 44.33; and

18 (7) historical district loans acquired or made under AS 45.98.

19 (c) In an amount not to exceed \$30 million in unpaid principal as of
20 July 1, 1985, all right, title, and interest in commercial fishing loans
21 acquired or made under AS 16.10.300 -- 16.10.360 and secured by a limited
22 entry permit, and all right, title, and interest in all mortgages, notes
23 and other instruments of security made in connection with those loans,
24 purchased or acquired by the Department of Revenue and held in the general
25 fund on July 1, 1985, are transferred and appropriated from the general
26 fund to the commercial fishing revolving loan fund (AS 16.10.340) for the
27 purposes of AS 16.10.300 -- 16.10.370.

28 (d) In an amount equal to the principal balance of loans appropriated
29 under (c) of this section, all right, title, and interest in commercial

1 fishing loans, and all right, title, and interest in all mortgages, notes
2 and other instruments of security made in connection with those loans, are
3 transferred from the commercial fishing revolving loan fund to the Alaska
4 Industrial Development Authority for the purposes of its economic develop-
5 ment fund (AS 44.88.172). However, only loans which are not secured by a
6 limited entry permit may be transferred or appropriated under this subsec-
7 tion.

SENATE JOURNAL

ALASKA STATE LEGISLATURE
FOURTEENTH LEGISLATURE - FIRST SESSION

JUNEAU, ALASKA

MONDAY

May 6, 1985

One Hundred Thirteenth Day

Pursuant to adjournment, the Senate was called to order by President Bennett at 11:09 a.m.

The roll showed nineteen members present. Senator Kerttula was excused from a call of the Senate but was present. Senator Sackett was absent.

The prayer was offered by the Chaplain, Pastor Hunt of the Resurrection Lutheran Church.

Senator Sackett requested that his presence be noted.

Senator Halford moved and asked unanimous consent that the journals for the one hundred eleventh and one hundred twelfth legislative days and Supplement No. 36 be approved as certified by the Secretary. Without objection, it was so ordered.

Senator Ziegler introduced former Senator Pete Meland and President Bennett granted him the privilege of the floor.

MESSAGES FROM THE GOVERNOR

Governor Sheffield signed the list of appointments, to be considered at Joint Session today, as correct. The list will be distributed to all Legislators.

MESSAGES FROM THE HOUSE

SB 172

Message of May 5 was read, stating the House passed and returned:

SENATE BILL NO. 172

(extending the termination date of the Council on Domestic Violence and Sexual Assault; efd)

SENATE BILL NO. 172 was referred to the Secretary for enrollment.

SB 218

Message of May 5 was read, stating the House passed and returned:

CS FOR SENATE BILL NO. 218 (L&C)

(extending the termination date of the Board of Barbers and Hairdressers; efd)

CS FOR SENATE BILL NO. 218 (L&C) was referred to the Secretary for enrollment.

SB 247

Message of May 5 was read, stating the House passed and returned:

CS FOR SENATE BILL NO. 247 (L&C)

(extending the termination date of the Alaska Public Utilities Commission; efd)

CS FOR SENATE BILL NO. 247 (L&C) was referred to the Secretary for enrollment.

HJR 35

Message of May 5 was read, stating the House concurred in the Senate amendment to HOUSE JOINT RESOLUTION NO. 35 (Urging the United States Olympic Committee to select Anchorage as the United States nominee for the site of the 1992 Winter Olympic Games), thus passing:

RULES - BELTZ ROOM 211 - 12:30 PM

May 06 MONDAY *4:00 PM SENATE FINANCE
HB 124 OLDER ALASKANS COMMISSION
TELE WITH ANCHORAGE
May 06 MONDAY *12:50 PM
CALENDAR BILLS

STATE AFFAIRS - BUTROVICH ROOM 205 - 8:30 AM

May 07 TUESDAY
HB 147 DIVISION OF EQUAL EMPLOYMENT OPPORTUNITY
SB 92 DEFERRED COMPENSATION BENEFIT UNDER SBS
SB 305 SALARY FREEZE FOR STATE EMPLOYEES
May 09 THURSDAY
SB 231 SUBSISTENCE & PERSONAL USE OF FISH & GAME
TELECONFERENCE IN SOUTHEAST

TRANSPORTATION - BUTROVICH ROOM 205 - 3:30 PM

May 06 MONDAY
HB 111 LOCAL SERVICE ROADS & TRAILS
May 08 WEDNESDAY
NO MEETING
May 10 FRIDAY
NO MEETING

CONFERENCE COMMITTEE -

May 06 MONDAY 1:30 PM SENATE FINANCE
HB 60 OPERATING BUDGET & LOAN PROGRAM EXPENSES

JOINT SESSION -

May 06 MONDAY 2:00 PM HOUSE CHAMBERS
GOVERNOR'S CONFIRMATION

MAJORITY CAUCUS -

May 06 MONDAY 1:00 PM BUTROVICH ROOM

Committee meetings in the Capital * Change in time or place*

COMMUNITY & REGIONAL AFFAIRS - BELTZ ROOM 211 - 3:30 PM

May 07 TUESDAY
NO MEETING

FINANCE - FINANCE ROOM 518 - 8:30 AM

May 07 TUESDAY
SB 27 APPROP CAPITAL PROJECTS - JOINT WITH HOUSE FINANCE
SB 128 LONGEVITY BONUS
HB 140 TELECONFERENCES ADMIN PROCEDURE ACT
HB 335 PRACTICE OF MIDWIFERY
HB 72 MUNICIPAL GOVERNMENT
HB 74 BIA SCHOOL ADMINISTRATORS IN TRS
HB 81 MOTOR VEHICLE INSPECTIONS
HB 103 CONTRACT PROCEDURES FOR ROYALTY OIL
HB 280 ANCHOR RV & FRITZ CK CRITICAL HABITAT AREA
May 08 WEDNESDAY
TBA
May 09 THURSDAY
TBA

HEALTH, EDUCATION & SOCIAL SERVICES - BELTZ ROOM 211 - 1:30 PM

May 07 TUESDAY
HB 215 COMMUNITY HEALTH AIDE GRANTS CONT'D

JUDICIARY - BUTROVICH ROOM 205 - 1:30 PM

May 07 TUESDAY
HB 267 FEES FOR USE OF STATE PARK CAMPSITES
SB 188 EVICTION FROM A MOBILE HOME
SB 95 SAFETY OF DAMS & RESERVOIRS
SB 193 POWER OF EMINENT DOMAIN
SB 226 VIOLATION OF COMPULSORY EDUCATION LAWS
HB 88 PROTECTION OF CHILDREN
May 09 THURSDAY
HB 126 EXTENDING COVERAGE OF SECURITIES ACT
SB 80 OPTION OF ONE PSYCH EXAM FOR DEFENDANT
HB 172 RIGHTS OF BLIND AND DISABLED PERSONS

LABOR AND COMMERCE - BELTZ ROOM 211 - 3:30 PM

May 06 MONDAY
HB 148 MOBILE HOME WARRANTIES
HB 102 ALASKA RESOURCE CORP

RESOURCES - BUTROVICH ROOM 205 - 1:30 PM

May 06 MONDAY
*HB 323, HB 165, HB 166 CANCELED - RESCHEDULED 5/7
May 07 TUESDAY *3:30 PM BELTZ ROOM 211
HB 323 GRANT STATE LAND IN PELICAN
HB 165 TRANSPLANTING OF ELK
HB 166 APPROP TO DEPT. OF FISH AND GAME
HB 316 NAVIGABLE & PUBLIC WATERS; OBSTRUCTIONS
May 08 WEDNESDAY
SB 271 ALASKA HIRE OIL/GAS PROJECTS ON STATE LAND
HJR 24 FED REVENUE SHARING OUTER CONTINENTAL SHELF
HB 248 LEASES ON FORMER UNIVERSITY LAND
May 10 FRIDAY
TBA

HJR 35 cont'dHOUSE JOINT RESOLUTION NO. 35 am 5

(Urging the United States Olympic Committee to select Anchorage as the United States nominee for the site of the 1992 Olympic Winter Games)

SCR 19

Message dated May 3 on CS FOR SENATE CONCURRENT RESOLUTION NO. 19 (FIN) and CS FOR SENATE CONCURRENT RESOLUTION NO. 19 (FIN) am H (Establishing a Joint Special Committee on Legislative Salaries) which was held from May 4 was read.

Senator Halford moved that the Senate concur in the House amendment and recommended the members vote no.

The question being: "Shall the Senate concur in the House amendment to CS FOR SENATE CONCURRENT RESOLUTION NO. 19 (FIN)?" The roll was taken with the following result:

CSSCR 19 FIN AM H CONCUR

Yeas: 0

Nays: 19 Abood, Bennett, Coghill, DeVries,
Fahrenkamp, Faiks, Ferguson,
Fischer Paul, Fischer Vic,
Halford, Josephson, Kelly,
Kerttula, Ray, Rodey, Sackett,
Sturgulewski, Zharoff, Ziegler

Absent: 1 Eliason

and so, the Senate failed to concur.

President Bennett instructed the Secretary to notify the House of the Senate's action and request the House to recede from its amendment. In the event that the House fails to recede, the President appointed the following members to a CONFERENCE COMMITTEE to meet with a like committee from the House to consider the resolutions:

Senator Abood, Chairman
Senator Ferguson
Senator Ray

HB 78

Message of May 5 was read, stating the House failed to concur in the Senate amendment to CS FOR HOUSE BILL NO. 78 (L&C) and respectfully requests the Senate to recede from its amendment, namely:

SENATE CS FOR CS FOR HOUSE BILL NO. 78 (L&C)

(occupational licensing fees; efd)

Messages of May 4 and 5 were read, stating the House passed:

FIRST READING AND REFERENCE OF HOUSE BILLS

HB 44

CS FOR HOUSE BILL NO. 44 (JUD) by the Judiciary Committee, entitled:

"An Act relating to marine park units of the state park system; and providing for an effective date."

with a House Letter of Intent was read the first time and referred to the Resources Committee, the Judiciary Committee and the Finance Committee.

HB 88

CS FOR HOUSE BILL NO. 88 (FIN) by the Finance Committee, entitled:

"An Act relating to the protection of children, family members, and dependent adults; and providing for an effective date."

was read the first time and referred to the Judiciary Committee and the Finance Committee.

HB 122

HOUSE BILL NO. 122 by the Rules Committee by request of the Governor, entitled:

"An Act abolishing inactive boards, councils, and commissions."

was read the first time and referred to the State Affairs Committee and the Finance Committee.

SB 247

CS FOR SENATE BILL NO. 247 (L&C) was enrolled, signed by the President and Secretary, Speaker and Chief Clerk and the engrossed and enrolled copies transmitted to the Office of the Governor at 1:55 p.m., May 6, 1985.

ADJOURNMENT

Senator Ziegler moved and asked unanimous consent that the Senate adjourn until 11:00 a.m., May 7, 1985. Without objection, the Senate adjourned at 3:03 p.m.

Peggy Mulligan
Secretary of the Senate

May 1985

AFTER RECESS

The Senate reconvened at 3:01 p.m.

ENGISSMENT

SB 303

SENATE BILL NO. 303 was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

SB 279

CS FOR SENATE BILL NO. 279 (FIN) was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

SB 280

CS FOR SENATE BILL NO. 280 (FIN) am was engrossed, signed by the President and Secretary and transmitted to the House for consideration.

ENROLLMENT

SB 172

SENATE BILL NO. 172 was enrolled, signed by the President and Secretary, Speaker and Chief Clerk and the engrossed and enrolled copies transmitted to the Office of the Governor at 1:55 p.m. May 6, 1985.

SB 218

CS FOR SENATE BILL NO. 218 (L&C) was enrolled, signed by the President and Secretary, Speaker and Chief Clerk and the engrossed and enrolled copies transmitted to the Office of the Governor at 1:55 p.m., May 6, 1985.

HB 130

CS FOR HOUSE BILL NO. 130 (HESS) am by the Health, Education and Social Services Committee, entitled:

"An Act relating to educational employees' collective bargaining agreements; and providing for an effective date."

was read the first time and referred to the Health, Education and Social Services Committee and the Finance Committee.

HB 174

CS FOR HOUSE BILL NO. 174 (FIN) by the Finance Committee, entitled:

"An Act requiring training in emergency care for teachers certified in the state."

was read the first time and referred to the Health, Education and Social Services Committee and the Finance Committee.

HB 218

CS FOR HOUSE BILL NO. 218 (JUD) by the Judiciary Committee, entitled:

"An Act relating to standards of conduct of legislators and legislative employees and to the Select Committee on Legislative Ethics; and providing for an effective date."

was read the first time and referred to the State Affairs Committee, the Judiciary Committee and the Finance Committee.

HB 236

CS FOR HOUSE BILL NO. 236 (FIN) am by the Finance Committee, entitled:

"An Act creating a Quadrennial Olympic reserve account; and providing for an effective date."

was read the first time and referred to the Community and Regional Affairs Committee and the Finance Committee.

HB 288

CS FOR HOUSE BILL NO. 288 (JUD) am by the Judiciary Committee, entitled:

"An Act relating to the taking of fish and game for subsistence and personal use; and providing for an effective date."

with a House Letter of Intent was read the first time and referred to the State Affairs Committee, the Resources Committee and the Judiciary Committee.

HB 392

HOUSE BILL NO. 392 am by the Rules Committee by request of the Governor, entitled:

"An Act relating to the acquisition and development of state office and prison facilities; and providing for an effective date."

with a House Letter of Intent was read the first time and referred to the Labor and Commerce Committee, the Judiciary Committee and the Finance Committee.

COMMUNICATIONS

The Secretary announced receipt of the following short digests to audit reports which are on file in the Office of the Secretary of the Senate:

A SPECIAL REPORT ON THE DEPARTMENT OF EDUCATION, LOWER YUKON SCHOOL DISTRICT CONTRACTING PRACTICES, JANUARY 15, 1985

A REPORT ON THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, DIVISION OF ACCOUNTING AND COLLECTIONS, LOAN PROGRAMS, FOR THE FISCAL YEAR ENDED JUNE 30, 1984

A SPECIAL REPORT ON THE DEPARTMENT OF REVENUE, POLITICAL CONTRIBUTION CREDIT PROGRAM, CLAIM YEARS 1981-1983, FEBRUARY 15, 1985

The short digests are on file in the Office of the Secretary of the Senate.

Senator Halford moved that Robert F. Williams be confirmed to the University of Alaska Board of Regents. Representative Thompson objected.

The question being: "Shall Robert F. Williams be confirmed to the University of Alaska Board of Regents?" The roll of the Senate was called with the following result:

SENATE

WILLIAMS

Yeas: 20 Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Abood, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Bennett

Nays: 0

The roll of the House was taken with the following result:

HOUSE

WILLIAMS

Yeas: 34 Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Duncan, Frank, Fuller, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Koponen, Larson, Marrou, Martin, Miller, M.M., Miller, M.W., Navarre, Pearce, Phillips, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Uehling

Nays: 6 Davis, Jenkins, Pettyjohn, Pignalberi, Thompson, Wallis

Herrmann changed from "nay" to "yea".

TOTALS: YEAS: 54 NAYS: 6

and so, Robert F. Williams was confirmed to the University of Alaska Board of Regents.

Senator Halford moved and asked unanimous consent that the Joint Session adjourn. Without objection, the Joint Session adjourned at 2:58 p.m.

Senator Halford moved and asked unanimous consent that Robert M. Piazza be confirmed to the Railroad Labor Relations Agency. Without objection, Robert M. Piazza was confirmed.

Senator Halford moved and asked unanimous consent that Grace Berg Schaible be confirmed to the University of Alaska Board of Regents. Representative Thompson objected.

The question being: "Shall Grace Berg Schaible be confirmed to the University of Alaska Board of Regents?" The roll of the House was taken with the following result:

HOUSESCHAIBLE

Yeas: 39 Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Jenkins, Koponen, Larson, Marrou, Martin, Miller, M.M., Miller, M.W., Navarre, Pearce, Pettyjohn, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Uehling, Wallis

Nays: 1 Thompson

The roll of the Senate was called with the following result:

SENATESCHAIBLE

Yeas: 20 Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Abood, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Bennett

Nays: 0

TOTALS: YEAS: 59 NAYS: 1

and so, Grace Berg Schaible was confirmed to the University of Alaska Board of Regents.

Continuation notice posted May 6:

PUBLIC NOTICE, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (solicit public comments on specific plans for selected projects: 1) Continuing placer mining monitoring; 2) Continuing the Placer Mining Advisory Group; 3) Preparing a Delta-Clearwater Creek Water Quality Management Plan; and 4) State position on amendments to the Clean Water Act)

Senator Sturgulewski, Chairman, moved and asked unanimous consent that the notice be referred to the Resources Committee. President Bennett stated that without objection, the notice would be referred to Resources.

STANDING COMMITTEE REPORTSSB 279

The Rules Committee considered SENATE BILL NO. 279 (special appropriation to the economic development fund of the Alaska Industrial Development Authority, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; efd) and a majority of the committee recommended calendar May 6. The report was signed by Senator Kelly, Chairman and concurred in by Senators Coghill, Bennett and Faiks.

SENATE BILL NO. 279 appears on the calendar.

SB 280

The Rules Committee considered SENATE BILL NO. 280 (authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd) and a majority of the committee recommended calendar May 6. The report was signed by Senator Kelly, Chairman and concurred in by Senators Coghill, Bennett and Faiks.

SENATE BILL NO. 280 appears on the calendar.

HB 80

The Rules Committee considered CS FOR HOUSE BILL NO. 80 (L&C) (insurance fees and licenses; efd) and a majority of the committee recommended calendar May 6. The report was signed by Senator Kelly, Chairman and concurred in by Senators Coghill, Bennett and Faiks.

CS FOR HOUSE BILL NO. 80 (L&C) appears on the calendar.

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 310

SENATE BILL NO. 310 by Senators Sturgulewski, Vic Fischer, Rodey and Zharoff, entitled:

"An Act establishing the Alaska Natural Hazards Safety Commission."

was read the first time and referred to the State Affairs Committee and the Finance Committee.

SB 311

SENATE BILL NO. 311 by the Finance Committee, entitled:

"An Act increasing the bond authorization for airport revenue bonds; and providing for an effective date."

was read the first time and referred to the Finance Committee.

Senator Halford moved and asked unanimous consent that the Senate recess to a call of the Chair and announced a majority caucus. Without objection, the Senate recessed at 11:26 a.m.

AFTER RECESS

The Senate reconvened at 12:07 p.m.

CONSIDERATION OF THE CALENDAR

SECOND READING OF SENATE BILLS

SB 279

SENATE BILL NO. 279 (special appropriation to the economic development fund of the Alaska Industrial Development Authority, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; efd) was read the second time.

Senator Halford moved and asked unanimous consent that Charles Bovee be confirmed to the Board of Psychologist and Psychological Associate Examiners. Without objection, Charles Bovee was confirmed.

Senator Halford moved and asked unanimous consent that Linda Webber be confirmed to the Board of Psychologist and Psychological Associate Examiners. Without objection, Linda Webber was confirmed.

Senator Halford moved that C.R. "Steve" Halfing be confirmed to the Railroad Labor Relations Agency. Representative Marrou objected.

The question being: "Shall C.R. Steve Halfing be confirmed to the Railroad Labor Relations Agency?" The roll of the Senate was called with the following result:

SENATE

Yeas: 20 Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Abood, Coghill, DeVries, Eliason, Fahrenkamp, Bennett

Nays: 0

The roll of the House was taken with the following result:

HOUSE

HALFING

Yeas: 39 Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Jenkins, Koponen, Larson, Martin, Miller, M.M., Miller, M.W., Navarre, Pearce, Pettyjohn, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Thompson, Uehling, Wallis

Nays: 1 Marrou

TOTALS: YEAS: 59 NAYS: 1

and so, C.R. "Steve" Halfing was confirmed to the Railroad Labor Relations Agency.

TOTALS: YEAS: 53 NAYS: 6 ABSENT: 1

and so, Ernest Carter was confirmed to the Board of Fisheries.

Senator Halford moved that Victor Van Ballenberghe be confirmed to the Board of Game. Representative Shultz objected.

The question being: "Shall Victor Van Ballenberghe be confirmed to the Board of Game?" The roll of the House was taken with the following result:

HOUSE

BALLENBERGHE

Yeas:	31	Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Goll, Gruenberg, Grussendorf, Herrmann, Hurley, Koponen, Larson, Martin, Miller, M.M., Navarre, Pearce, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Sund, Szymanski, Uehling, Wallis
Nays:	9	Furnace, Hanley, Jenkins, Marrou, Miller, M.W., Pettyjohn, Shultz, Taylor, Thompson

The roll of the Senate was called with the following result:

SENATE

BALLENBERGHE

Yeas:	10	Fahrenkamp, Faiks, Ferguson, Fischer, Vic, Halford, Josephson, Rodey, Sturgulewski, Zharoff, Ziegler
Nays:	9	Eliason, Fischer Paul, Kelly, Kerttula, Ray, Abood, Coghill, DeVries, Bennett
Absent:	1	Sackett

TOTALS: YEAS: 41 NAYS: 18 ABSENT: 1

and so, Victor Van Ballenberghe was confirmed to the Board of Game.

SB 279 cont'd

Senator Faiks moved and asked unanimous consent for the adoption of the Finance Committee Substitute and new title offered on page 893. Without objection, CS FOR SENATE BILL NO. 279 (FIN) (transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund, transferring and appropriating money to the economic development fund; efd) was adopted.

CS FOR SENATE BILL NO. 279 (FIN) was read the second time.

SB 303

Senator Ferguson requested that the reconsideration on SENATE BILL NO. 303 am (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) be taken up.

UNFINISHED BUSINESS

SENATE BILLS IN THIRD READING

SENATE BILL NO. 303 am was before the Senate on reconsideration.

Senator Ferguson moved and asked unanimous consent that SENATE BILL NO. 303 am be returned to second reading for the purpose of a rescinding motion. Without objection, it was so ordered.

Senator Ferguson moved and asked unanimous consent that the Senate rescind its action in adopting Amendment No. 1. Without objection, it was so ordered.

Senator Ferguson moved and asked unanimous consent that Amendment No. 1 be withdrawn. Without objection, Amendment No. 1 was withdrawn.

SENATE BILL NO. 303 was automatically in third reading.

SB 303 cont'd

The question to be reconsidered is: "Shall SENATE BILL NO. 303 (removing a limitation on the power of the Alaska Railroad to apply for a right-of-way or exercise eminent domain) pass the Senate?" The roll was taken with the following result:

SB 303 3RD

Yeas: 19 Abood, Bennett, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Sackett, Sturgulewski, Zharoff, Ziegler

Nays: 1 Rodey

and so, SENATE BILL NO. 303 passed the Senate on reconsideration and was referred to the Secretary for engrossment.

CALENDAR (continued)

SB 279

Senator Halford moved and asked unanimous consent that CS FOR SENATE BILL NO. 279 (FIN) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 279 (FIN) was read the third time.

Senator Ferguson moved and asked unanimous consent that he be allowed to abstain from voting because of a conflict of interest. Senators Abood and Fahrenkamp objected.

The question being: "Shall CS FOR SENATE BILL NO. 279 (FIN) (transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund, transferring and appropriating money to the economic development fund; efd) pass the Senate?" The roll was taken with the following result:

CS SB 279 FIN 3RD

Yeas: 20 Abood, Bennett, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler

Nays: 0

and so, CS FOR SENATE BILL NO. 279 (FIN) passed the Senate.

The roll of the Senate was called with the following result:

SENATEROSS

Yeas: 12 Eliason, Fahrenkamp, Ferguson, Fischer Vic, Halford, Josephson, Kerttula, Ray, Sackett, Sturgulewski, Zharoff, Ziegler

Nays: 8 Abood, Coghill, DeVries, Faiks, Fischer Paul, Kelly, Rodey, Bennett

TOTALS: YEAS: 37 NAYS: 23

and so, William R. Ross was confirmed as the Commissioner of the Department of Environmental Conservation.

Senator Halford moved that Ernest Carter be confirmed to the Board of Fisheries. Senator Paul Fischer objected.

The question being: "Shall Ernest Carter be confirmed to the Board of Fisheries?" The roll of the Senate was called with the following result:

SENATECARTER

Yeas: 17 Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sturgulewski, Zharoff, Ziegler, Abood, Coghill, Bennett

Nays: 2 DeVries, Fischer Paul

Absent: 1 Sackett

The roll of the House was taken with the following result:

HOUSECARTER

Yeas: 36 Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Koponen, Larson, Martin, Miller MM, Miller MW, Navarre, Pearce, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Thompson, Uehling, Wallace

Nays: 4 Furnace, Jenkins, Marrou, Pettyjohn

University of Alaska Board of Regents

Representative Thompson objected.

Alaska Public Utilities Commission

Alaska Public Offices Commission

Violent Crimes Compensation Board

Alaska Worker's Compensation Board

Without objection, the appointees, with the exception of the Board of Psychologist & Psychological Associate Examiners, Railroad Labor Relations Agency and University of Alaska Board of Regents, to boards or commissions were confirmed.

Senator Halford moved that William R. Ross be confirmed as the Commissioner of the Department of Environmental Conservation. Representative Pettyjohn objected.

The question being: "Shall William R. Ross be confirmed as Commissioner of the Department of Environmental Conservation?" The roll of the House was taken with the following result:

HOUSE

ROSS

Yeas:	25	Adams, Binkley, Boucher, Cato, Clocksin, Corten, Davis, Duncan, Fuller, Goll, Gruenberg, Grussendorf, Herrmann, Hurley, Koponen, Larson, Miller, M.M., Navarre, Phillips, Pignalberi, Pourchot, Sund, Taylor, Thompson, Wallis
Nays:	15	Collins, Frank, Furnace, Hanley, Jenkins, Marrou, Martin, Miller, M.W., Pearce, Pettyjohn, Rieger, Ringstad, Shultz, Szymanski, Uehling

SB 279 cont'd

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clauses, Secs. 8 and 9. Without objection, it was so ordered.

SB 280

SENATE BILL NO. 280 (authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd) was read the second time.

Senator Faiks moved and asked unanimous consent for the adoption of the Finance Committee Substitute offered on page 993. Without objection, CS FOR SENATE BILL NO. 280 (FIN) was adopted.

CS FOR SENATE BILL NO. 280 (FIN) was read the second time.

Senators Halford and Ferguson offered Amendment No. 1:

Page 1, line 17: After "plan"
insert "and agreement"

Page 2, lines 9-10: After "to" delete "make available"
insert "sell, lease for a prepaid term of at least 99 years or grant a perpetual easement"

Page 2, line 13: After "port"
insert ", subject to no terms or conditions inconsistent with use as a public road and port"

Senator Halford moved and asked unanimous consent for the adoption of Amendment No. 1. Without objection, Amendment No. 1 was adopted.

Senators Vic Fischer and Ferguson offered Amendment No. 2:

Page 2, line 18: After "ensures"
insert "full repayment of and"

Senator Vic Fischer moved and asked unanimous consent for the adoption of Amendment No. 2. Without objection, Amendment No. 2 was adopted.

SB 280 cont'd

Senators Coghill and Ferguson offered corrected Amendment No. 3:

Page 2, line 28: After "users"
insert "and potential users"

Senator Coghill moved and asked unanimous consent for the adoption of Amendment No. 3. Without objection, Amendment No. 3 was adopted.

Senator Halford moved and asked unanimous consent that CS FOR SENATE BILL NO. 280 (FIN) am be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 280 (FIN) am was read the third time.

The question being: "Shall CS FOR SENATE BILL NO. 280 (FIN) am (authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd) pass the Senate?" The roll was taken with the following result:

CS5B 280 FIN AM 3RD

Yeas: 19 Abood, Bennett, Coghill, DeVries,
Eliason, Fahrenkamp, Faiks,
Ferguson, Fischer Paul,
Fischer Vic, Halford, Josephson,
Kelly, Kerttula, Ray, Sackett,
Sturgulewski, Zharoff, Ziegler

Nays: 1 Rodey

and so, CS FOR SENATE BILL NO. 280 (FIN) am passed the Senate.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered.

SB 279

Senator Ferguson gave notice of reconsideration on CS FOR SENATE BILL NO. 279 (FIN) (transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund, transferring and appropriating money to the economic development fund; efd) and moved and asked unanimous consent that it be taken up at this time. Without objection, it was so ordered.

Senator Halford moved and asked unanimous consent that with the exception of the Board of Fisheries and the Board of Game, all other appointees above be confirmed. Without objection, those appointees to boards or commissions were confirmed.

Senator Halford moved and asked unanimous consent that the following appointees to boards or commissions be confirmed:

Board of Marine Pilots

State Medical Board

Board of Nursing

Board of Nursing Home Administrators

Alaska Oil and Gas Conservation Commission

Board of Examiners in Optometry

Personnel Board

Board of Pharmacy

State Physical Therapy Board

Without objection, the appointees to boards or commissions were confirmed.

Senator Halford moved and asked unanimous consent that the following appointees to boards or commissions be confirmed:

Professional Teaching Practices Commission

Board of Psychologist & Psychological Associate
Examiners

Representative Marrou objected.

Railroad Labor Relations Agency

Representative Marrou objected.

Real Estate Commission

Alcoholic Beverage Control Board
 State Board of Architects, Engineers, & Land Surveyors
 State Assessment Review Board
 Athletic Commission
 Board of Governors of the Alaska Bar
 Board of Barbers and Hairdressers
 Board of Chiropractic Examiners
 Alaska Commercial Fisheries Entry Commission

Without objection, the appointees were confirmed to the boards or commissions named.

Senator Halford moved that appointees to the following boards or commissions be confirmed:

Board of Dental Examiners
 Board of Dispensing Opticians
 Board of Education
 Board of Electrical Examiners
 Board of Fisheries

Senator Paul Fischer objected.

Board of Game

Representative Shultz objected.

Guide Licensing and Control Board
 State Commission for Human Rights
 Commission on Judicial Conduct

Representative Pourchot objected and moved and asked unanimous consent that he be allowed to abstain from voting on the Commission on Judicial Conduct because of a conflict of interest. There were objections.

SB 279 cont'd

UNFINISHED BUSINESS

SENATE BILLS IN THIRD READING

CS FOR SENATE BILL NO. 279 (FIN) was before the Senate on reconsideration.

The question to be reconsidered is: "Shall CS FOR SENATE BILL NO. 279 (FIN) (transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund, transferring and appropriating money to the economic development fund; efd) pass the Senate?" The roll was taken with the following result:

CS SB 279 FIN RECON

Yeas: 19 Abood, Bennett, Coghill, DeVries,
 Eliason, Fahrenkamp, Faiks,
 Ferguson, Fischer Paul,
 Fischer Vic, Halford, Josephson,
 Kelly, Kerttula, Ray, Sackett,
 Sturgulewski, Zharoff, Ziegler

Nays: 1 Rodey

and so, CS FOR SENATE BILL NO. 279 (FIN) passed the Senate on reconsideration.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clauses, Secs. 8 and 9. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 279 (FIN) was referred to the Secretary for engrossment.

SB 280

Senator Ferguson gave notice of reconsideration on CS FOR SENATE BILL NO. 280 (FIN) am (authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd) and moved and asked unanimous consent that it be taken up at this time. Without objection, it was so ordered.

SENATE BILLS IN THIRD READING

CS FOR SENATE BILL NO. 280 (FIN) am was before the Senate on reconsideration.

SB 280 cont'd

The question to be reconsidered is: "Shall CS FOR SENATE BILL NO. 280 (FIN) am (authorization of bonds or notes for the De-Long Mountain transportation project, establishing conditions under which the bonds or notes may be issued; efd) pass the Senate?" The roll was taken with the following result:

CS SB 280 FIN AM RECON

Yeas: 19 Abood, Bennett, Coghill, DeVries,
Eliason, Fahrenkamp, Faiks,
Ferguson, Fischer Paul,
Fischer Vic, Halford, Josephson,
Kelly, Kerttula, Ray, Sackett,
Sturgulewski, Zharoff, Ziegler

Nays: 1 Rodey

and so, CS FOR SENATE BILL NO. 280 (FIN) am passed the Senate on reconsideration.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 280 (FIN) am was referred to the Secretary for engrossment.

CALENDAR (continued)

SECOND READING OF HOUSE BILLS

HB 80

CS FOR HOUSE BILL NO. 80 (L&C) (insurance fees and licenses; efd) was read the second time.

Senator Halford moved and asked unanimous consent that CS FOR HOUSE BILL NO. 80 (L&C) be advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR HOUSE BILL NO. 80 (L&C) was read the third time.

The roll of the House was taken with the following result:

HOUSE

LOUNSBURY

Yeas: 40 Adams, Binkley, Boucher, Cato,
Clocksin, Collins, Cutten, Davis,
Duncan, Frank, Fuller, Furnace,
Goll, Gruenberg, Grussendorf,
Hanley, Herrmann, Hurley, Jenkins,
Koponen, Larson, Marrou, Martin,
Miller, M.M., Miller, M.W., Navarre,
Pearce, Pettyjohn, Phillips,
Pignalberi, Pourchot, Rieger,
Ringstad, Shultz, Sund, Szymanski,
Taylor, Thompson, Uehling, Wallis

Nays: 0

TOTALS: YEAS: 60 NAYS: 0

and so, Loren Lounsbury was confirmed as the Commissioner of the Department of Commerce and Economic Development.

Senator Halford moved that William R. Ross be confirmed as Commissioner of the Department of Environmental Conservation.

Representative Pettyjohn objected and moved that the Ross confirmation be moved to the bottom. Without objection, it was so ordered.

Senator Halford moved that those named on page two of Boards and Commissions confirmation list be confirmed. Without objection, it was so ordered.

Senator Halford moved and asked unanimous consent that the members of boards and commissions listed on page three of the confirmation list dated May 6 be confirmed. Representative Pourchot objected.

President Bennett stated the motions on pages two and three would be void and appointments to boards or commissions would be named in the motion.

Senator Halford moved that appointees to the following boards or commissions be confirmed:

Alaska State Board of Public Accountancy

The question being: "Shall Mary Nordale be confirmed as Commissioner of the Department of Revenue?" The roll of the House was taken with the following result:

HOUSE

NORDALE

Yeas: 39 Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Furnace, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Jenkins, Koponen, Larson, Marrou, Martin, Miller, M.M., Miller, M.W., Navarre, Pearce, Pettyjohn, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Thompson, Uehling, Wallis

Nays: 1 Adams

The roll of the Senate was called with the following result:

SENATE

NORDALE

Yeas: 16 Coghill, Eliason, Fahrenkamp, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Bennett

Nays: 4 Abood, DeVries, Faiks, Ferguson

TOTAL YEAS: 55 NAYS: 5

and so, Mary Nordale was confirmed as Commissioner of the Department of Revenue.

Senator Halford moved that Loren Lounsbury be confirmed as the Commissioner of the Department of Commerce and Economic Development.

The question being: "Shall Loren Lounsbury be confirmed as Commissioner of the Department of Commerce and Economic Development?" The roll of the Senate was called with the following result:

SENATE

LOUNSBURY

Yeas: 20 Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Abood, Bennett

Nays: 0

HB 80 cont'd

The question being: "Shall CS FOR HOUSE BILL NO. 80 (L&C) (insurance fees and licenses; efd) pass the Senate?" The roll was taken with the following result:

CS HB 80 LC 3RD

Yeas: 20 Abood, Bennett, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler

Nays: 0

and so, CS FOR HOUSE BILL NO. 80 (L&C) passed the Senate.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clauses, Secs. 31 and 32. Without objection, it was so ordered.

CS FOR HOUSE BILL NO. 80 (L&C) was signed by the President and Secretary and returned to the House.

CITATIONS

Honoring Jennifer Colonell
by Senators Bennett and Fahrenkamp

Honoring USS Alaska and crew
by All Members of the Senate

In Memoriam Loretta Rafson
by Senators Bennett, Fahrenkamp and Rodey

Senator Halford moved and asked unanimous consent that the citation calendar be adopted. Without objection, the citations were adopted and referred to the Secretary for transmittal.

UNFINISHED BUSINESS

SCR 24

Senator Sturgulewski moved and asked unanimous consent that she be added as a co-sponsor on SENATE CONCURRENT RESOLUTION NO. 24 (appointment of representatives to the Pacific Fisheries Legislative Task Force). Without objection, it was so ordered.

SJR 27

Senator Sturgulewski moved and asked unanimous consent that she be added as a co-sponsor on SENATE JOINT RESOLUTION NO. 27 (interception of Alaska Salmon on the high seas). Without objection, it was so ordered.

HB 130

Senator Abood, Chairman, moved and asked unanimous consent that CS FOR HOUSE BILL NO. 130 (HESS) am (educational employees' collective bargaining agreements; efd) have an added referral to the State Affairs Committee. Without objection, President Bennett stated the bill would be referred to the State Affairs Committee.

CS FOR HOUSE BILL NO. 130 (HESS) am was referred to the Health, Education and Social Services Committee, the State Affairs Committee and the Finance Committee.

ANNOUNCEMENTS

Senator Rodey, Chairman, moved and asked unanimous consent that the five-day notice rule be waived on CS FOR HOUSE BILL NO. 88 (FIN) (protection of children, family members, and dependent adults; efd) for the Judiciary Committee meeting on May 7. Without objection, it was so ordered.

Announcements appear at the end of the journal.

Senator Halford announced a majority caucus upon recess.

Senator Halford moved and asked unanimous consent that the Senate stand in recess until 2:00 p.m. for the Joint Session to consider the Governor's appointments for confirmation. Without objection, the Senate recessed at 12:41 p.m.

AFTER RECESS

JOINT SESSION IN THE HOUSE

Speaker Grussendorf called the House to order and in accordance with the Uniform Rules turned the gavel over to President Bennett who called the Joint Session to order at 2:05 p.m.

The purpose of the Joint Session was to consider the confirmation of the Governor's appointments.

Senator Halford moved that John R. Pugh be confirmed as Commissioner of the Department of Health and Social Services.

The question being: "Shall John R. Pugh be confirmed as Commissioner of the Department of Health and Social Services?" The roll of the Senate was called with the following result:

SENATE

PUGH

Yeas: 20 Abood, Coghill, DeVries, Eliason, Fahrenkamp, Faiks, Ferguson, Fischer, Paul, Fischer Vic, Halford, Josephson, Kelly, Kerttula, Ray, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler, Bennett

Nays: 0

The roll of the House was taken with the following result:

HOUSE

PUGH

Yeas: 39 Adams, Binkley, Boucher, Cato, Clocksin, Collins, Cotten, Davis, Duncan, Frank, Fuller, Goll, Gruenberg, Grussendorf, Hanley, Herrmann, Hurley, Jenkins, Koponen, Larson, Marrou, Martin, Miller, M.M., Miller, M.W., Navarre, Pearce, Pettyjohn, Phillips, Pignalberi, Pourchot, Rieger, Ringstad, Shultz, Sund, Szymanski, Taylor, Thompson, Uehling, Wallis

Nays: 1 Furnace

TOTALS: YEAS: 59 NAYS: 1

and so, John R. Pugh was confirmed as the Commissioner of the Department of Health and Social Services.

Senator Halford moved that Mary Nordale be confirmed as Commissioner of the Department of Revenue.

State Physical Therapy Board

*Dr. Morris Horning, Anchorage, 9/1/88
 *E. "Budd" Simpson, Juneau, 9/1/88
 Merle Young, Jr., Fairbanks, 9/1/88

Professional Teaching Practices Commission

Charles Rider, Fairbanks, 7/1/87
 *Darleen Trent, Anchorage, 7/1/87
 *Margaret Van Flein, Fairbanks, 7/1/87

Board of Psychologist & Psychological Associate Examiners

*Charles Bovee, Sitka, 7/1/88
 Linda Webber, Anchorage, 7/1/88

**Railroad Labor Relations Agency

C.R. "Steve" Halfing, Anchorage, 2/6/85
 Robert M. Piazza, Anchorage, 2/6/85

Real Estate Commission

*John Benson, Ketchikan, 1/31/89
 Barry Brown, Fairbanks, 1/31/89
 Iola Robinson, Palmer, 1/31/87

University of Alaska Board of Regents

Grace Berg Schaible, Fairbanks, 2/1/93
 Robert F. Williams, Kenai, 2/1/93

Alaska Public Utilities Commission

*Marvin Weatherly, Anchorage, 10/31/90
 Kathleen Whiteaker, Anchorage, 10/31/86

Alaska Public Offices Commission

Burke Riley, Juneau, 2/1/90

Violent Crimes Compensation Board

Millard Ingraham, Anchorage, 12/15/87

Alaska Worker's Compensation Board

Elmer Eller, Anchorage, 7/1/85
 Mary Pierce, Anchorage, 7/1/87
 *Joe Thomas II, Fairbanks, 7/1/87

*Reappointment

**Appt date only, serves @ pleasure of Governor

Senator Halford moved and asked unanimous consent that roll call of the Senate be waived and all members be shown as present. Without objection, it was so ordered.

Representative Clocksin moved and asked unanimous consent that the roll of the House be waived and all members be shown as present. Without objection, it was so ordered.

Commissioners and boards and commissions appointments are as follows:

1985 CONFIRMATION OF GOVERNOR'S APPOINTMENTS

COMMISSIONERS

John R. Pugh, Department of Health and Social Services

Mary Nordale, Department of Revenue

Loren Lounsbury, Department of Commerce and Economic Development

William R. Ross, Department of Environmental Conservation

BOARDS AND COMMISSIONS
(with dates of expiration)

Alaska State Board of Public Accountancy

*Kay May, Juneau, 4/25/87

Alcoholic Beverage Control Board

Jack Griffin, Anchorage, 1/31/88
 *James McNamee, Fairbanks, 1/31/88

State Board of Architects, Engineers, & Land Surveyors

Rajeev Bhargava, Anchorage, 7/1/88
 *Wayne Jensen, Juneau, 7/1/88
 Patricia Partnow, Anchorage, 7/1/86
 Robert Perkins, Fairbanks, 7/1/88

State Assessment Review Board

Michael Salazar, Ketchikan, 1/9/85
 Steven Van Sant, Palmer, 10/23/84

Athletic Commission

Tom Behan, Anchorage, 5/14/85
 Edwin Lawrence, Fairbanks, 5/14/86
 Dan McClinton, Douglas, 5/14/86

Board of Governors of the Alaska Bar

Andonia Harrison, Anchorage, 6/30/85
 *Lew Williams, Jr., Ketchikan, 6/30/87

Board of Barbers and Hairdressers

S. "Berni" Hein, Juneau, 7/1/86
 *Carolyn Janzen, Anchorage, 7/1/87

Board of Chiropractic Examiners

Leland Olkjer, Jr., Valdez, 7/15/88

Alaska Commercial Fisheries Entry Commission

*Bruce Twomley, Juneau, 7/1/88

Board of Dental Examiners

Dr. Timothy Woller, Fairbanks, 2/1/86
 Dr. Robert Warren, Anchorage, 2/1/88
 Hugh Gellert, Anchorage, 2/1/89
 Patrick J. Gullufsen, Juneau, 2/1/89
 *Leslieann Luboff, Anchorage, 2/1/89
 *Jerry Zemlicka, Juneau, 2/1/89

Board of Dispensing Opticians

Richard Hansen, Juneau, 6/14/86
 Dr. William Reedy, Jr., Eagle River, 6/14/86
 Sharla Thomas, Anchorage, 6/14/88

Board of Education

*Barney Gottstein, Anchorage, 1/31/90
 *Don Gray, Fairbanks, 1/31/90
 P. Janie Leask, Anchorage, 1/31/89

Board of Electrical Examiners

*Terence Duszynski, Fairbanks, 7/10/86

Board of Fisheries

*Ernest Carter, Fairbanks, 1/31/88

Board of Game

Victor Van Ballenberghe, Fairbanks, 1/31/88

Guide Licensing and Control Board

Ralph Fenner, Sitka, 6/15/87
 *Edward Shavings, Sr., Mekoryuk, 6/15/87
 Jim Harrower, Anchorage, 6/15/85

State Commission for Human Rights

Doris M. Volzke, Ketchikan, 1/31/90
 Sandra A. Henricks, Fairbanks, 1/31/90

Commission on Judicial Conduct

Charlie Dargan, Jr., Anchorage, 12/31/88

Board of Marine Pilots

*William Barrington, Anchorage, 6/1/88
 William Ruddy, Juneau, 6/1/88

State Medical Board

*Dr. George Brenneman, Anchorage, 7/8/88
 Bonnie Coghlan, Fairbanks, 8/13/88
 *Dr. Jeffrey Partnow, Fairbanks, 11/6/88

Board of Nursing

Connie Bertholf, Anchorage, 3/31/88
 Dr. Effie Graham, Anchorage, 3/31/89
 *Sammye Rink, Juneau, 3/31/85
 Barbara Carberry, Kodiak, 3/31/90

Board of Nursing Home Administrators

Thomas Boling, Anchorage, 10/1/86
 Raymond Davidson, Juneau, 10/1/88
 *Ruth Roth, Sitka, 10/1/88
 Jane Sabes, Nome, 10/1/88

Alaska Oil and Gas Conservation Commission

*Lonnie Smith, Anchorage, 12/31/90

Board of Examiners in Optometry

Jeanette Hopson, Barrow, 6/15/86
 Dr. John Lounsbury, Fairbanks, 6/15/86

Personnel Board

*C. "Steve" Hafling, Anchorage, 6/20/90

Board of Pharmacy

*Sue Roberts, Anchor Point, 3/31/89
 *Margaret Soden, Fairbanks, 3/31/89

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 280 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan and agree-
18 ment for the DeLong Mountain transportation project the following terms and
19 conditions:

20 (1) Cominco, Ltd. is required to agree in writing that

21 (A) Cominco, Ltd. will pay for all or a portion of the
22 operation and maintenance of facilities constructed as part of the
23 project based on the use Cominco Alaska makes of the facilities com-
24 pared to the use made by others;

25 (B) if Cominco Alaska ceases to develop the Red Dog Mine
26 after costs have been incurred by the Alaska Industrial Development
27 Authority for the project, Cominco, Ltd. will pay the authority for
28 those costs together with interest from the date the costs were in-
29 curred;

1 (C) toll fees paid by Cominco Alaska for the use of facil-
2 ities constructed as part of the project to the Alaska Industrial
3 Development Authority may be periodically adjusted if the price of
4 zinc rises above a level that yields a return on investment commen-
5 surate with risk;

6 (2) the United States government makes available land in the
7 Cape Krusenstern National Monument that is included in the proposed land
8 exchange with NANA Regional Corporation to the corporation for construction
9 of a transportation system;

10 (3) NANA Regional Corporation is required to agree in writing to
11 sell, lease for a prepaid term of at least 99 years or grant a perpetual
12 easement to the Alaska Industrial Development Authority, at no more than
13 fair market value, land needed for the port and road constructed as part of
14 the project and land needed for future expansion of the road and port,
15 subject to no terms or conditions inconsistent with use as a public road
16 and port;

17 (4) tax exempt financing for the project is used to the maximum
18 extent possible;

19 (5) a toll schedule, that may be periodically adjusted, is
20 established for use of facilities constructed as part of the project that

21 (A) ensures full repayment of and a reasonable return on
22 the state's investment in the project; and

23 (B) guarantees equitable access to the facilities by all
24 users and potential users, including access to private property and
25 access for travel necessary and related to resource exploration and
26 development for which valid permits have been obtained and travel in
27 support of resource exploration and development;

28 (6) contracts for the construction of the port and road are
29 subject to AS 36;

1 (7) reasonable access to the port and road is guaranteed to all
2 users and potential users;

3 (8) the Alaska Industrial Development Authority will own and
4 operate the facilities collectively referred to as the DeLong Mountain
5 transportation project.

6 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
7 be issued, the Alaska Industrial Development Authority shall

8 (1) report in writing to the legislative budget and audit com-
9 mittee that the conditions under sec. 2 of this Act have been met; and

10 (2) agree with the Department of Revenue in writing to deliver
11 all money generated by the DeLong Mountain transportation project to the
12 Department of Revenue for deposit in the general fund, other than money
13 necessary for payment of the principal and interest on bonds or notes
14 issued under sec. 1 of this Act and except as may otherwise be provided in
15 the bond or note covenants.

16 * Sec. 4. As used in this Act, "reasonable return" means a rate of
17 return on the total investment of the state of at least five percent.

18 * Sec. 5. This Act takes effect July 1, 1985.

Adopted
Senate
5/6/85

A M E N D M E N T #1

Offered in the SENATE

TO: CSSB 280(Fin)

by Halford and Ferguson

Page 1, line 17

After "plan" insert "and agreement"

Page 2, line 9-10

After "to" delete "make available" and insert "sell,
lease for a prepaid term of at least 99 years or grant
a perpetual easement"

Page 2, line 13

After "port" delete "," and insert ", subject to
no terms or conditions inconsistent with use as
a public road and port."

Adopted
Senate
5/6/85

SENATE AMENDMENT #2

By SENATOR VIC FISCHER

To: CS SB 280 (Fin) SENATE BILL No. 280

To: _____ HOUSE BILL No. _____

Page 2, line 18

PAGE: 2 LINE: 18

after "ensures" add:
"full repayment of and"

SENATE AMENDMENT

Adopted & Senate 5/6/85
Replace #3

By Coghill Ferguson

To: ~~CSB 205~~ SENATE BILL No. CSB 200

To: _____ HOUSE BILL No. _____

PAGE:

LINE:

2

28

after users, ^{Delete";} ADD "and Potential USERS;"

SENATE AMENDMENT

By SENATORS COGHILL AND FERGUSON

To: AMEND SENATE BILL No. SB 280
To: _____ HOUSE BILL No. _____

PAGE: 2 LINE: 20

Following the word "users"

Delete [;]

Insert: AND POTENTIAL USERS INCLUDING COMMERCIAL AND INDUSTRIAL USERS

PAGE 2 LINE 25

Insert new section 3 to read:

FOR PURPOSES OF THE ACT COMMERCIAL AND INDUSTRIAL USERS INCLUDES:

(1) TRAVEL NECESSARY FOR AND RELATED TO RESOURCE EXPLORATION AND DEVELOPMENT FOR WHICH VALID PERMITS HAVE BEEN OBTAINED, OR TO SUPPORT THOSE ACTIVITIES:

(2) TRAVEL NECESSARY AND RELATED TO ACCESS ~~BY LOCAL RESIDENTS~~ TO PRIVATE PROPERTY.

and renumber remaining sections accordingly

C O R R E C T I O N

Discard CS SB 280 (FIN)
and retain this corrected version.

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 280 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

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13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that

20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs have been incurred by the Alaska Industrial Development
26 Authority for the project, Cominco, Ltd. will pay the authority for
27 those costs together with interest from the date the costs were in-
28 curred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction of the port and road are
26 subject to AS 36;

27 (7) reasonable access to the port and road is guaranteed to all
28 users;

29 (8) the Alaska Industrial Development Authority will own and

1 operate the facilities collectively referred to as the DeLong Mountain
2 transportation project.

3 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
4 be issued, the Alaska Industrial Development Authority shall

5 (1) report in writing to the legislative budget and audit com-
6 mittee that the conditions under sec. 2 of this Act have been met; and

7 (2) agree with the Department of Revenue in writing to deliver
8 all money generated by the DeLong Mountain transportation project to the
9 Department of Revenue for deposit in the general fund, other than money
10 necessary for payment of the principal and interest on bonds or notes
11 issued under sec. 1 of this Act and except as may otherwise be provided in
12 the bond or note covenants.

13 * Sec. 4. As used in this Act, "reasonable return" means a rate of
14 return on the total investment of the state of at least five percent.

15 * Sec. 5. This Act takes effect July 1, 1985.

Adopted
SFC
5/1/85.

PROPOSED AMENDMENTS TO SB 280 (Resources)

Amendment #1

Page 1, Line 25 After the word "costs" delete "or debts".

Page 1, Line 27 After the word "costs" delete "and debts".

Page 1, Line 28 After the word "costs" delete "or debts".

Amendment #2

Page 2, Line 25 After the word "construction" delete ", operation, and maintenance".

Amendment #3

Page 2, Line 27 Delete the word "adequate" and insert "reasonable".

Amendment #4

Page 2, Line 28 Insert new subsection "(8) The Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project."

Amendment #5

Page 3, Line 10 Insert new Section 4 "Definitions (a) Reasonable return means a rate of return on the state's total investment of at least five percent."

Re-number remaining section accordingly.

A M E N D M E N T

Offered in the SENATE

TO: CSSB 280 (Resources)

Page 2, lines 1 - 3, delete all material after "the" and insert:

"(A) price of zinc rises above a level that yields a return on investment commensurate with risk;

(B) costs of operation and maintenance of facilities constructed as part of the project change; or

(C) toll fees paid by other users significantly increase;"

Page 2, lines 9 and 10:

Delete "more than fair market value" and insert "cost"

Page 2, line 17:

Delete "a reasonable" and insert "full"

Page 2, line 18:

After "project" insert ", including full repayment of principal and interest on bonds issued for the project and all costs of operation and maintenance of facilities constructed as part of the project"

W/ amendments

Original sponsor: Resources Committee

1
2 IN THE SENATE

BY THE RESOURCES COMMITTEE

3 CS FOR SENATE BILL NO. 280 (Resources)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 FOURTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the authorization of bonds or
8 notes for the DeLong Mountain transportation project,
9 establishing conditions under which the bonds or
10 notes may be issued; and providing for an effective
11 date."

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

13 * Section 1. The Alaska Industrial Development Authority is authorized
14 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
15 provide financing for the DeLong Mountain transportation project.

16 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
17 be issued, the Alaska Industrial Development Authority shall comply with
18 AS 44.88.173 and shall incorporate into the final finance plan for the
19 DeLong Mountain transportation project the following terms and conditions:

20 (1) Cominco, Ltd. is required to agree in writing that

21 (A) Cominco, Ltd. will pay for all or a portion of the
22 operation and maintenance of facilities constructed as part of the
23 project based on the use Cominco Alaska makes of the facilities com-
24 pared to the use made by others;

25 (B) if Cominco Alaska ceases to develop the Red Dog Mine
26 after costs or debts have been incurred by the Alaska Industrial
27 Development Authority for the project, Cominco, Ltd. will repay the
28 authority for those costs and debts; including interests

29 (C) toll fees paid by Cominco Alaska for the use of facil-
ities constructed as part of the project to the Alaska Industrial

1
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commen-
4 surate with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users including commercial and industrial
users.

22 (6) contracts for the construction, operation, and maintenance
23 of the port and road are subject to AS 36;

24 (7) adequate access to the port and road is guaranteed to all
25 users.

26 **→ INSERT NEW SECTION 3 ←**
* Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
27 be issued, the Alaska Industrial Development Authority shall ^{1973 must approve bond issue + complete Finance Plan} and ^{and repayment schedule to be} ~~report~~

28 (1) report in writing to the legislative budget and audit com-
29 mittee that the conditions under sec. 2 of this Act have been met; and

(2) agree with the Department of Revenue in writing to deliver

1 all money generated by the DeLong Mountain transportation project to the
2 Department of Revenue for deposit in the general fund, other than money
3 necessary for payment of the principal and interest on bonds or notes
4 issued under sec. 1 of this Act and except as may otherwise be provided in
5 the bond or note covenants.

6 JUL 1, 1985
7 * Sec. 4. This Act takes effect ~~immediately~~ in accordance with AS 01.-
8 10.070(c).

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 279 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act transferring and appropriating certain loans
7 to the economic development fund and the commercial
8 fishing revolving loan fund, transferring and appro-
9 priating money to the economic development fund; and
10 providing for an effective date."

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

12 * Section 1. (a) All right, title, and interest in loans of the type
13 described in (b) of this section, and all right, title, and interest in all
14 mortgages, notes, and other instruments of security made in connection with
15 those loans, purchased or acquired by the Department of Revenue and held in
16 the general fund on July 1, 1985, are transferred and appropriated to the
17 economic development fund (AS 44.88.172) of the Alaska Industrial Develop-
18 ment Authority for the DeLong Mountain transportation project. However, if
19 the amount in unpaid principal of the loans exceeds \$112,000,000 as of
20 July 1, 1985, only loans and instruments of security totaling \$112,000,000
21 in unpaid principal are transferred and appropriated under this section.

22 (b) This section transfers and appropriates

- 23 (1) veterans loans acquired or made under AS 26.15;
24 (2) small business loans acquired or made under AS 45.95;
25 (3) tourism loans acquired or made under AS 45.90;
26 (4) fisheries enhancement loans acquired or made under AS 16.10;
27 (5) child care loans acquired or made under AS 44.33; and
28 (6) historical district loans acquired or made under AS 45.98.

29 * Sec. 2. All right, title, and interest in commercial fishing loans

1 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
2 interest in all mortgages, notes and other instruments of security made in
3 connection with those loans, purchased or acquired by the Department of
4 Revenue and held in the general fund on July 1, 1985, are transferred and
5 appropriated from the general fund to the commercial fishing revolving loan
6 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
7 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
8 July 1, 1985, only loans and instruments of security totaling \$30,000,000
9 in unpaid principal are transferred and appropriated under this section.

10 * Sec. 3. All right, title, and interest in loans that are not secured
11 by limited entry permits in an amount equal to the principal balance of
12 loans appropriated under sec. 2 of this Act, and all right, title, and
13 interest in all mortgages, notes and other instruments of security made in
14 connection with those loans, are transferred and appropriated from the
15 commercial fishing revolving loan fund (AS 16.10.340), the small business
16 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
17 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
18 172) of the Alaska Industrial Development Authority for the DeLong Mountain
19 transportation project.

20 * Sec. 4. The sum of \$12,000,000 is transferred and appropriated from
21 the multifamily housing loans security fund (AS 44.88.156(h)) to the eco-
22 nomic development fund (AS 44.88.172) for the purpose of financing the
23 DeLong Mountain transportation project.

24 * Sec. 5. The appropriation made by sec. 2 of this Act is for capitali-
25 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

26 * Sec. 6. The appropriations made by secs. 1 and 3 of this Act are for
27 a capital project and are subject to AS 37.25.020.

28 * Sec. 7. The appropriation made by sec. 4 of this Act is for a capital
29 project and is subject to AS 37.25.020.

1 * Sec. 8. Sections 1, 3, 5 and 6 of this Act take effect on the effec-
2 tive date of an Act entitled "An Act relating to the authorization of bonds
3 or notes for the DeLong Mountain transportation project, establishing
4 conditions under which the bonds or notes may be issued; and providing for
5 an effective date."

6 * Sec. 9. Sections 4 and 7 of this Act take effect on the date the
7 board of directors of the Alaska Industrial Development Authority adopts a
8 resolution that declares there exists a surplus of at least \$12,000,000 in
9 the multifamily housing loans security fund (AS 44.88.156(h)) and that
10 \$12,000,000 is available for transfer to the economic development fund
11 (AS 44.88.172).

~~Section 2 effective date?~~

Original sponsor: Resources Committee

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IN THE SENATE

BY THE RESOURCES COMMITTEE

CS FOR SENATE BILL NO. 279 (Resources)
IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the economic development fund of the Alaska Industrial Development Authority, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; and providing for an effective date."

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

* Section 1. The sum of \$18,000,000 is appropriated from the general fund to the economic development fund (AS 44.88.172) of the Alaska Industrial Development Authority for the DeLong Mountain transportation project.

* Sec. 2. (a) All right, title, and interest in loans of the type described in (b) of this section, and all right, title, and interest in all mortgages, notes, and other instruments of security made in connection with those loans, purchased or acquired by the Department of Revenue and held in the general fund on July 1, 1985, are transferred and appropriated to the economic development fund (AS 44.88.172) of the Alaska Industrial Development Authority for the DeLong Mountain transportation project. However, if the amount in unpaid principal of the loans exceeds \$112,000,000 as of July 1, 1985, only loans and instruments of security totaling \$112,000,000 in unpaid principal are transferred and appropriated under this section.

(b) This section transfers and appropriates

- (1) veterans loans acquired or made under AS 26.15;
- (2) small business loans acquired or made under AS 45.95;
- (3) tourism loans acquired or made under AS 45.90;

- 1 (4) fisheries enhancement loans acquired or made under AS 16.10;
2 (5) child care loans acquired or made under AS 44.33; and
3 (6) historical district loans acquired or made under AS 45.98.
4

5 * Sec. 3. All right, title, and interest in commercial fishing loans
6 acquired or made under AS 16.10.300 - 16.10.370 and all right, title, and
7 interest in all mortgages, notes and other instruments of security made in
8 connection with those loans, purchased or acquired by the Department of
9 Revenue and held in the general fund on July 1, 1985, are transferred and
10 appropriated from the general fund to the commercial fishing revolving loan
11 fund (AS 16.10.340) for the purposes of AS 16.10.300 - 16.10.370. However,
12 if the amount in unpaid principal of the loans exceeds \$30,000,000 as of
13 July 1, 1985, only loans and instruments of security totaling \$30,000,000
14 in unpaid principal are transferred and appropriated under this section.

15 * Sec. 4. All right, title, and interest in loans that are not secured
16 by limited entry permits in an amount equal to the principal balance of
17 loans appropriated under sec. 3 of this Act, and all right, title, and
18 interest in all mortgages, notes and other instruments of security made in
19 connection with those loans, are transferred and appropriated from the
20 commercial fishing revolving loan fund (AS 16.10.340), the small business
21 revolving loan fund (AS 45.95.060), and the Alaska World War II Veterans'
22 revolving fund (AS 26.15.090) to the economic development fund (AS 44.88.-
23 172) of the Alaska Industrial Development Authority for the DeLong Mountain
24 transportation project.

25 * Sec. 5. The appropriation made by sec. 3 of this Act is for capitali-
26 zation of a loan fund and does not lapse in accordance with AS 37.25.010.

27 * Sec. 6. The appropriations made by secs. 1, 2 and 4 of this Act are
28 for a capital project and are subject to AS 37.25.020.

29 * Sec. 7. This Act takes effect July 1, 1985.

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

4/11/85

Date 4/26/85

Mr. President

The Committee on Resources considered SB 279

special appropriation to the economic development fund of AIDA, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan fund; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 279 (Res)
- new title
- ~~same title and~~ recommends individual Recommendations
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Arthur Stupakovich
J. B. Collins
Paul S. Zboroff

MEMBERS HAVING
OTHER RECOMMENDATIONS

2 Rick Halford do not pass
3 M. Gleason no rec.

Arthur Stupakovich
 Chairman
Do Pass
 Chairman recommendation

**STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: _____

REQUEST
 Bill/Resolution No.: SB 279
 Title: Special approp. to econ. development fund of AIDA.
 Sponsor: Resources Committee
 Requestor: _____
 Date of Request: 4/16/85

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: Economic Development
 BRU, Program or Subprogram(s) Affected: Accounting & Collections

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		6.8				
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	6.8	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

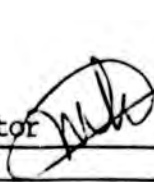
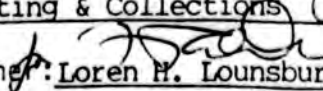
	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
GENERAL FUND						
FEDERAL FUNDS						
OTHER Interagency receipts	-0-	6.8	-0-	-0-	-0-	-0-
TOTAL	-0-	6.8	-0-	-0-	-0-	-0-

POSITIONS:

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached.

Prepared By: Margaret I. Hamley, Director  Phone: 465-2555
 Division: Accounting & Collections Date: 4-19-85
 Approved by Commissioner: Loren H. Lounsbury  Date: 4/19/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

7/1/84

Approximately 2,600 loans will be affected by the reappropriations proposed in SB 279.

The following assumptions are made:

- Effective date is July 1, 1985.
- AIDA will not service the transferred loans.
- Division of Accounting & Collections will continue to service these loans under contract with AIDA. If this legislation is enacted, service fees currently received from the Department of Revenue will be received from AIDA instead. There will be a net zero fiscal impact for the service fee portion of this fiscal note as the service fees retained by the Department of Commerce and Economic Development will remain the same.

Given these assumptions:

- the ability of the loan funds to meet future loan demand is not affected.
- effect on borrowers would be minimal; an information letter and new payment cards would be mailed to borrowers. Changes in policy are not anticipated.
- FY '86 budget requests for Division of Accounting & Collections and Division of Investments would not be affected. (Cash flow from these loans is remitted to the investor on a monthly basis, net of service fees, late fees, NSF fees and application and assumption fees which are retained by the fund. Veterans and commercial fish fees are appropriated by the Legislature to fund operating efforts in Division of Accounting & Collections and Division of Investments.)

Operating costs that will be incurred:

Contractual

Postage for information letter 2,500 x .22 ea. =	\$ 550
Postage for payment cards 1,800 x .71 ea. (bulk rate) = 700 x .18 ea. (bulk rate) =	1,278 126
Increased long distance charges Estimated 20% of borrowers will contact the division with additional inquiries/questions 560 calls x 5 minutes (ave. \$4.25)	2,380
Filing fees for assignment of First Preferred Ship Mortgage for commercial fish portfolio 500 filings x \$5.00 ea.	<u>2,500</u>
TOTAL	\$6,834

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 279
 Title: Appropriations to AIDA Economic Development Fund
 Sponsor: Resources
 Requestor: Senate Resources
 Date of Request: April 12, 1985

FISCAL DETAIL

Agency Affected: General Fund
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
CASH FLOW	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	(17,800)	(17,300)	(16,500)	(14,900)	(14,300)
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: April 12, 1985

Approved by Commissioner: *Shirley J. Stedman*
 Agency: Department of Revenue

Date: 4/16/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SB 279
Fiscal Note Analysis

The cash flow figures shown in the fiscal note reflect the reduction in general funds available for appropriation arising from SB 279. These figures are based on the scheduled loan payments shown in the attached Table I after netting out service fees as calculated in Table II. Table II also provides a breakdown of the reduction into interest and principal.

Due to loan prepayments, actual receipts may be greater than scheduled in early years and less than scheduled in later years. This is the main reason why the FY 86 budget actually contains \$31.3 million estimated loan cash flow, made up of \$13.3 million interest and \$18 million principal. The difference between the budget estimate and scheduled cash flow for FY 86, which is \$13.5 million, will be a downward adjustment to the next revenue estimates in June.

Table I

**General Fund Loans to be Appropriated to AIDA
Estimated Cash Flow (Principal and Interest)
(\$ 000)**

<u>Fiscal Year</u>	<u>Veterans</u>	<u>Small Business</u>	<u>Commercial Fish</u>	<u>Tourism</u>	<u>Child Care</u>	<u>Historical District</u>	<u>Fisheries Enhancement</u>	<u>Total</u>
1986	9,247	2,855	6,105	308	5	22	N/A	18,542
1987	9,034	2,783	5,786	308	4	22		17,937
1988	8,784	2,613	5,409	308	3	22		17,139
1989	8,554	2,404	4,243	308	2	18		15,529
1990	8,379	2,279	3,870	282	1	14		14,825
1991	8,343	2,134	3,233	243		14		13,967
1992	8,042	1,946	2,037	229		14		12,268
1993	7,409	1,551	837	221		14		10,032
1994	6,955	907	214	212		7		8,295
1995	6,851	344	34	208				7,437
1996	6,814	59		201				7,074
1997	6,532			186				6,718
1998	6,174			85				6,259
1999	6,038							6,038
2000	5,998							5,998
2001	5,899							5,899
2002	5,096							5,096
2003	4,254							4,254
2004	4,035							4,035
2005	3,925							3,925
2006	3,865							3,865
2007	3,182							3,182
2008	1,709							1,709
2009	521							521
2010	98							98
2011	20							20
Total	145,758	19,875	31,768	3,099	15	147	6,804 (principal only)	207,466

1. This table represents the cash flow to the Department of Commerce and Economic Development. Cash flow to the general fund would be further reduced by .5% service fee on loans serviced by Commerce and .125% service fee to Commerce on loans serviced by banks.
2. Cash flow has not been adjusted for delinquency or default. Except for commercial fish non-permit loans, the state expects complete recovery on defaults. Thus, delinquency and default merely produce lags in receipts.

Table II

Scheduled Cash Flow From State Loans
Held by General Fund
(\$ Millions)

	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Balance at Start of Year	135.9	128.7	120.9	113.3	106.8
<u>Interest @ 7.89%</u>					
Service Fee to Commerce @ .5%	.7	.6	.6	.6	.5
General Fund Revenue @ 7.39%	<u>10.0</u>	<u>9.5</u>	<u>8.9</u>	<u>8.4</u>	<u>7.9</u>
Total	10.7	10.1	9.5	9.0	8.4
Principal Repayment	7.8	7.8	7.6	6.5	6.4
Balance at End of Year	128.1	120.9	113.3	106.8	100.4

Funding Information
General Fund \$18,000,000
Other Funds - 0 -
\$18,000,000

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON LOANS

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Industrial Development Authority economic development
8 fund for design and construction of the Delong Moun-
9 tains regional transportation project."

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

11 * Section 1. The sum of \$18,000,000 is appropriated from the general
12 fund to the Alaska Industrial Development Authority economic development
13 fund (AS 44.88.172) for design and construction of the Delong Mountains
14 regional transportation project.

15 * Sec. 2. The appropriation made by this Act is for capitalization of a
16 loan fund and does not lapse in accordance with AS 37.25.010.
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Amendment to SB279

A BILL

For an Act entitled: "An Act _____; and providing for an effective date."

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

* Section 1. The sum of \$12,000,000 is appropriated from the multifamily housing loans security fund (AS 44.88.156) to the economic development fund (AS 44.88.172) for the purpose of financing the DeLong Mountain transportation project.

* Sec. 2. This Act takes effect on the date that the board of directors of the Alaska Industrial Development Authority adopts a resolution which provides that there exists a surplus of at least \$12,000,000 in the multifamily housing loans security fund, and that the funds are available for transfer to the economic development fund.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4907

Senate Committee on Resources

February 6, 1985
1:30 - 3:30
Senate Finance Committee Room

JOINT SENATE FINANCE AND RESOURCES HEARING: RED DOG MINING PROJECT OVERVIEW

- | | |
|---|-------------|
| I. Alaska Industrial Development Authority
* B. Wagnon | 1:30 - 2:00 |
| II. Cominco Alaska
* H.M. Giegerich (includes slide presentation)
* W.G. Wilson
R.R. Stone | 2:00 - 2:35 |
| III. NANA Regional Corporation
* J. Schaeffer
D. Argetsinger | 2:35 - 2:50 |
| IV. GCO Minerals Company
* D. Kennedy | 2:50 - 3:05 |
| V. Noranda
* G. Snow
* G. German
D. Scheranback | 3:05 - 3:15 |
| VI. Additional Questions and Answers | 3:15 - 3:30 |

There will be time for questions at the end of each presentation.

* Speakers

W. G. WILSON
PRESIDENT
COMINCO LTD.

SENATE RESOURCE AND SENATE FINANCE COMMITTEES

WEDNESDAY, FEBRUARY 6, 1985

Madam Chairman of the Resource Committee, Madam Chairman and Mr. Chairman of the Finance Committee, Members of the Committees, Ladies and Gentlemen, good afternoon.

My name is Bill Wilson. I am President of Cominco Ltd. and I live in Vancouver, B.C. Accompanying me from Vancouver is Bob Stone, Vice President, Finance, of Cominco Ltd. Hank Giegerich has already described some aspects of Cominco and I would like to add a few comments.

Worldwide, Cominco employs approximately 10,500 people. In 1984 our total assets were more than \$2 billion, and annual sales were about \$2.1 billion. We have active operations in 9 countries and carry on exploration activities in a further 12 countries.

Our major business is mining and metals. Cominco Ltd. owns zinc and lead mines at Kimberley, at Pine Point and at Polaris, N.W.T., in Canada; Black Angel in Greenland; Rubiales in Spain;

Que River in Australia, and the Magmont mine in Missouri. Other mines owned by Cominco include a gold mine in the Northwest Territories of Canada and a gold mine in Nevada; a copper mine in British Columbia; a coal mine in British Columbia; a potash mine in Saskatchewan; and a phosphate rock mine in Montana. At Trail, British Columbia, Cominco operates the world's largest integrated smelter and refining complex, producing zinc, lead and silver plus chemical fertilizers, and high purity electronic materials. Cominco's sales of zinc and of lead amount to approximately 10% of each of the world's production.

Now I would like to talk a little about world metal markets, so that you can see where we think Red Dog will fit in. In the late 70's and early 80's, zinc concentrate markets were bouyant due to the general "boom" conditions that existed worldwide. This shifted dramatically in 1982 when the world moved into recession. Concentrate markets softened, inventories increased significantly, and prices dropped to the lowest "real" level in 50 years. For the metals industry this was the most severe recession since the 1930's.

During 1983/84 production and consumption remained in balance, and there was slow improvement in price, but not enough to put the industry back into complete health. The situation today is essentially unchanged. Zinc consumption in the Western World

has increased but so has production, so there is still some surplus capacity over-hanging the market. This was the major reason behind Cominco's recent temporary shutdowns ^{3 mines in Canada} -- to try to eliminate some of these surpluses. All of our mines are now operating again, and we will hope to see an improved inventory situation by next summer. And, if the economic recession that the experts are predicting for 1986 materializes, we may again see lower prices for a period and this may result in a shake-out in the market that will finally eliminate some of the high-cost, marginal producers.

However, by the end of this decade, we anticipate some significant changes in the world zinc market. To start with, there are going to be a number of good-sized mines going out of business due to exhaustion of ore reserves. These include our own Black Angel mine in Greenland, Nanisivik in Canada's arctic, the Meggan mine in West Germany (which has been in production for 300 years), plus other major operations in Canada and Australia. These shutdowns are going to take more than half a million tons off the market annually by the end of this decade. Expansions and new mines that have been announced will compensate for some of this, but will not take care of the new zinc production that will be required by 1990, due to the normal expansion of the world economy. So this is where Red Dog comes in, as this market gap that has been identified fits in with our proposed timing for bringing Red Dog on by the end of the decade.

Cominco is therefore taking metal prices and markets, and the future outlook, into consideration in our planning on when to bring the Red Dog mine into production. Our production decision will be based on these market considerations, plus the return on investment, and the risk. And probably the most critical factor is whether the State of Alaska can assist in the initial financing of the road and port facility. This is the single largest item in the project, and accounts for almost 40% of the total project cost. Our present studies indicate that if Cominco is required to directly finance this portion of the project, the return on the investment will not likely be adequate to justify developing this mine, with its problems of isolation, climate and short shipping season.

In return for State assistance in developing the transportation infrastructure, we have stated that Cominco will make certain guarantees to the State of Alaska covering repayment of the State financing and start-up of the mine. We have been asked what these guarantees mean, and whether the State of Alaska can count on Cominco. These guarantees are backed by the assets of Cominco Ltd., which are more than \$2 billion, with two-thirds in fixed assets such as land, building, equipment and developed mineral properties. Cominco is owned by 20,000 shareholders in Canada and the U.S.A., including 54% by Canadian Pacific Ltd., the company instrumental in forming Cominco Ltd. over 80 years

ago. Canadian Pacific Ltd. is the largest company in Canada, with assets of \$17.6 billion, and sales of \$13.1 billion.

Another way to measure our guarantee is to look at our past performance. The proposal we are making to you is not new in the world, or to Cominco. In 1961 we reached an agreement with the Canadian Federal Government which called for the construction of a railroad and hydro-plant to assist in bringing the Pine Point mine in Northern Canada into production. We made commitments and guarantees similar to what we are proposing with the State of Alaska. One of these called for the repayment of capital costs for the railroad. As a result of increased production and higher revenues at the mine over that which we expected, we paid for the capital cost in a shorter time period than was required in the agreement. This mine ^{started production in 1965 and} is still in production and is expected to continue for another 5 to 10 years.

Thank you for the opportunity to address this hearing. I am sure that you have a lot of questions about our project and the company. We will be happy to answer any questions you might have, and look forward to meeting with you again.

Thank you.

David S. Kennedy
Senior Geologist
GCO Minerals Company

Joint Senate Resources & Finance
Committee Hearing

Wednesday, February 6, 1985

Madam chairman, members of the committee on behalf of GCO Minerals Company, I appreciate this opportunity to testify before you in support of an important mine development in Alaska. My name is David Kennedy, and I am a Senior Geologist for GCO. First of all, let me provide a brief background of GCO Minerals Company. GCO is a wholly-owned subsidiary of International Paper Company. International Paper Company, one of the largest wood products companies in the country, provides the wood products component of the Dow Jones Index. Annual sales in 1984 were in excess of four billion dollars. Until the Native Claims Settlement Act in Alaska, IP was the largest private land owner in the country. IP is still one of the largest private owners of real estate in the world, owning approximately seven million acres of timberland in the U.S.

To help illustrate the magnitude of probable mine development in northwestern Alaska, in addition to Red Dog, I would like to give a very brief review of GCO's DLM project and then provide some order-of-magnitude operational and financial data for the Lik deposit.

GCO has carried out exploration in Alaska since 1969 and has conducted a continuous exploration program in the DeLong Mountains region since announcement of significant lead-zinc mineralization at Red Dog on D-2 lands in 1976. To date, GCO has expended approximately twenty million dollars on this project, delineated significant zinc-lead ore reserves in the Lik deposit which is located approximately twelve miles northwest of Red Dog and maintains over 6,000 federal and state mining claims. These mining claims contain other good mineral showings which occur within ten to fifteen miles of the proposed right-of-way. An agreement between GCO and Noranda Exploration for further aggressive exploration on these mineral claims has been recently consummated.

Prior to 1984, over 100 holes totalling more than 60,000 feet were drilled on the Lik deposit. Ore reserves indicated by this drilling were approximately 25,000,000 tons containing 12% combined zinc and lead with approximately 2 oz/ton silver. Exploration drilling this past summer resulted in the discovery of an extension to the known deposit which we feel confident will double the present reserves.

Conceptual engineering design and order-of magnitude feasibility studies have been carried out for the Lik deposit. These studies indicate a mine operation with the following parameters:

- 1) A mine operating at approximately 5,000 tons per day. Initial production will come from a small open pit with an underground mining system being introduced in later years.
- 2) Capital costs exclusive of a road and port would be in the order of 300 million dollars.
- 3) Concentrate production would be in the range of 275,000 to 350,000 tons per year with higher production occurring in early years due to selective mining of higher grade reserves near the surface.
- 4) The Lik operation would be connected to the DeLong Mountains Transportation system by a spur road 14 to 25 miles in length.
- 5) Direct full-time employment generated by the Lik operation will be in the order of 300 jobs at start-up with an additional 20% added at the point of phasing-in the underground operations.
- 6) The importance of the 1984 exploration results is a potential increase in mine life to at least 30 years.

We have not at this point calculated a dollar value for the benefits that will accrue to the state from this additional mine development. However, implications from the Lik conceptual mine plan in addition to those previously stated for the Red Dog mine clearly show long term economic benefits for Alaska.

There is no question that state aid in the financing of the road and port will speed the development of Red Dog and make possible additional mine developments such as Lik in the region. We are confident that the road and port will make the Lik deposit economically viable. The importance of the road and port project and the Red Dog mine to mine development in Alaska can be illustrated by an analogy with north slope oil development. Red Dog would be analogous to Prudhoe Bay development in the mid 1970's, and subsequent development of the Lik deposit and others would be analogous to development of the Kuparuk, Milne Point and Endicott reservoirs.

In conclusion, GCO strongly endorses the Red Dog Project, as it will be the first major mine development in Alaska in over 50 years. In view of Cominco's unparalleled experience in mine development in arctic environments, the Red Dog project should set a very positive precedent for mine development in Alaska and is thus deserving of broad support from the state and the public. GCO believes that the state involvement in the development of the DeLong Mountains Transportation system will not only enhance the opportunity for development of mineral deposits in addition to Red Dog, but will be the first step in the creation of a viable mining industry in the state of Alaska.

Thank you.

Geoffrey G. Snow, President
Noranda Exploration, Inc.

Joint Senate Resources & Finance
Committee Hearing

Wednesday, February 6, 1985

Madam Chairman, members of the committee - Thank you for the opportunity to brief you today. Noranda Exploration, Inc. is the wholly-owned subsidiary of Noranda Inc. Noranda Inc. is a major Canadian mining company and a major zinc producer. Noranda mines produce (in 1982) about 625,000 tons of zinc per year, or close to 15% of world consumption. Zinc is important to Noranda's earnings. A 10% change in the price of zinc (4¢ today) affects Noranda's earnings 30%.

I am employed because Noranda's mines are being depleted. In order to survive, a mining company must replace material mined-out. Noranda can look any where in the world, but our organization has focused on the western Brooks Range. We have just concluded an agreement with GCO Minerals that permits us to examine a large claim block in the DeLong Mountains.

Why did we select the DeLong Mountains? Figure 1 shows where zinc has been mined. Most was from the Mississippi Valley. We are not looking there because, at today's prices and costs, the 6% average grade is not attractive.

Further we think the environment labeled volcanic-exhalitive has greater potential. Figure 2 shows where reserves are.

The Red Dog geologic environment is analogous to others in the world, for example the Selwyn Basin of the Yukon. There 10 deposits, ranging in size from 20 to 100 million tons, are in similar rocks over a length of 200 miles.

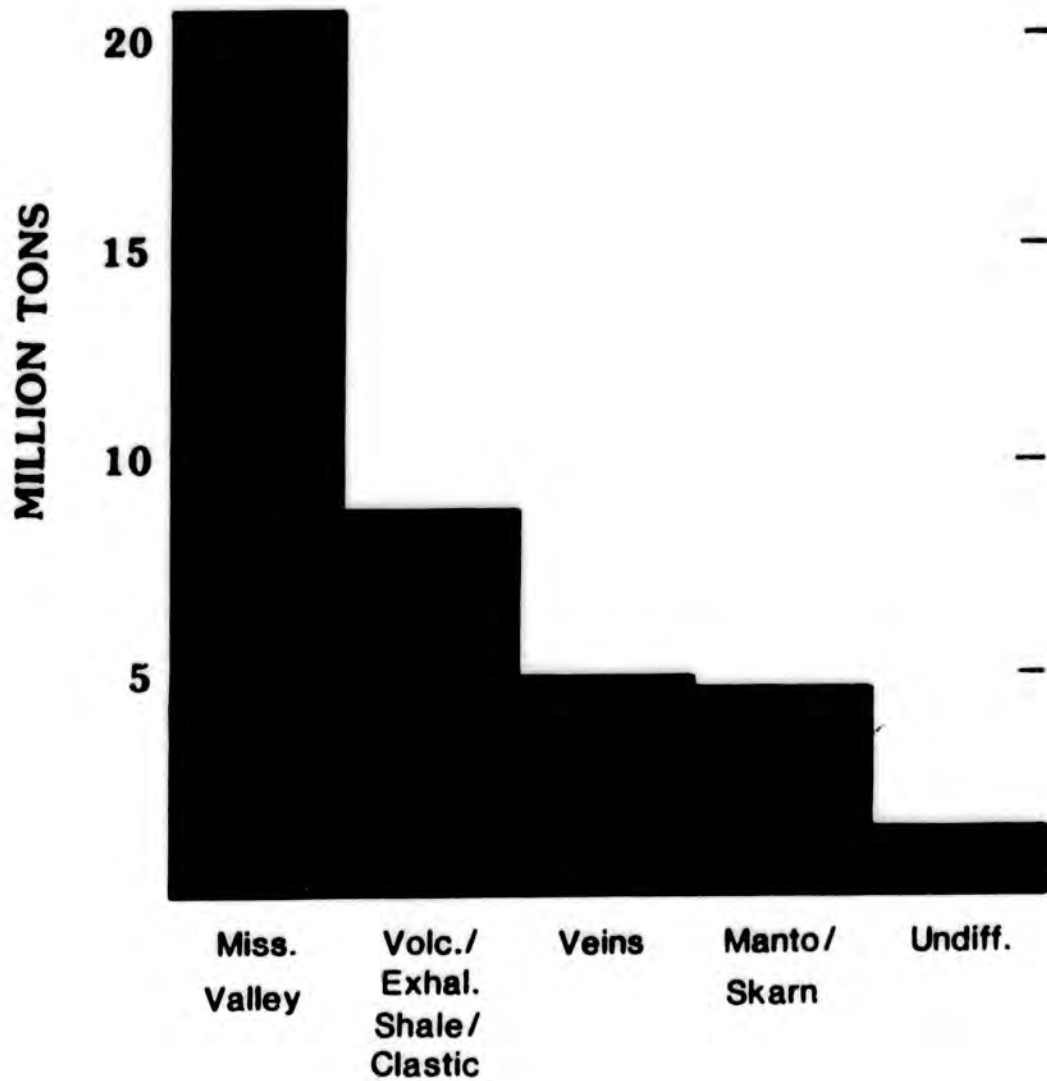
The point for me as an exploration geologist and for you as legislators is that deposits of this type occur in clusters. Noranda hopes to discover others in the Red Dog-Lik cluster.

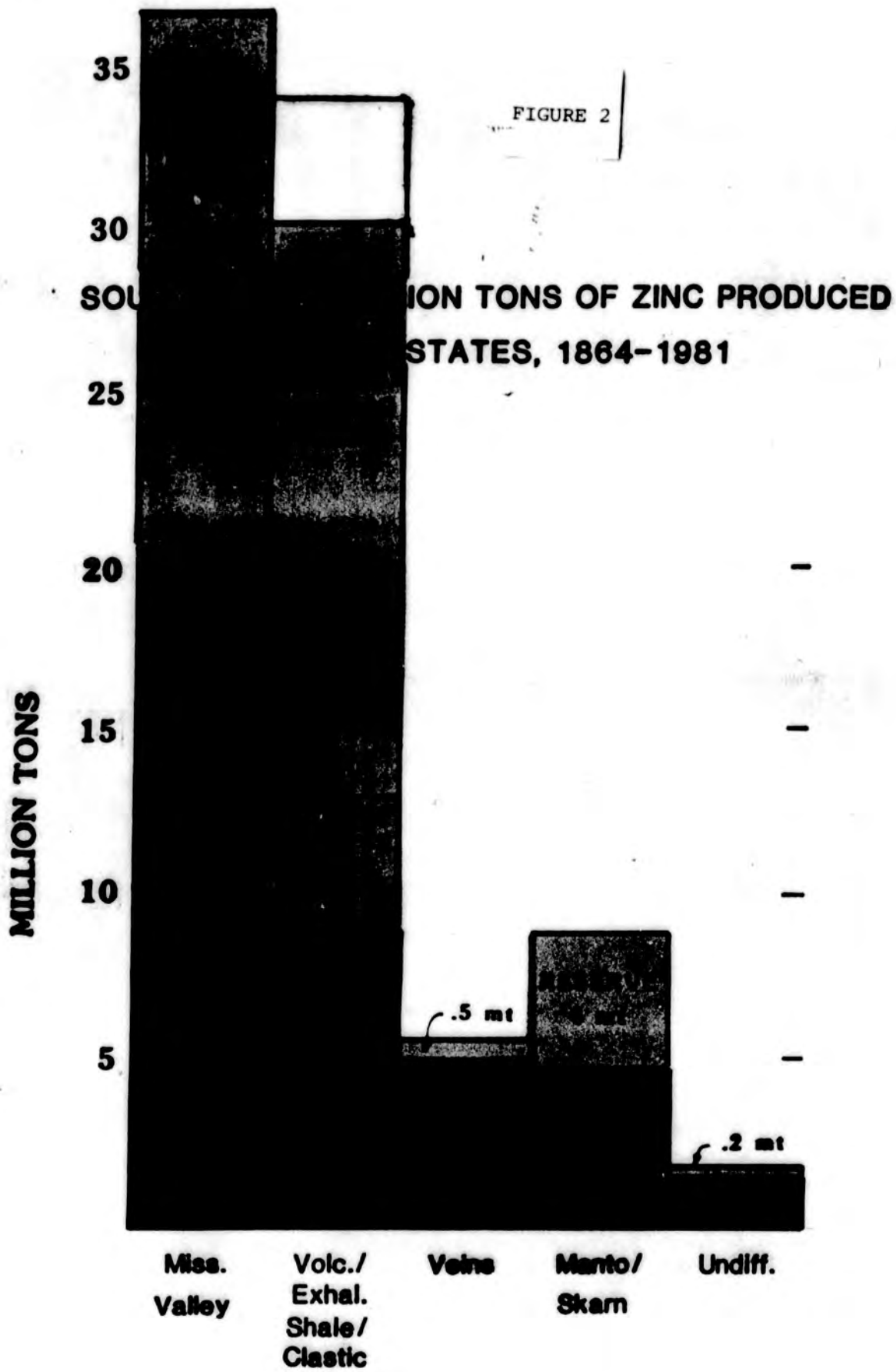
We are not looking in the Yukon because that is too far from tide water. We are attracted to the DeLong Mountains because tide water is close. We are attracted because there is the possibility of a road to that water. We are attracted because Alaska's tax structure does not penalize those who produce.

The viability of mining operations is directly related to the capital required. A road into the DeLong Mountains will encourage exploration. Because of the clustering nature of deposits of this type, discoveries will hopefully result. Once started the DeLong Mountain zinc belt can provide long term employment, social benefit and new wealth to Alaska.

FIGURE 1

**SOURCE OF 42 MILLION TONS OF ZINC PRODUCED
IN THE UNITED STATES, 1864-1981**





H. M. GIEGERICH
PRESIDENT AND GENERAL MANAGER
COMINCO ALASKA, INC.

SENATE RESOURCE AND SENATE FINANCE COMMITTEES
WEDNESDAY, FEBRUARY 6, 1985

MADAM CHAIRMAN OF THE RESOURCE COMMITTEE, MADAM CHAIRMAN AND
MR. CHAIRMAN OF THE FINANCE COMMITTEE, MEMBERS OF THE COMMITTEES,
LADIES AND GENTLEMEN, GOOD AFTERNOON.

THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU ABOUT OUR
PENDING DEVELOPMENT, THE RED DOG MINE. MY NAME IS HANK GIEGERICH,
AND I AM PRESIDENT AND GENERAL MANAGER OF COMINCO, ALASKA, INC.
BASED IN ANCHORAGE. WITH ME IS BILL WILSON, PRESIDENT OF OUR
PARENT COMPANY, COMINCO LTD. OF CANADA, AND BOB STONE, CHIEF
FINANCIAL OFFICER FOR COMINCO.

OUR PRESENTATION TODAY WILL BE DIVIDED INTO THREE SECTIONS.
FIRST, BILL WILSON WILL COMMENT ON COMINCO'S BUSINESS ACTIVITIES,
AND SOME OF THE ISSUES WHICH COMINCO WILL CONSIDER BEFORE MAKING
A PRODUCTION DECISION. FOLLOWING THIS, I WILL PRESENT A SLIDE
SHOW WITH DETAILS ON THE PROJECT. THEN, I WOULD LIKE TO WIND
UP WITH SOME OF THE KEY REASONS WHY WE BELIEVE IT IS BENEFICIAL
FOR COMINCO ALASKA, AND THE STATE OF ALASKA, TO DEVELOP THE RED
DOG MINE.

COMINCO AMERICAN, WHICH IS A WHOLLY OWNED SUBSIDIARY OF COMINCO LTD. OF CANADA, HAS BEEN OPERATING IN THE STATE OF ALASKA SINCE 1973. COMINCO ALASKA, A SUBSIDIARY OF COMINCO AMERICAN, WAS INCORPORATED AS AN ALASKAN COMPANY IN 1982 TO LOOK AFTER ALL OF COMINCO'S BUSINESS ACTIVITIES IN ALASKA.

IN FEBRUARY 1982, NANA AND COMINCO AMERICAN SIGNED AN AGREEMENT FOR THE EVALUATION AND DEVELOPMENT OF THE DEPOSIT. THIS AGREEMENT REQUIRED NANA TO PUT THE MINERAL DEPOSIT IN A PARTNERSHIP IN WHICH COMINCO IS THE MANAGER AND FINANCER. MR. JOHN SCHAFFER, PRESIDENT OF NANA, WILL BE DISCUSSING THIS FURTHER.

NOW I WOULD LIKE TO CALL ON BILL WILSON.

I WOULD LIKE TO ELABORATE ON WHY WE CONSIDER RED DOG SHOULD BE DEVELOPED NOW. ALASKA IS AT A POINT IN ITS HISTORY AND DEVELOPMENT WHERE IT IS DESIRABLE FOR THE STATE TO DIVERSIFY ITS ECONOMY. THIS IS NECESSARY PRIMARILY BECAUSE OF THE STATE'S VULNERABILITY TO DECLINES IN OIL REVENUES. IF ALASKA DOES NOT BEGIN TO DIVERSIFY SOON, THERE WILL BE NO WAY TO CREATE THE NEW JOBS, NEW WEALTH, AND NEW OPPORTUNITIES FOR ALASKANS WHEN THE OIL IS GONE.

BY ASSISTING IN DEVELOPING THE TRANSPORTATION INFRASTRUCTURE, ALASKA WILL SEND OUT A SIGNAL THAT THE STATE IS SERIOUS ABOUT

DIVERSIFYING ITS ECONOMY AND BECOMING COMPETITIVE IN THE WORLD MINERAL MARKETS.

ANOTHER POSITIVE ASPECT TO ASSISTING WITH THIS PROJECT IS THE MESSAGE THAT IT WILL SEND TO OTHER MINING COMPANIES OPERATING IN ALASKA, AND TO COMPANIES INTERESTED IN DOING BUSINESS IN THE STATE IN THE FUTURE. IT IS IMPORTANT FOR A MAJOR MINE TO COME INTO PRODUCTION SOON IN ALASKA, TO ENCOURAGE FURTHER INVESTMENT IN NATURAL RESOURCES. THE RED DOG MINE WILL DEMONSTRATE THAT ALASKA KNOWS HOW TO USE ITS OIL REVENUES WISELY IN DEVELOPING ITS OTHER RESOURCES. MINING HAS PLAYED AN IMPORTANT ROLE IN ALASKA'S PAST, AND CAN PLAY AN EVEN MORE IMPORTANT ROLE IN ITS FUTURE.

AS I MENTIONED, TWO CRITICAL AND RELATED FACTORS IN THE DEVELOPMENT OF THE RED DOG MINE HAVE TO DO WITH TIMING AND MARKETS. FROM THE STANDPOINT OF TIMING, RED DOG MUST BE IN PRODUCTION BY THE END OF THIS DECADE SO THAT WE CAN TAKE ADVANTAGE OF THE MARKET OPPORTUNITY WE HAVE IDENTIFIED. IF ALASKA FALTERS, THE MARKET COULD BE LOST UNTIL SOMETIME IN THE FUTURE. THIS WOULD NOT ONLY BE A MISSED OPPORTUNITY FOR COMINCO, BUT, MORE IMPORTANTLY, IT WOULD BE A GREATLY MISSED OPPORTUNITY FOR THE STATE AND PEOPLE OF ALASKA.

I WOULD LIKE TO MAKE ONE FINAL POINT. OVER THE PAST FEW MONTHS THIS PROJECT HAS BEEN CRITICIZED BECAUSE OF THE PERCEPTION THAT

IT HELPS ONE INDUSTRY, ONE REGION AND ONE REGIONAL CORPORATION. LADIES AND GENTLEMEN, WE CONSIDER THIS TO BE FAR FROM THE TRUTH. AS HAS BEEN SHOWN BY RECENT STUDIES COMPILED BY THE ALASKA OIL AND GAS ASSOCIATION, INDUSTRIAL DEVELOPMENT RESULTS IN SIGNIFICANT SPIN-OFFS TO BUSINESSES IN THE REST OF THE STATE, DUE TO THE NEW MONEY THAT IS INJECTED INTO THE ECONOMY, AND MINING IS NO DIFFERENT. IN THE CASE OF RED DOG, A MAJORITY OF THE NEW MONEY WILL PROBABLY GO TO SERVICE INDUSTRIES IN THE ANCHORAGE/ FAIRBANKS AREA.

AS WELL, THE 7(i) PROVISION IN THE NATIVE CLAIMS SETTLEMENT ACT ENSURES THAT THE INCOME AND EXPENDITURES FOR THE RED DOG MINE WILL BE DISTRIBUTED, AND FELT, ALL AROUND ALASKA. THIS PROJECT CAN DEFINITELY BE DESCRIBED AS AN ALASKAN PROJECT!

WITH YOUR APPROVAL, BEFORE TAKING ANY QUESTIONS, WE WOULD FIRST LIKE TO SHOW A SLIDE PRESENTATION WHICH PROVIDES FURTHER DETAILS ON THE PROJECT. MR. WILSON WILL THEN CLOSE OUR FORMAL PRESENTATION.

Rough Draft

sf0430850840

SENATE FINANCE/SENATE RESOURCES
JOINT COMMITTEE MEETING
ON
RED DOG MINE FINANCING
April 30, 1985
8:40 a.m.

Joint SFC/Res 85-1, Side 1, #001 - End
Joint SFC/Res 85-1, Side 2, #001 - #719

CALL TO ORDER

Senator Jan Faiks, co-chairman of the Senate Finance Committee, called the meeting to order at approximately 8:40 a.m.

PRESENT

In addition to co-chairman Faiks, those FINANCE COMMITTEE members in attendance when the meeting convened were Senators Dick Eliason and Jay Kerttula. Senators Frank Ferguson, Paul Fischer, and Rick Halford arrived later in the meeting. Senator John Sackett, co-chairman, was absent.

RESOURCES COMMITTEE members in attendance when the meeting convened were Chairman Arliss Sturgulewski, and Senators Vic Fischer and Fred Zharoff. Senators Dick Eliason and Rick Halford are also members of the Resources Committee. Senator Jack Coghill arrived later in the meeting. Senator Bettye Fahrenkamp was absent.

Also in attendance: Representatives Al Adams, Red Boucher, Sam Cotten, Marco Pignalberi, and Steve Rieger.

Also present: John Moberly, director, Minerals and Metals Industries/Energy and Resource Center, and Gerry Marsh, senior consultant, Management Consulting Division, from Stanford Research Institute, International, of California; R.R. Stone, COMINCO, Ltd.; H.M. Gregerich, COMINCO/Alaska; John W. Schaeffer, president NANA Regional Corporation, Inc.; Joe M. Britton, district geologist, GCo Minerals; Commissioner Loren H. Lounsbury and Terry Elder, deputy commissioner, and Ron Lahr, deputy director, Alaska Industrial Development Authority, and Jim Deagan, development specialist, Department of Commerce and Economic Development; Guy Bell, Office of Management and Budget, Office of the Governor; Jonathan B. Rubini, assistant attorney general, Civil Division, Department of Law; legislative aides; various members of the news media.

Co-chairman Faiks announced this hearing is in connection with the following two bills concerning RED DOG MINE FINANCING:

SB 279 - An Act making a special appropriation to the economic development fund of the Alaska Industrial Development Authority, transferring and appropriating certain loans to the economic development fund and the commercial fishing revolving loan; and providing for an effective date.

SB 280 - An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date.

Co-chairman Sturgulewski commented these two bills were forwarded to the Finance Committee from the Resources Committee with a series of conditions.

Co-chairman Faiks advised it is the intent of the Finance Committee to address SB 279 and SB 280 at its meeting tomorrow morning at 8:30 a.m.

The following is a transcript of the testimony presented by JOHN MOBERLY and JERRY MARSH of SRI, Inc.:

MOBERLY: We'd like to go over rather briefly today the work that we've conducted over the last six to eight weeks related to the Red Dog project, how some of our results have come out. It is our intention to have a draft interim report in written, published form to you next Monday, and we are on target with that.

KERTTULA: They are from Stanford Research?

FAIKS: They are from Stanford Research International.

KERTTULA: And what is Stanford Research, for the record?

MOBERLY: Actually, it's SRI International. For many years, it was called Stanford Research Institute, and as a consequence of some of the student disorders in the late 1960s, SRI, as we now call ourselves, and the university formally separated. Up until late 1960s/early '70s, SRI was an arm of the university, but is entirely an entirely separate facility, located in the San Francisco Bay area about two or three miles from the Stanford University campus.

(Senator Ferguson arrived at this time.)

SRI originally was formed in 1946. The basic purpose was to do research for West Coast industry; that was the initial goal. Over the years, that has changed quite a bit. SRI does about \$180 million a year in contract research and consulting activities. We are structured in three main

operating divisions, one of which is called an engineering division. They do experimental work related to electronics, satellites, laser communications, that sort of thing. We have a large area of what we call Sciences Division. It's composed of both physical and life sciences activities. Almost all of the work in this area is of the experimental nature. Then we have a large consulting group that Gerry Marsh and I are a part of. We call it the Management and Economic Group. This is composed of consultants that work in a wide range of activities, from the more generic management type of consulting activity to specialists in various industry sectors. Gerry, actually, is one that comes out of the management consulting area. I come out of one of the industry areas that's related to the minerals industry. We are then a part of what we call a Resources Division, and there are many other industry areas within us. There are a chemicals industry, forest products industry, and what not. All told we have a staff of about 3,000 people. We conduct work for both private industry and the government. About 60% of SRI's revenue comes from the federal government. Most of that is in the sciences and in the engineering areas. The work that's done in this management consulting group is primarily for companies, both U.S. companies and international companies. I've been with SRI for a long time, initially. I joined SRI in 1961. I stayed with the Institute through 1979. I was on my own for about six years and had my own consulting firm. I rejoined SRI just January of this year. Gerry Marsh is also a recent hire of SRI, and when he starts talking, I'll let him mention a little bit about his background.

I would like to give a quick overview of the study and some of the items. Basically, this discussion will be divided between Gerry and myself. There were really five principles that SRI involved with the study. We gained two of them. My main roll was to take a look at the mine and mill and the economics of the Red Dog Mine and Mill, do the economics, the cost structure, return on investment, these conditions. Gerry's roll was to head up the financial overview, develop various financial plans, what sort of user fees would be necessary to cover the cost the State might bear for the road and port, both capital cost and operating and maintenance cost. In addition, we used three other individuals, one is a registered civil engineer in the State of California, who's long taken a look at road/port construction projects. His main purpose and main roll was to review the various documents that were submitted to us by COMINCO on the capital charges and the construction schedule of the road and port facility. We also used one of our transportation experts. That roll was filled by Clare Staried(?). Her main activity was to go over the operating and maintenance cost of the road and port facility during the life of the project. She did, in addition, develop cost for transporting these ore

concentrates around the world. One of the major costs that COMINCO will incur is the ocean freight, ocean shipping, and inland freight shipping for the ore concentrates to be delivered at smelters, literally, throughout the world. Finally, our project leader is Gene Tiers(?), who's long been in the minerals and metals game. He's at home right now trying to put together the final report. We've all written our sectors, and he's got the unenviable burden of putting it together in a very short time; otherwise, he would be here.

(Senator Paul Fischer arrived at this time.)

Before I get into what we want to talk about, I would like to say that we had extremely good cooperation from COMINCO all the way through this. We clearly would not have been able to do what we wanted to do if they had not willingly given us information on costs so we could examine them, felt they were reliable, which was the case. We had questions. We were free to call them, and they responded promptly. We clearly could have not done the study in the timeframe that we had -- roughly six/six-and-one-half weeks -- without their cooperation, and it was not only COMINCO directly, it was some of the engineering firms that COMINCO had contracted work to do. They were all very cooperative. Basically, we looked at the project from two points of view; one the way I looked at it, one the way Gerry looked at it. We essentially developed two computer models to analyze the project, one of which we call the COMINCO model, which is looking at the mine and mill from COMINCO's point of view, what were their costs, what were their profitability; and then the model, which is a basic financial model and a transportation model that we call the Alaska model, and it was to look at the road and port, the capital costs, the operation financing from the State of Alaska's point of view. Now one of the costs, of course, which COMINCO will incur is the road and port user fee. Now, that's a cost to COMINCO. It's a revenue to the State, so what the economic, transportation, financial model comes up with as a revenue is a cost that COMINCO incurs. In doing the work, we went through numerous documents supplied by COMINCO and their engineers, and one of the first things we looked at was the road and port capital cost. These were in a series of documents submitted to us. Our engineer looked at them. He also used an outside engineering firm, HARDING LAWSON(?), who had experience in Alaska to help assist in the evaluation. Now, all these things will be written up fully, and you'll see them in a week or two, but I'll just try to give you some of the highlights. We initially examined what we call the COMINCO-based proposal, and this examined the capital cost and the operating cost of the road and port that COMINCO envisioned. Basically, including escalation of cost during construction, but not interest during construction, we had the road at about \$86 million, the port at \$72 million. Since we have developed our initial numbers, we have received

some additional capital cost estimation for the port that has not been included in this initial report, but certainly will be included in the final report, which will be submitted sometime later. In addition to this what we call COMINCO-based case, we examined some "what if" situations, an alternative case, as we refer to it. Now, in no way were we trying to second guess the engineering estimates that COMINCO and their engineers had put up, but we wanted to take a look at what was the exposure to the State in case some of the things didn't go quite according to the initial engineering plan. We went through cost item by cost item in the capital estimates for the road and port, and we came up with some things that we said perhaps would be a little different. One of the things was the grade of the road. Apparently, in the initial concept, the road would have a 4% grade. It has been relaxed, as we understand it, to a allow grades of 8-10%. Our engineers just say possibly that might not work out: What are the consequences in capital charges? That could, in fact in our estimate, raise the capital cost by \$8.5 million. We also examined and questioned the possible need of additional operating and maintenance cost of the road during the road construction period. That added about \$2.1 million. Similarly, we had some possibilities that could happend in the port construction, basically, if there was an additional ice problem beyond what was anticipated. There might have to be more pilings to support the port. That could add like a \$1.7 million. The ore storage and the oil(?) storage facilities could add an additional \$2-3 million. In the initial \$158 million estimate for the road and port -- now remember, that includes escalation during construction period -- we did not use the contingency that COMINCO had in their proposal. In the alternative case, we did include the possibility of the use of this contingency. All told, the \$158 million on this alternative scenario goes up to \$190 million. Now, Gerry will get into how we analyzed that and what the impact of that alternative scenario would be on the port and road user fees. Again, whether or not that would ever happen is strictly problematical. We have no idea, and we have no reason to believe that the initial engineering estimates might not exactly come about.

FAIKS: Are you saying that \$190 million would be the maximum?

MOBERLY: From our initial overview, that was what we considered could be an upper limit.

FAIKS: If everything went wrong?

MOBERLY: If those items that we picked out could go wrong, that's correct. In addition to that, in actual operation of the road and port during the life of the project, we developed some additional cost. For example, if the road maintenance costs were a little bit higher, this would add to

the yearly operation and maintenance costs. We also said what if the sustaining capital charges for maintaining the road and port facility were a little bit higher. Those costs were also included in the sequential year-by-year estimate of costs.

(Senator Halford joined the meeting at this time.)

Now, as I mentioned, since we had this, we have received information that gives a lower estimate of the port charges, so we will be developing another scenario examining what would happen if these capital costs were a little bit lower than the \$158 million. We had to essentially settle on what costs we were using about three weeks ago, so we had time to run off the analysis.

At this time, I would like to go into the project as I took a look at it, which was from the COMINCO point of view, the mine and mill. As I mentioned, COMINCO supplied us with many documents, one of which included capital charges. I have some questions on some of those. I got to them, and they responded immediately. We estimate that, during the construction period and including costs that COMINCO has spent since 1979, we have estimated that the capital costs of the mine and mill, including the inflation or escalation during the construction period, will be about \$270 million. Now, this does not include interest during construction nor does it include the working capital. Working capital will probably add another \$75 million in the first couple of years. We have in the report how these charges were spent over the period of years in the main categories of expenditure, be it concentrator, what they initially spent on ore delineation, airstrip, all the items as they've broken them down. We then went into what are the actual operating costs of the mine and mill during the life of the mine. Basically we had four/five major cost items, that we then broke down in subcategories. The first one was operating costs. This includes the operation of the mine, of the mill, maintenance costs, power generation, overhead costs, initial costs in the first few years for start-up, and a contingency factor. The second major category we had was the transportation charges. Now, this includes the transportation charge that COMINCO would incur to take their concentrates from the mine site 55 miles to the port. That is a cost that we have COMINCO bearing themselves. They would use their trucks, their own workers, to haul the concentrate to the port. The concentrate would be dumped at the port for loading four months a year, which is the few months of the year that they actually can operate. There then would be a port and road user fee. Now, once again, this is the revenue to the State. That's the second category in what we call transportation costs. The third cost, which COMINCO would incur, probably to an outside contractor, would

be costs of removing the concentrate by barge to the ocean-going ships. Then they would have charges for moving that concentrate from the ships through the ports. They will essentially ship the bulk of their material to Vancouver. Other quantities go to Japan, Eastern Canada, and Europe. Finally, there'll be a rail or service transportation charge from the port site to the smelter. I don't want to bother you with a lot of numbers, and I will pass over some initial dollars. Toward the end, I'll show some percentages which, I think, give you a better idea. After operating costs and transportation, the third major cost item, which we have in the mine and mill, is what we call other costs. This includes a corporate overhead charge, a sales general administrative charge. Basically, we examined the mine and mill as a stand-alone operation. So it's appropriate to assign a corporate overhead charge to that as a cost function. The second other cost would be the royalties. In the various documents, which we obtained from COMINCO, the royalties were explained. The formulas for calculating the royalties were included, and we were able to take those numbers with our model and determine the royalties that would be paid each year over the life of the project. Then, of course, there's a mining license tax paid to the State of Alaska. As you know, there is no mining license tax essentially for the first 3-1/2 years of operation. After that comes in, it's a rather complicated formula, and we included that. Finally, there are depletion and depreciation charges. These are not cash costs, but they're certainly need to calculate taxes, both federal and state income tax, mining license tax, and the minimum state and federal tax which do apply.

!TABO!x (Senator Paul Fischer left the meeting.)

The production schedule was what was supplied by COMINCO. Basically, it's the mine starting up in 1989, mining one million tons of ore a year. That increases to a little over two million tons about the third year of the operation. From that they will mill that ore, and when full production, ship roughly 710,000 tons of concentrate each year. We used their schedule of production. We had no question of it. Let me back up a minute and mention how we reviewed the COMINCO supplied information concerning the operating, maintenance, and operating costs, and the capital charges. Within the group that I worked with, we've long done economics of metal, mine and mill, be it lead/zinc, as this operation is, copper, or what not. We've looked at operations around the world. We've visited them. We feel we have a good understanding of the cost structure. Looking at the capital charges that COMINCO supplied us, we compared that with other new projects that we anticipate could come on over the timeframe that this one is scheduled. COMINCO's charges, capital charge estimates were certainly in line with any other capital

charge estimates that we know of of similar operations. Now, this is in a remote area, and there are some additional costs because of that, but we accepted without quarrel their capital cost estimates. Similarly, we accepted their operating and maintenance costs. We reviewed their manning tables. We reviewed their salary schedule. We reviewed their fuel consumption. Again, those were in line with the internal numbers that we have and have had for many years on similar type mines. We felt those numbers were straight through. The transportation numbers, we developed on our own. COMINCO had some; we felt we could do justice with our own numbers, and we used our own transportation numbers. The depreciation/depletion come from standard accounting formulas for similar type operations, so that was no problem. The main uncertainty in any mining project -- and it certainly became one of the main uncertainties in this project -- is what are the revenues, and this is dependent upon the metal prices, and in this case, lead and zinc price.

We have some viewgraphs (Attachment A) that can show this. I apologize that we haven't got visuals for everything. It's just there was a time constraint squeezed on us, and we just didn't have time to prepare things. We have long been involved in the economics of mines, mills, looking at metal prices, how do you forecast metal prices, what determines prices, what mechanisms, and clearly nobody has a crystal ball that they can say that gold's going to be such and such next year, and the same sort of thing applies to these lead and zinc commodity prices. This is actually the plot, and what we did is we developed three price scenarios: an optimistic case, a base case, which we think is the most likely case, and a pessimistic case. Now we explained in the report, and I don't think we need to go through it now just what all went into this methodology. I'll be glad to talk with any of you later about what we did. What this curve shows (page 1 of Attachment A) is actually how zinc prices have moved since 1970. They've slowly increased, and then we look at what we anticipate in 1989 and beyond, going out to the year 2000. That's in cents per pound. Zinc is currently priced about 45 cents a pound. The next chart (page 2 of Attachment A) shows the lead price. It's been up and down. Lead is currently about 19 cents a pound. Once again, those are our three price scenarios, and this is vital for the project, these price outlooks and what they imply. The past prices are in actual dollars that occurred in those particular years. Now, it's hard to get a good understanding when you show prices like that, because we all relate to what's going on in 1985. The next view (page 3 of Attachment A) shows zinc price, and what we have done is put them in -- as we call them -- 1985 constant dollars. In other words, we've had to inflate the past prices, and in effect, you deflate the future charges, and in constant '85 dollars -- certainly since 1970, going up initially, but then coming

down -- zinc has been on a downward trend. We see on all three of our price scenarios, in constant 1985 dollars, prices continuing to deteriorate essentially into the 1990 period. Now, we can talk afterward about why that is happening. We think there will be a recovery. Once we get to 1995, 10 years out, it's simply beyond our ability to make any reasonable estimate of price, and so beyond 1990, we have prices going at essentially inflation, constant dollars. It turned out that we go through a rather elaborate methodology to come up with these prices. The optimistic price beyond 1995 in 1985 dollars is about 48 cents, slightly higher than it is today. The base case price is just about today's price. The pessimistic case is about 37 cents as I recall. The same sort of thing applies to lead (page 4 of Attachment A). Now lead isn't as critical to this project as zinc. Most of the revenue will be coming from zinc, so it's that zinc price which is going to be the main determinate in the profitability that COMINCO may achieve. Here you can see what's happened to that lead price. Recently, there was a spike-up. There was a large increase in lead demand in the late '70s that put upward price pressure. That has been alleviated now, and it's on a downward trend. As opposed to the zinc price, which we think may continue to deteriorate for a few years, we don't think that deterioration will be quite as great as lead. We think lead is pretty well bottomed out. Those prices are the key.

(Senators Eliason and Ferguson left the meeting.)

To give you a few numbers, if we look to 1992, and the reason we focus on 1992, that is the first year the mine will be fully operational, mining about 200 tons of ore a year. That's also the time that the start-up costs will be over, and COMINCO certainly expects to be on a stable cost schedule/production schedule. We have some rather large numbers. Sales of these concentrates based upon some formulas for determining concentrate price at these price scenarios. If we look at the base price scenario, and I'll only talk about that right here. We would be looking at sales from that operation of those concentrates in 1992 of about \$215 million. Now, those are in inflated dollars. That includes the escalation in prices between now and then. Operating costs for the mine and mill -- that includes the mining activity, the milling, plant overhead -- will be about \$73 million. The transportation charges, including port and road user fees, will be about \$52 million by our estimates, and the other costs -- the royalty, mining license tax, corporate overhead -- about \$16 million; depreciation and depletion, about \$55 million.

(Senators Ferguson and Paul Fischer rejoined the meeting.)

I'll ask Gerry to write some numbers down of just what we see as the percentage of what these costs amount to. Put 1992, Gerry, '97, and 2002. We ran a five-year sequence. In the information you'll be getting will be yearly sequences of all of these costs. But by our estimates of the cost, operating cost will be about 37% of the total cost, pre-tax cost in 1992.

(Senator Coghill arrived at this time.)

Transportation cost, less road and port user fee, about 19%. Put 7% road and port user fee. The other costs category will be 8%. Depreciation and depletion will be about 29%. Hopefully, those add close to 100%. We look at '97, operating costs stay about 36%. Transportation, less road and port user fees, 17%. Road and port user fee will be a little less than 7% -- stay with 7%. Other costs jump to 19%. Depreciation and depletion will be about 20%. Depreciation/depletion will be high the first few years, because many of the capital items will be depreciated over five years. So when we get to 1997, major proportions of the initial capital charges will be fully depreciated. Now we look at 2002, we've got operating costs staying at 37%. Transportation cost, less road and port user fees, 16%. Road and port user fee itself will be down to 6%. Other costs, 23%. Depreciation/depletion, about 19-20%.

That trend continues for the life of the project. Operating costs stay at about the same percentage of the total. The transportation charges will continue to decrease slightly. The other costs increase significantly, mainly because of the royalty increase. We carried these all the way through to see what sort of return on investment COMINCO might achieve. Now, return on investment is only one way a mining company will look at a property. They have criteria of what may be acceptable rates of return. They frequently look at the payback period, how long it takes them to recover their capital. They will also look at a project of how it fits into the whole corporate structure. So rates of return, it turns out to be a handy way for analysis like this, because we come up with a nice, well-defined number. But it's certainly not the only way a mining company will look at a project. I'll just give you the case, and these are based upon the user fee, and I want to point out that the user fee we have up there is based on the COMINCO based proposal. Gerry Marsh will be talking about user fees on other scenarios. But using the COMINCO base proposal, we came up with a rate of return for COMINCO -- using the base case price of 16.5%. Now, this is a rate of return based on all the monies that COMINCO has spent up to date and capital charges they will incur between now 1989 when its production starts and also the sustaining capital that they will incur over the life of the project. So on the base case, we came

up with 16.5%. Under the optimistic price scenario, we came up with 19.3% as a rate of return, and under the pessimistic case, we got 10.3%. Now, this was calculated based on the assumption or analysis of all equity finance. Now obviously, when a mining company goes ahead with the project, they will use leverage, they will have some debt financing. When you do that, the rates of return will increase. But based on all equity financing and these price scenarios, we got rates of return varying from as low as 10% to 19%, a significant change based upon those prices. That is not surprising. In all mining projects, what the revenue is is the mystery, and it has a major impact on the rates of return one will achieve. I do want to mention, though, that in the analysis that we conducted, the operation generates profits, as in a positive cash-flow from the second year onward, even at the low price estimates.

FAIKS: Are there any questions for John at this point?

MOBERLY: I'll turn it over to Gerry.

MARSH: What I'd like to spend the next few minutes on is to take you through our evaluation of the proposed investment that the State is considering in this transportation system, and we're looking at it now from the point of view of the State. I think just to preface my comments, I think I'd like to underline the investment concept that we've been working with, the assumptions behind that investment concept. First and foremost, we're talking about investment in a transportation system that will be owned, operated, and financed by the State through its agency, AIDA. The State will attempt to recover all or part of its investment through a schedule of user fees, and the third point that we were working with was to determine how this project could be financed at the least possible cost to the State and the least possible financial risk. Those are the assumptions we were working with in doing the investment evaluation.

We're going to be talking about our evaluation of the COMINCO proposal, which is our terminology. I'd just like to spend a few minutes to bring everyone to the same level of understanding in the data that we were working with. I was working with the information that was contained in a Memorandum of Understanding, dated December 11th, 1984, that plus the capital cost estimates provided to us by COMINCO and a series of other documents. That Memorandum of Understanding contained a lot of terms in it. We didn't evaluate it from a legalistic point of view. We evaluated it from a financial and economic impact point of view, so there are a lot of clauses in that proposal that I'm not going to be dealing with that have legalistic implications and some terms that could affect the taxable status, or tax-exempt status of the bond. In any eventual negotiation, all these

other terms have to be carefully looked at. The other point I'd like to make, at least to the best of our knowledge, this Memorandum of Understanding is still a proposal. There's been no formal response to this. Indeed, in the Memorandum itself, it describes it as a basis for continuing negotiation and further discussion. So, the numbers we're going to be dealing with is an evaluation of the hypothesis that this is the impact on the State if these terms were accepted. So, it's hypothetical. These terms have not been accepted.

To evaluate COMINCO's proposal, we developed two scenarios. One we call the COMINCO base scenario, and John alluded to that before. That's using, basically, COMINCO's estimates as provided -- the capital costs as provided, less the project contingency. It's COMINCO's philosophy that they do not expect to spend project contingency, and that's the \$158 million figure we're talking about in terms of as-spent dollars to the end of 1989. The other scenario we looked at, called the alternative scenario, and basically, this is an analysis we performed to get a feeling what the impact might be on the State if things don't go according to plan, that's the \$190 million figure that John referred to earlier. Also in the alternative scenario, we have slightly operating and maintenance costs and slightly higher sustaining capital costs throughout the 30-year lifetime horizon that we use for analysis.

Now, I'd like to work on the flip-chart to show you the analysis we did and the matrix we developed to show COMINCO's profitability versus the implied level of State subsidy if the key terms in that Memorandum of Understanding are accepted, that the user fees in particular and the capital costs. Now, I'd just like to take you through this matrix, and it's a little complicated if you're not used to looking at these types of things, so I'll try to develop it before I show you what the actual numbers are. On this axis, we thought of COMINCO's mining profitability, and the measurement of profitability we used was return on investment. We have the mine (ROI/inaudible): 20% up here, 15% there, 10%, and 5%. Along this axis we looked at the implied level of State subsidy, if those user fees are accepted. We measured this by looking at all the funds that flow from the State into the project all during the construction and the financing and interest on money during construction phase, and then we take away from that all the money that flows into the State above the operating fees of this project. It's the revenues that come in through the user fees, less all the operating costs, and we call that net operating income. That's the money that flows back to the State. That's the only source of income the State has from this project to recover its investment and the cost of money associated with that investment, and then we discount that. Using a 10% discount rate, we assume that this cost of

capital to the State is roughly 10% to express it in 1985 dollars, numbers that we can relate to. We have two scenarios -- (inaudible) this bottom line here. This is what we call the COMINCO base scenario with the \$158 million investment. Over here we have the alternative scenario which has the higher capital costs and higher operating costs that we used for analysis. Under this scenario, the implied level of State investment in '85 dollars is about \$80 million. Under this scenario, it approaches \$95 million, and to compound the effect, we have higher capital costs and financing during that stage, and the user charges do not escalate high enough under COMINCO's proposal; and hence, the State subsidy goes up. So that's the order of magnitude we're talking about in terms of implied/applied subsidy. Another way of looking at this is what is the return on the State's investment. The return in this area is around 2%. In other words, the State recovers all its original investment and makes 2% on its money. There's a subsidy here, because the money is costing the State roughly 10%. That's where the subsidy comes in.

Now, there is one clause in the COMINCO proposal that we wanted to draw your attention to, because it does increase the State's financial exposure. There's a clause in there that permits COMINCO to delay commercial start-up of the mine for up to two years at the completion transportation system. This can have quite a negative impact on the State, because you have a transportation system that's already to go, your money's all been invested in it, you have to finance that an extra two years, and there are no revenues for up to a two-year period. That has quite an impact. In fact, the impact's about \$130 million on top of this worst-case scenario. So, with delay, from the State's point of view, it could be financial exposure of up to about \$35 million. Now, this is the level of State subsidy.

Let's look at the applied profitability from COMINCO's point of view. Under this scenario, rate of return is in the 19% range, using the optimistic prices. To use our base case prices, we're in the 16% range, and if we use our pessimistic prices, we're down in the 10% range. Now, if this other scenario were developed, and we were to experience higher capital costs, COMINCO, under that situation, does experience slightly higher user charges, but they're not dramatically higher. So, the impact on profitability is very slight. In fact, the difference in profitability between these scenarios is less than a half a percentage point, about two tenths of a percentage point. So, we have corresponding profitability over here that is not much lower for any given pricing scenario. So, what we're saying is that the State's subsidy level is quite sensitive to these conditions, but the impact on COMINCO's profitability is not that sensitive in this situation.

Now, I think you can all anticipate that the State's greater return or the level of subsidy is going to be very sensitive to the level of user fees, and that's the next thing I'm going to show you, that sensitivity. I think I'll do it this time with a viewgraph (page 5 of Attachment A). Over here, what I was talking about on that lower axis, this is the level of State contribution in 1985 dollars. A moment ago, we were talking about this level, minus \$80 million level. Under the COMINCO proposal/scenario, this the quoted average user fee we're talking about. I'll explain this number here. What I'm showing along here are user fees in dollars per ton. This is really approximate to the total amount of user fees. To get at this number, we basically calculated the amount of money that COMINCO would pay in user fees divided by the concentrate shipped in that year. That gave us an average user fee in dollars per ton in any one particular year over a 30-year period. We then converted all those numbers in 1985 dollars and took an average. So, COMINCO will not actually pay this. This is really approximate of how much they pay to allow us to develop a break-even analysis. Under the COMINCO proposal, we're talking about an \$11 charge per ton in 1985 dollars on average over the life of the project. To get to break even from the State's point of view, the zero point, we'd have to move from about \$11 up to the \$19 range. So, the level of State subsidy is very sensitive to the level of user fees. Now, by break-even, what we mean here is that the State recovers all its investment and makes 10% on that. In other words, it recovers its costs of money as well. Under this scenario, where we have the higher capital costs, we need about another \$4-5 more per ton on average to get to a break-even situation.

Now, the next thing I want to show you is COMINCO's profitability, how that carries users fees. Here we're looking at State subsidy versus user fee, now we'll look at profitability versus user fee (page 6 of Attachment A). For the moment, keeping in mind about \$20, \$19 a ton as the State's (inaudible). This would be up to the year 2018.

FAIKS: For the life of the project?

MARSH: Yes. We use a 30-year production cycle that COMINCO used in their analysis, which is a reasonable period of time to evaluate a mining program.

FAIKS: So you're using 30 years as the base amount to recover investment.

MARSH: Now, what we have here in this graph (page 6 of Attachment A), again we have mining profitability measured in terms of percent in return on investment -- percent/ROI. Here we have those user fee figures in dollars per ton, 16 here all the way up to 26, with breakeven occurring around the

\$19-20 point. Two things I'd like to call your attention to on this graph -- first of all, the overall level of mining profitability is dramatically influenced by the price scenario. That's what these refer to -- optimistic level price scenario, base case metal price scenario, pessimistic price scenario. Profitability is highly sensitive to price assumptions. It is less sensitive to the user fees. That's the slope in these curves. To go from COMINCO's proposal of about \$11 per ton back in here to the break-even point for any given price scenario, we use/lose this profitability by less than two percentage points. Now, I don't want to imply that that's not a significant two percentage points. I think what you should get from this thing is an appreciation from a businessman's point, a banker's point of view, in evaluating the risk. We're talking about a company risking \$300 million investment, and they have to come to grips with which price forecast do they really believe in to make this kind of analyses, and that's going to be domineering in their thought process in this respect. User fees do have an impact, about a 2% impact.

COTTEN: What did you use to decide -- what was the base optimistic or pessimistic. One thing we do with State revenues, we assign a percentile. So, would you say that the base metal price was, using a 50th percentile, in other words, there's just as good a chance it would be higher as it would lower?

MOBERLY: It's pretty difficult to assign a probability, as to if it would be off, would it be skewed more to the pessimistic. It's just not possible.

COTTEN: What is base metal price mean, then?

MOBERLY: Well, that is what we think is the most likely case of the direction of prices.

FAIKS: Is that your 70 percentile, then?

MOBERLY: It's not on a probability is what you're asking. It's basically going through a methodology of what we think is most likely to determine price.

FAIKS: And you've never equated it to a probability.

MOBERLY: There's no way to put a probability on it. I can appreciate your question. There's just no way to put a probability on that.

MARSH: I think that one thing we can add, although we call it pessimistic, in our view, it's still a plausible situation.

MOBERLY: That's correct. There could be some conditions happen where it could go there.

COTTEN: So then the conclusion is that, if things went wrong, if the capital costs were high, metal prices were low, the State wanted to break even, the mine wouldn't make any money.

MARSH: Not as much as it would like to.

MOBERLY: No. It still is profitable.

MARSH: But we're down around the 10% or lower area.

MOBERLY: Rate of return. It makes money.

COTTEN: What's the bottom of the line?

MOBERLY/MARSH: Eight percent.

HALFORD: But that's not return on capital.

MOBERLY: Yes. That's your accumulated cashflow return on invested capital throughout the life of the project.

HALFORD: But why do a project if you could put it in CDs at higher than that?

MOBERLY: Well, that's what some people say. But as I said, there's other ways that mining company will evaluate whether they'll go ahead with the project. You may not want to put your money into it, that 10% rate of return.

MARSH: Now, we don't know that COMINCO's point of view, what their philosophy is on future prices. They have their own viewpoint on this. We're showing you the range we think a plausible range is to the end to give you a feel for the rest of the associated (inaudible). I think I'd like to also say that we did the analysis to find out what it takes for the State to break even. We're by no means recommending that or suggesting that as a proposition. In fact, COMINCO should pay the full shot of this. That get to an issue of equity, and I'd like to finish out my presentation with that issue.

Just briefly, I'd like to talk about the financing of these various proposals. The second part of my assignment was to look at feasibility of financing this. Now, let me just go back to my notes for a minute. The overall approach we took to financing, and I should make you aware at this point that we've engaged First Boston in San Francisco to be advisers to us on financing issues, and they've been very helpful. In terms of the overall approach or the overall philosophy on financing, we feel that the State can minimize its cost and come up with the lowest cost approach to this by making the

most judicious use of the resources that are being contemplated being transferred to AIDA, the so-called capitalization. Here I'm referring to the \$12 million appropriation that's under discussion, plus the transfer of the loan portfolio. Assuming that AIDA, in fact, received those financial resources, we can keep the bond size down to a minimum level, and the way we can do that is rather than issuing a large bond to provide a debt service reserve, we're suggesting that the AIDA financial resources be set aside for the debt service reserve. That allows AIDA to invest that money at a higher rate than the bond proceeds under tax exempt financing because of IRS arbitrage rules, bond proceed money that's not being used cannot be...

(End SFC/Res 85-1, Side 1 -- Begin SFC/Res 85-1, Side 2)

...so with judicious use AIDA resources we could set up a debt service reserve that earns money until the money's required. We use the bond proceeds to cover construction costs, and when they run out in '89, then we start drawing down on the AIDA funds that have been building up and accumulating over time from the loan portfolio and from reinvestment, and under that situation, and looking at the COMINCO proposal, we're coming up with a bond issue with a fixed rate financing of about a \$100 million. It was lower than we originally anticipated, and that's because of the contemplative resources being transferred to AIDA. A bond level or bond issue of that size, First Boston is very comfortable with in terms of going to market. When we start to get up to bond levels of \$175-200 million, which would be required if AIDA did not have those financial resources, because now you would have to issue a large enough bond to provide a debt service reserve and to provide for capitalized interest. That brings us up into the \$200 million range, and people getting a little concerned about the marketability of that in view of this project. A key aspect in marketing the bonds is eventually going to be COMINCO's credit worthiness, because the bond holders are going to look through the project and look through to the principle user in year-to-years for repayment of debt service. So, we've tried to come up with a financing approach that keeps that bond issue down as small as possible and reduces the cost to the State. We've also looked at, and you'll see in the final reports, variable rate financing, which reduces the interest rate from 10-1/2% to 7%. However, the State is exposed to some more financial risk, the risk of interest rates moving up over time, and First Boston has a point of view on that, and they will be providing that advice to AIDA through our report.

We can't see any reason why the project should not proceed. It looks like a good project. It seems to me it really requires a true partnership of the three principal interests: the State, COMINCO, and the native associations through NANA

Corporation. In terms of can COMINCO afford to pay the full shot of the project, that's debatable. We don't want to put COMINCO management in that position of saying yes they, because you've got to look at those price scenarios, and you've got to look at their whole decision process and the risk they're facing. I'd rather address it by saying, is it equitable for COMINCO to pay the whole shot in view of other users that could be coming in the future and in view of other benefits to the region? I'd like to raise the question, when you look at the potential economic return from this mine site, is it equitable for the State to subsidize it to the tune of \$75 million? I think that's a legitimate question. I don't think it has to be subsidized to that level. The third group, the third beneficiary of this project, are the native organizations through the NANA corporation. The amount of royalty that will be coming out of this project in 1985 dollars, using our base-case price scenario is in excess of a half a billion dollars. They are not facing the same sort of investment risk that COMINCO is facing. Is it equitable that that type of money be available and not somehow used, or part of it used, in this project. Now, we can't answer those questions. That's obviously the important part of the political process to decide what's equitable. But in our analysis, these are the thoughts that came to our mind as we went through it, and we just tabled them here for your discussion.

V FISCHER: In this kind of an analysis, is it appropriate to also count as a benefit other prospective revenues that may have accrued to the State, such as corporate income tax, various other kinds of revenues?

MARSH: I think, when you get into infrastructure type of projects, where the State's investing in infrastructure, you normally look at the broader cost benefits that accrue to the State, and I understand analysis like this has begun. This was not part of our assignment, and we can look at that, but I would be surprised if there aren't some quantifiable benefits from this project. I just don't know what the level might be, but that certainly is a consideration. That's why I say, looking at it from the State's point of view, you may not have to have a subsidy, but is that equitable? Should there be some subsidy to recognize those broader benefits?

MOBERLY: From the results of our work, we can easily just sum up what those total dollar figures are, just like Gerry mentioned the total accumulated royalty over a 30-year production period in excess of \$500 million. We can easily come up with those other numbers of what the other State mining license tax, other State income taxes that will generated.

V FISCHER: Will that be part of your report?

MOBERLY: Those numbers will be included, yes. We have not done any cost-benefit analysis. That was not the intent, but just the absolute numbers that fall under the analysis will be there.

V FISCHER: You said the analysis is based on the 30-year projection, and that's the usual way of doing it. Under what circumstances, if any, would it make sense to have a 40-year analysis, and what would happen if one could do that?

MOBERLY: It won't have any consequence at all when you do a return of investment, because those revenues are generated so far out, it would not have any major impact at all on raising, say, that 16.2% or 4% of fraction. It simply wouldn't. It's just money too far out. Indeed, that's a lot of money out there, and particularly if you look at it in inflated dollars, but it won't have any impact on the return of investment.

MARSH: That's assuming the present user situation. If another major mine were to come into development 10 or 15 years down the road, that would be a sufficiently large enough increase in revenues that it would have an impact in today's dollars, but just working with COMINCO's facility, the revenues that are coming out in the 30th and 35th year, by the time you discount them back to '85 dollars at 10%, they're not very large.

V FISCHER: Generally, we look at the current value. If the State placed a significant value on future revenues, counting that current revenues are generally spent, and the State will have need income in future years, would that in any way change our analysis, or our conclusion?

MARSH: I'm not sure what you mean. You mean using this project to generate revenue?

V FISCHER: Well, in part. That it may be more significant to the State to have major revenues in the future invest now to have revenues in the future, because the alternative, if in effect we have money now to spend, we probably will not invest it at 10%. We'll just spend it. Could that be a consideration?

MARSH: Yes, it could be. It depends on the magnitude of those revenues and just how far out into the future they really are, but that's the key aspect.

MOBERLY: You could develop another scenario of how the user fee would be taking the same amount of dollars and spread them out over a different sequence. Once again, it would have an effect on the return investment if you'd reduce those in the

early years. It would be beneficial to COMINCO on a return on investment calculation.

(Senator Kerttula left the meeting.)

MARSH: One of the major benefits of this investment proposal the way it's structured right now, and a very valuable role that the State can provide in this, is the up-front financing of this whole project. That's very critical from a private company's point of view. This project can be financed by the State, and its cost can be repaid in part through user fees. That reduces the drain on COMINCO's cash at a very critical time in terms of developing its own facility, and that's a very valuable and valid role for the State to play is to provide that financing to ease the financial burden on the mining company until it gets its operation going, and then it has the ability from cashflow to pay back part of that investment over time. So that's a very valuable role that the State has proposed here in terms of financing this project and getting it launched.

STURGULEWSKI: Would you explain again your \$500 million figure?

MARSH: Okay. What we did was calculated the royalties that would accrue to the native councils through the NANA Corporation, because that's an important cost to this project. We did it in each year, and then we expressed those amounts, because those royalties accrue out to the year 2018. We reduced them to 1985 dollars, and we added that up. Now, that amount is also sensitive to the pricing assumptions you use, and we used our base case pricing assumption. When we added it all up, we're about \$600 million in 1985 dollars.

STURGULEWSKI: Then a specific question. The one thing that you talked about in terms of State risk was a delay in the beginning of the project, possibly by two years. What other elements are there? We have as one of the conditions, assuming the legislation goes through, a direction that, if something happens and the project does not move ahead, the company will see that the funds are repaid to the State. How much have you looked in terms of the State and where it is at risk?

MARSH: We looked at that particular aspect, because what it drives home is the need to consider just what sort of financial risk the State wants to assume opposite COMINCO during the negotiation phase, and the delay effect and the higher capital cost effect get at the same sort of thing. It's our experience that projects don't go according to plan, and part of the negotiation process from the State's point of view is to what extent does it want to assume the risk and to what extent does it want to share the risk with COMINCO -- some sort of contractual way on what you do with capital cost

overruns and delays -- and we just tried to say, from our point of view, trying to give you a feel for the magnitude of the dollars involved in this sort of thing, they're fairly significant. Now, it's basically a pointer in terms of eventually negotiating some kind of agreement.

HALFORD: You mentioned the \$35 million figure as the cost of that delay.

MARSH: That's assuming the higher capital cost, too. So, we kind of loaded the thing to get a downside situation.

HALFORD: Okay. Well, your higher capital cost in '85 dollars is \$95 million, and then, if the higher capital cost became a fact and you had a two-year delay...

MARSH: It goes from \$95 million up to \$130. So the difference is \$35 million.

HALFORD: It's \$130 million, and that's a subsidy cost?

MARSH: Yes. At that level, the State's return on investment is pretty close to zero. You're giving up the opportunity cost of money, basically.

HALFORD: So, then the State subsidy cost is \$130 million.

MARSH: If that were to happen. If all those events were to happen.

HALFORD: But your graph of what the profitability to COMINCO was, if that happens, shows very little difference.

MARSH: That's right. Because their proposal insulates them to some extent from all that happening. Now, this gets back to a very important point. We don't believe that COMINCO would choose to delay the startup, because the impact on them is very severe. They've got a mine already to go. They've got some \$200-300 million invested. It's not likely they would do that. The point is that clause is in the proposal. We just wanted to bring your attention to the impact of that clause from the State's point of view. We didn't analyze the impact on the mining profitability if it were a delayed-production situation.

HALFORD: I mean that clause may be there because they have properties worldwide and substantial reserves and want to have the flexibility to be able to utilize those reserves in the most efficient way.

MOBERLY: We think, on that issue, that once that mine is developed, it's such a good mine, that they would bring this mine on and bring it into production, possibly at the expense

of others. Now, that's our judgment. That's nothing from COMINCO. As Gerry said, they've got \$270 million invested. It's certainly not in their best interests not to produce material from that mine.

FAIKS: Gentlemen, the impression that we're being left with is the State's taking all the risk, and I think you better clarify that thought.

MARSH: No, I don't think you're taking all the risk. I think if you accepted the terms that are in that Memorandum of Understanding, we're talking about a subsidy of \$75-80 million, roughly.

HALFORD: Up to \$130 million.

MARSH: If those other things were to occur.

V FISCHER: But, as I understood your analysis, the State is in the position of responding to the COMINCO proposal by indicating that, if the State protected itself by having user fees that were high enough to provide the State a decent or even a full return on investment, it would have only a minimal effect on COMINCO profitability, so in effect, if the State bought the COMINCO proposal, then the State would be fully at risk. But if the State took the position of a banker in this case, the State doesn't have to be at such great risk. Isn't that correct? I'm bargaining.

MARSH: Well, you're making it black and white, and don't think it's really that black and white. I understand what you're saying. The one thing I would caution you about -- our analysis shows that profitability for any given pricing scenario is not extremely sensitive to user fee, but you've got to avoid the situation of the straw breaking the camel's back, to some extent. When you start getting down to that 10% area, if you're looking at that as a plausible outcome, that 2% becomes important, and that's why I raised the point of are there other ways of the State recovering its investment through a portion of the NANA royalties, for instance. There are other ways to do this. You don't have to charge COMINCO. You can wait for other users to come on-stream.

(Senator Coghill left the meeting.)

HALFORD: Well, you mentioned that the three partners in this arrangement: the State, COMINCO, and the landowners, and you stated that the potential benefit to the landowners are \$600 million in 1985 dollars over a 30-year period. The investment in benefits that will have been invested by COMINCO is \$270 million. The investment by the State in total is \$150 million backed out to a subsidy value of \$80 or

\$90 to \$130 million. What is the investment by the corporations, or what's the rate of return for the landowners, COMINCO, and for the State? That comparison, I think, would be important to look at where the possible pieces to make the project go (inaudible).

MARSH: The royalty is basically economic rent.

MARSH/MOBERLY: There is no investment there.

MARSH: There's no money at risk in that situation. It's a royalty.

MOBERLY: So their rate of return is infinite.

COTTEN: Maybe I misunderstood you. Did you say that the \$175 million authorization wasn't required, but in fact, only \$100 million in authorization for AIDA bonds was all that was required?

MARSH: No. I don't think you should cut it that fine, because we had to make certain assumptions about the quality of that loan portfolio and the cashflow coming out of that, and we're still making assumptions. Something that I should mention that I'm glad you reminded me of is it's not at all clear at this stage as to whether the financing for this project will be tax exempt. That's being debated. First Boston had some views on it. AIDA's own bond counsel has views on it. It looks like it may take an advance ruling from the IRS to try to resolve that. If you have to go to partial tax-exempt financing, you're probably talking in the order of \$120-125 million bond. The \$175 certainly is safe. It gives you the room you might need. We approached this from what's the least size bond you could get away with to keep the overall cost down, and if AIDA has those resources, and if it can count on that cashflow from the loan portfolio -- we don't know the quality of that cashflow at this stage -- then there's a way to keep the size of that bond down.

COTTEN: So, if you had to do some non-tax-exempt bonds, you might have to go up to \$125 million, then. Is that what you're saying?

(Representative Cotten left the meeting.)

V FISCHER: A followup to Senator Halford's previous questions. In calculating, referring to the owner, the rent, can one put into the equation the value of the property, the value of the minerals that NANA in effect is contributing? Is there a value to those minerals, as they exist when the mine commences operation?

MOBERLY: That could be done.

MARSH: I'm not sure of methodology.

MOBERLY: Reserves are sold. Now whether these would be saleable or not, I don't know, and then what would be the estimate of it?

V FISCHER: I was just wondering, so that when the question's asked, what is each party contributing? Nana in effect is contributing the property.

MOBERLY: It's contributing reserves. That's correct.

MARSH: But it's negotiated compensation for that through the royalty.

V FISCHER: Right. A more specific question: Based on your analysis, can you tell whether COMINCO could finance the port and the road themselves or is upfront financing by the State crucial to the project?

MARSH: We're not privileged to COMINCO's thinking in that regard. If you chose to back out of the project and put the full burden on COMINCO, that certainly is a heavy load to carry, given the state of mining these days. That certainly would put a heck of a load on their balance sheet, because they've still got to finance the mine, and we're talking a mine with working capital in excess of \$300 million. We're talking this project -- by the time you put in capitalized interest in excess of \$200 million, if you look at COMINCO's balance sheet, that's putting it out at a very high debt/equity ratio. I would be concerned about putting that kind of a load on a company.

MOBERLY: In other words, if you would capitalize the thing at the larger capital and adding the road and port to the mine and mill and then on the revenues generated from the whole situation, you'd have a lowerrate of return for COMINCO, because you see, the State essentially gets money at 10%, where COMINCO is going to want a higher rate of return. S, then in that effect, your ROI for the combined project would be lower than the numbers that we showed.

MARSH: If we had to look at this whole project from COMINCO's point of view, including the construction and financing of the road and all those cash outflows from the period '85-'89, that ROI would drop dramatically.

FAIKS: Did you get an answer to your question?

V FISCHER: I think so. The answer is basically the project is very sensitive to State participation, because as you pointed out in one of your charts, State involvement is simply critical to the level of terms.

MOBERLY/MARSH: Yes. That's right. That is correct. That's what we believe.

HALFORD: In following up an earlier question on tax exempt versus non-tax-exempt financing. If the higher price scenario came about and if the two-year delay came about, what is the effect of the cost in terms of subsidy cost, if in fact the majority of the bonds have to be taxable bonds, and who carries that cost?

MARSH: Well, actually the project carries the cost. It's a question of how much of that cost you recover through the user fees.

(Senators Paul Fischer and Dick Eliason left the meeting.)

HALFORD: What is the effect on the subsidy?

MARSH: It would go up slightly, but it's not a huge effect. For example, you'll see in our report an analysis where we assume a breakeven situation for the State under our base case scenario and COMINCO scenario. We use tax-exempt financing 100%, and we use a combination -- we say that the port is tax exempt, but the road is taxable financing -- that gives us an interest rate of around 12%. Under the tax-exempt financing, it was designed for breakeven, therefore, it means the State's rate of return is 10.0%. If we went with a partial tax-exempt situation, the State's rate of return drops to about 9.8%. It's not terribly sensitive.

HALFORD: So, what's that mean in terms of total subsidy cost -- \$5 million, \$10 million?

MARSH: Yes. I haven't worked it out, but it's in the report -- that order of magnitude.

HALFORD: So it gets up to maybe \$130-135 million.

MARSH: You're using that very outside figure, which we really see as a real downside, outside figure. By the way, if you look at what bond issues require, assuming all those things are going to happen, you're talking about a \$145 million bond issue, if you take the delay plus the alternative scenario. If you load the project with those kinds of costs, the bond issue now climbs to about \$145 million.

HALFORD: With regard to the legislation that the Legislature has been considering, as an entity which is representing the peoples' funds basically, do you think that we're basically issuing an authority to go forward to AIDA which says there will be a return, we don't know how much it'll be, there will be a payback, we don't know when it'll come, we don't know what the total cost is, and we don't know if it's taxable or

non-taxable, we don't know all these things. I guess that calls for too much of a substantive question. I was going to ask you if you thought that was the responsible way to manage as an entity loaning money. Would anyone in the private sector do that.

MARSH: Are you giving them a blank check, basically, to carry on. It's a Catch 22 here, because you can't start nailing some of these things down until you come to grips and have some sort of contractual arrangement with both COMINCO and NANA. Right now we have proposals. You really can't proceed until you can get contractual arrangements. On the other hand, how can AIDA negotiate in good faith and demonstrate that the State supports this project and is behind it if they don't have some sort of general parameters to work within, as proposed by the legislation. If you always are going to second guess them on when they are going to get these financial resources and what the bond authority might be, they're trying to negotiate with one hand behind their back, and looking at it from a private sector point of view, it's difficult to negotiate with someone that's not in a position to negotiate. So, I don't know how you resolve that problem.

HALFORD: The State deals with these kind of cases in negotiations on royalty, and what happens is the negotiations are carried out, and once the contract is completed and signed off, it comes back before the Legislature for ratification. My question is can we give AIDA the authority to go forward but still require that the final contractual arrangement, which really says the total dollar figures and all the figures come back before the Legislature for ratification by law before they go forward.

MARSH: I don't think I want to comment on something that involves due process and constitutional issues. It's just beyond my capability.

STURGULEWSKI: I would hope that while you gentlemen are in town -- certainly your contract with the Administration, but certainly this information is vital to the Legislature -- I would hope that you would be able to review the legislation that has been proposed and is now before the Finance Committee as to whether or not those conditions generally address those questions where the State is most at risk. We had some problems in tightening those up because of the situation with bond council saying that you can go so far, and then you start to get into an area of concern. So, I would appreciate some response on those pieces of legislation. Also, the major thing that has come, I think, in this discussion is the lack, perhaps, of sensitivity of the user fees to the overall return on the project, although of course, there's a point at the lower level where you might have some problems. I guess I would like to know, and

certainly the Finance Committee should consider, as to whether or not we should be looking at more specific direction in that range of user fees, again to minimize the State's potential risk in this. So, I'd really appreciate some comment now or some during the course of the day on that issue.

MARSH: Okay. Perhaps we could talk later to give us some time to think about it.

PIGNALBERI: I heard you mention earlier that you thought a valid question is should the State subsidize the project for \$75 million, and you said that's probably not necessary. Do you have a figure in mind, an amount of subsidy that you think is necessary?

MARSH: No. I think that's the equity issue that I think, unfortunately, that's precisely the type of issue you people have to come to grips with -- what represents the true benefit to the State. Then you have to look at things like the cost benefit analysis we talked about earlier. We're not in the position to advise what's a desirable subsidy. That's something we can't answer.

PIGNALBERI: But you did say that you thought it was not necessary --

MARSH: I think the project generates a high enough economic return, when you look at what's accruing to COMINCO and what's accruing to the native organizations through the royalty, that you could avoid a subsidy if you wanted to. Now, you've got to be careful, I think, about the methods you use. If you loaded up on user fee, then you're affecting COMINCO's rate of return. If you take the tack of appropriating part of the royalties, you don't affect the rate of return. It's another way of recouping some of that subsidy.

FAIKS: Right now, the State of Alaska does not have a severance tax on minerals. Did you look at cranking in a couple of percentage severance tax for the State to get its rate of return back that way?

MOBERLY: No, but we could. We did not put that in.

MARSH: In effect, that has the same sort of affect as increasing the user charge.

MOBERLY: That's correct. It's just an added cost.

MARSH: It's an added cost that comes out before the royalties are worked up.

FAIKS: Well, that's right. If it comes out before the royalties are worked out, then that's a way for the State to get some of its return back prior to the native corporations getting their royalty fee, right?

MARSH: What it will do is pull down the rate of return on the project.

MOBERLY: No, but it possibly would reduce somewhat the royalty. We could run the numbers.

FAIKS: I would appreciate it if you could run the numbers for me, starting at 1-2-3, going up to about 5%.

(3) "corporation" means the Alaska Resources Corporation;

(4)—(7) [Repealed, § 16 ch 161 SLA 1984,] (§ 3 ch 179 SLA 1978; am §§ 23 — 28 ch 142 SLA 1982; am § 16 ch 161 SLA 1984; r § 18 ch 161 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 7, 1984, repealed paragraphs (1), (4)—(7).

Chapter 15. State Bonding Act.

Article

1. General Obligation Bonds (§ 37.15.012)
3. International Airports Revenue Bonds (§ 37.15.415)
4. Toll Facilities Revenue Bonds (§§ 37.15.610 — 37.15.760)

Article 1. General Obligation Bonds.

Section

12. Continuing debt service appropriation

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated each fiscal year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981; am § 1 ch 156 SLA 1984)

Effect of amendments. — The 1984 amendment, effective July 6, 1984, substituted "each fiscal" for "on July 1 of each."

Article 3. International Airports Revenue Bonds.

Section

415. Continuing revenue bond debt service appropriation

Sec. 37.15.415. Continuing revenue bond debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding international airports revenue bonds of the state are appropriated each fiscal year from the international airports revenue fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 2 ch 156 SLA 1984)

Effective dates. — Section 5, ch. 156, 6, 1984, in accordance with AS SLA 1984 makes this section effective July 01.10.070(c).

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Article 4. Toll Facilities Revenue Bonds.

Section	Section
610. Bond authorization	690. Bond negotiability
620. Construction fund	700. Refunding
630. Revenue fund	710. Bonds as legal investments
640. Bond redemption fund	720. State toll facilities
650. Bond terms	730. Knik Arm Crossing
660. Bond resolution	740. Toll facility charges
670. Enforcement by holder	750. Statutory construction
680. Amounts required for payments	760. Definitions

Sec. 37.15.610. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$500,000,000 is authorized to acquire, construct, equip, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.720 and 37.15.730. The principal of and interest on these bonds are paid out of and secured by the gross revenues derived by the state from the ownership, use, and operation of the toll facilities, and out of any other revenue or money that the state legislature may provide exclusive of any state tax or license. Bonds may not be issued to assist in the acquisition, financing, or operation of projects without prior approval from the legislature. (§ 1 ch 162 SLA 1984)

Sec. 37.15.620. Construction fund. (a) The toll facilities construction fund is established for deposit of proceeds of the sale of the bonds authorized by AS 37.15.610 and any grant or other money that is legally provided for the same purposes for which the bonds are authorized except for any accrued interest paid on the bonds by the purchaser. The money in the construction fund is used to pay the cost of acquiring, constructing, and equipping facilities authorized in AS 37.15.720 and 37.15.730 and costs incidental to those activities, including costs of the authorization, issuance, and sale of the bonds. To the extent allowed in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the time of actual construction, and for any additional time, not exceeding one year after construction is completed. Money in the construction fund may also be transferred to the bond redemption fund, as permitted by the bond resolution, to establish a reserve for the payment of the principal and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund as the committee determines. The interest earned upon or any profit derived from the sale of the investment is deposited in the construction fund. (§ 1 ch 162 SLA 1984)

Sec. 37.15.630. Revenue fund. (a) The toll facilities revenue fund is established and shall be set apart from all other money of the state. The toll facilities revenue fund is a trust fund for the purposes under

AS 37.15.610 — 37.15.760, where all revenue, fees, tolls, charges, and rentals are deposited that are derived by the state from the ownership, lease, use, and operation of the facilities authorized by AS 37.15.720 and 37.15.730. The revenue, fees, tolls, charges, and rentals may not include the proceeds of any state tax or license. The money in the revenue fund may only be used to

(1) pay or secure the payment of the principal of and interest on the toll facilities bonds and principal of and interest on any other revenue bonds issued by authorization of the legislature to provide money to acquire, construct, and equip facilities authorized by AS 37.15.720 and 37.15.730 and to be payable out of the revenue fund;

(2) pay the normal and necessary costs of maintaining and operating the facilities acquired, constructed, or equipped under AS 37.15.610 — 37.15.760;

(3) pay the costs of renewals, replacements, and extraordinary repairs to facilities acquired, constructed, or equipped under AS 37.15.610 — 37.15.760;

(4) redeem before their fixed maturities any and all revenue bonds issued for the purpose of acquiring, constructing, and equipping facilities authorized by AS 37.15.720 and 37.15.730;

(5) provide money to acquire, construct, and equip necessary additions and improvements to facilities authorized by AS 37.15.720 and 37.15.730; and

(6) provide money to pay any and all other costs relating to the ownership, use, and operation of the facilities.

(b) The investment of money in the revenue fund may be made as the committee determines. The interest earned upon or any profits derived from the sale of an investment under this subsection shall be deposited in the revenue fund. (§ 1 ch 162 SLA 1984)

Sec. 37.15.640. Bond redemption fund. The toll facilities revenue bond redemption fund is established for deposit in trust of money for paying and securing the payment of principal of and interest and redemption premium, if any, on bonds and is set apart from all other money of the state. The committee, on behalf of the state, shall obligate the state to set aside and pay into the bond redemption fund from the revenue fund an amount of money sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if the committee considers it necessary, to set aside and maintain a reserve for this purpose. The bond redemption fund is drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 162 SLA 1984)

Sec. 37.15.650. Bond terms. (a) The toll facilities bonds are sold in the amounts or series and at the time as determined by the committee. Before selling a series of bonds, the committee shall give notice

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inviting sealed bids. If satisfactory bids are received, the bonds offered for sale are awarded to the highest responsible bidder. If the committee determines that a bid received is not satisfactory as to price or responsibility of the bidder, the committee may reject the bid received. Bonds, or a series of bonds, may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent per year or that rate of interest that is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest is payable annually or semiannually.

(b) The bonds mature at the time fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with the premium fixed by the committee, but a bond may not be subject to redemption before its fixed maturity date unless the right to redeem that bond is expressly mentioned on the face of the bond. The bonds

- (1) may be in denominations determined by the committee;
- (2) may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under regulations and conditions the committee provides;
- (3) are payable as to principal and interest at the place determined by the committee;
- (4) shall be signed on behalf of the state by the governor and shall be attested to by the lieutenant governor, both of which signatures may be facsimile signatures, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials;
- (5) shall have the seal of the state impressed, printed, or lithographed on them; and
- (6) shall be issued under and subject to the terms, conditions, and covenants, providing for the payment of the principal of and interest on the bonds and the other terms, conditions, covenants, and protective features safeguarding this payment and relating to the maintenance, operation, and improvement of the toll facilities as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of the principal and interest.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of the bonds, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.620, 37.15.630, and 37.15.640, or for the duties for authentication, delivery, and registration of the bonds as the committee may determine. The committee shall also fix the rights, duties, powers, and obligations of the trustee or trustees.

(d) In the committee's determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions, and covenants of the bonds as provided

in (a) — (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those that will accomplish the most advantageous sale of the bonds, with due regard, however, (1) to necessary or normal costs of maintenance and operation; (2) to renewals and replacements of and repairs to the toll facilities; (3) to all improvements to toll facilities and property of toll facilities owned, used, operated, or leased in connection with toll facilities; and (4) to the future growth and expansion of all of the facilities and the possibility of additional revenue bond financing for toll facilities purposes. A decision of the committee, as expressed in any bond resolution, is final when any bonds have been issued under the bond resolution.

(e) A bond resolution may provide that the bonds issued contain a recital that they are issued under AS 37.15.610 — 37.15.760, and any bonds containing this recital are conclusively considered to be valid and to have been issued in conformity with AS 37.15.610 — 37.15.760.

(f) The validity of the authorization and issuance of bonds is not affected by any proceeding for the acquisition or construction of the additions, improvements, or facilities for which the bonds have been issued or by any contract in connection with the acquisition or construction. (§ 1 ch 162 SLA 1984)

Sec. 37.15.660. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale, and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions, and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.650. (§ 1 ch 162 SLA 1984)

Sec. 37.15.670. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may, by appropriate proceedings in the courts of record of the state, compel the transfer, setting aside, and payment of money and the enforcement of all of the terms, conditions, and covenants as required and provided in AS 37.15.610 — 37.15.760 and in the bond resolution. (§ 1 ch 162 SLA 1984)

Sec. 37.15.680. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioner of revenue and the commissioner of transportation and public facilities the amounts required in the next ensuing calendar year by a bond resolution to be paid out of the revenue fund into the bond redemption fund and to be

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paid into and maintained in any reserve fund or account or any other fund or account created by a bond resolution. The committee shall also certify to the commissioners the last date upon which payments may be made. (§ 1 ch 162 SLA 1984)

Sec. 37.15.690. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 162 SLA 1984)

Sec. 37.15.700. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interest of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an act of the legislature, and the committee shall adopt the resolution and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and delivery of the bonds. All provisions of AS 37.15.610 — 37.15.760 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale, or exchange of the bonds, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide money for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring, or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest on the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid under the call of the bonds or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on the outstanding bonds to the date of the call or retirement. (§ 1 ch 162 SLA 1984)

Sec. 37.15.710. Bonds as legal investments. Toll facilities bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations, and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees, and other fiduciaries. The bonds may be accepted as security for deposits of all money of the state and its political subdivisions. (§ 1 ch 162 SLA 1984)

Sec. 37.15.720. State toll facilities. The state is authorized to acquire, construct, equip, and maintain toll bridges, highways, roads, crossings, and causeways found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 162 SLA 1984)

Sec. 37.15.730. Knik Arm Crossing. Notwithstanding the provisions of AS 37.15.720 the first state toll facility to be financed under AS 37.15.610 — 37.15.760 is the Knik Arm Crossing near Anchorage if the following conditions are met:

(1) the department submits to the governor and the legislature a feasibility study that finds that the crossing is financially feasible and able to produce revenue adequate to repay the bonds with which it is financed;

(2) if financing in addition to revenue bonds is anticipated, the department submits to the governor and legislature a finance plan to include an estimate of the total cost of the project and a description of the sources of money that will be used to finance the total cost of the project; and

(3) the office of management and budget reviews the feasibility study and the finance plan, if required, and reports its findings and recommendations to the governor and legislature not later than 90 days after the study and plan are received by the office. (§ 1 ch 162 SLA 1984)

Sec. 37.15.740. Toll facility charges. The commissioner of transportation and public facilities shall fix and collect the fees, charges, tolls, and rentals derived by the state from the ownership, lease, use, and operation of the facilities authorized by AS 37.15.720 and 37.15.730 and improvements of the facilities as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 162 SLA 1984)

Sec. 37.15.750. Statutory construction. AS 37.15.610 — 37.15.760 shall be liberally construed in order to carry out the purposes for which the provisions were enacted, and all existing laws in conflict with AS 37.15.610 — 37.15.760 are superseded as necessary to accomplish the purposes of AS 37.15.610 — 37.15.760. (§ 1 ch 162 SLA 1984)

Sec. 37.15.760. Definitions. In AS 37.15.610 — 37.15.760, unless the context requires otherwise

(1) "bond redemption fund" means the toll facilities revenue bond redemption fund created by AS 37.15.640, including any accounts that are created in that fund after the effective date of this Act;

(2) "bond resolution" means the resolution authorizing the issuance of bonds, adopted by the committee under AS 37.15.660;

(3) "bonds" means the toll facilities revenue bonds authorized by AS 37.15.610 — 37.15.760;

(4) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department, or officer of the state that or who succeeds to the rights, powers, duties, and obligations of the state bond committee by act of the legislature;

(5) "construction fund" means the toll facilities construction fund created by AS 37.15.620;

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(6) "revenue fund" means the toll facilities revenue fund created by AS 37.15.630;

(7) "toll facilities" means highways, roads, bridges, crossings, and causeways upon which tolls, charges, rentals, or other user fees are placed by the commissioner of transportation and public facilities. (§ 1 ch 162 SLA 1984)

Chapter 25. Miscellaneous Provisions.

Sec. 37.25.020. Unexpended balances of appropriation for capital projects.

Opinions of attorney general. — Appropriations that are available for expenditure in a fiscal year should be counted only against the appropriation limit of § 16, art. IX, of the state constitution, for the first fiscal year during which

they could be completely expended, even if an unexpended balance is carried forward into the next fiscal year. 1983 Op. Att'y Gen. No. 01.

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- (b) The commissioner of revenue may
 - (1) invest and reinvest the principal of the funds;
 - (2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;
 - (3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;
 - (4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;
 - (5) register investments held in a fund in the name of the board having the power to approve investments for a fund;
 - (6) do all acts whether or not expressly authorized which are considered proper for the protection of the investments held in the funds. (§ 4 ch 182 SLA 1978)

Chapter 15. State Bonding Act.

Article

- 1. General Obligation Bonds (§§ 37.15.010 — 37.15.220)
- 2. Bond Anticipation Notes (§§ 37.15.300 — 37.15.390)
- 3. International Airports Revenue Bonds (§§ 37.15.410 — 37.15.550)

Article 1. General Obligation Bonds.

Section	Section
10. Full faith and credit for general obligation bonds	120. Regulations
12. Continuing debt service appropriation	130. Officers, records and proceedings
15. Committee shall publish notice of existing state indebtedness before election	140. Duties of state bond committee
20. Manner and amounts of sale	150. Committee may employ special services
30. Interest rate and maturity	155. Prohibited bidding on bonds and anticipation notes
40. Sale of bonds	160. Contents of resolution
50. Redemption	170. State bond committee to certify annual principal, interest, and reserve requirements
60. Form and registration of bonds	180. Remedies of bondholders
70. Place of payment	190. Negotiability
80. Signatures and seal	200. Bonds as legal investments
90. Terms and conditions	210. Refunding bonds
100. Trustee	215. Official statements
110. Creation and membership of state bond committee	220. Short title

Sec. 37.15.010. Full faith and credit for general obligation bonds. The full faith, credit and resources of the state are hereby pledged to the payment of the principal of and interest and redemption premium, if any, on all general obligation bonds of the state authorized pursuant to art. IX, § 8 of the constitution. (§ 1 ch 175 SLA 1960; am § 1 ch 104 SLA 1967)

Collateral references. — 63 Am.Jur.2d, Public Funds, §§ 23-32. 64 Am.Jur.2d, Public Securities and Obligations, § 1 et seq.
81A C.J.S., States, §§ 250-262.
Funding or refunding obligations as

subject to conditions respecting approval by voters, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated on July 1 of each year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981)

Opinions of attorney general. — This section does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitu-

tion, as that section of the constitution contains an implied exception for bond obligations. November 30, 1982. Op. Att'y Gen.

Sec. 37.15.015. Committee shall publish notice of existing state indebtedness before election. (a) Before a general or special election in which a bond issue is offered for ratification, the state bond committee shall publish a notice of existing state bonded indebtedness at least once a week for three consecutive weeks in a newspaper of general circulation in each of the four judicial districts of the state. The first notice shall be published at least 20 days before the date of the election. A notice shall contain

- (1) the current total bonded indebtedness of the state,
- (2) the cost of the debt service on the current indebtedness.

(b) Neither the failure to publish the notice of existing state bonded indebtedness nor a defect in the publication affects the validity of the bond issue offered for ratification or of a general or special election in which a bond issue is offered for ratification. (§ 2 ch 50 SLA 1964; am § 1 ch 8 SLA 1969)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement. 93 ALR 362.

Bonds issued by state officer of board payable solely out of proceeds of obli-

gations of political subdivisions pledged as within constitutional or statutory provisions which impose a limit on state indebtedness or require consent of electors, 100 ALR 1114.

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election or proposal for bond issue, as affecting validity of election or bonds issued pursuant thereto, 116 ALR 1258.

Effect of delay after authorization by voters on power of governmental unit to issue bonds, 135 ALR 768.

Validity, within authorized debt, tax, or voted limit, of bond issue in excess of amount permitted by law, 175 ALR 823.

Sec. 37.15.020. Manner and amounts of sale. The state bond committee shall sell the bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants. (§ 1 ch 175 SLA 1960)

Sec. 37.15.030. Interest rate and maturity. Each issue or series of bonds shall bear interest at an effective rate over the life of the bonds not to exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The bonds shall mature in not more than 30 years from date of issue, unless a longer period is specifically authorized by statute. (§ 1 ch 175 SLA 1960; am § 2 ch 104 SLA 1967; am § 1 ch 92 SLA 1970; am § 1 ch 29 SLA 1976; am § 1 ch 85 SLA 1980; am § 1 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent a year" at the end of the first sentence.

The 1982 amendment substituted the language beginning "11 percent a year" for

"10 percent a year" at the end of the first sentence.

Collateral references. — Right to call governmental bonds in advance of their maturity, 109 ALR 988.

Sec. 37.15.040. Sale of bonds. Before selling an issue or series of bonds, the state bond committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the state bond committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. (§ 1 ch 175 SLA 1960; am § 3 ch 104 SLA 1967; am § 1 ch 43 SLA 1969)

Sec. 37.15.050. Redemption. The state bond committee may determine whether the bonds are subject to redemption before their fixed maturities and may fix the premium for and all other terms of the redemption. No bond may be subject to redemption before its fixed maturity date unless the right to so redeem the bond is expressly mentioned on the face of the bond. (§ 1 ch 175 SLA 1960; am § 4 ch 104 SLA 1967; am § 1 ch 26 SLA 1968; am § 7 ch 143 SLA 1968)

Collateral references. — 81A C.J.S., States, § 261.

Funding or refunding obligations as subject to conditions respecting limitation

of indebtedness, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.060. Form and registration of bonds. An issue or series of bonds may be issued in coupon form payable to bearer or in fully registered form, and bonds in coupon form may be made registrable as to principal or principal and interest, as determined by the state bond committee. (§ 1 ch 175 SLA 1960; am § 2 ch 26 SLA 1968)

Sec. 37.15.070. Place of payment. The state bond committee may fix the place or places of payment of the principal, interest and redemption premium, if any. (§ 1 ch 175 SLA 1960; am § 5 ch 104 SLA 1967)

Sec. 37.15.080. Signatures and seal. (a) Each bond shall be signed on behalf of the state by the governor and attested by the lieutenant governor, which signatures may be facsimile signatures. The seal of the state shall be impressed, imprinted or otherwise reproduced on each bond. Each interest coupon attached to the bond shall be signed by the facsimile signatures of the governor and lieutenant governor. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, the signature is, nevertheless, valid and sufficient for all purposes, as if the officer had remained in office until delivery.

(b) A signature required on a bond issued by a political subdivision of the state may be a facsimile signature. (§ 1 ch 175 SLA 1960; am § 6 ch 104 SLA 1967)

Collateral references. — Printing, lithographing, or other mechanical signature on public bonds, coupons, or other pecuniary obligation, 94 ALR 768.

Sec. 37.15.090. Terms and conditions. Each issue or series of bonds shall be issued under and subject to the terms, conditions, and covenants providing for the payment of the principal and the interest and other terms, conditions, covenants, and protective provisions safeguarding the payment as found reasonably necessary by the state bond committee for the most advantageous sale. The terms, conditions, and covenants may include the setting aside and maintaining of certain reserves to secure the payment of principal and interest. (§ 1 ch 175 SLA 1960)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Power of legislature to add to or make more onerous the conditions or limitations

prescribed by Constitution upon incurring public debts, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

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Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

Sec. 37.15.155. Prohibited bidding on bonds and anticipation notes. (a) No person who provides financial programming or marketing assistance to the state bond committee in connection with the issuance or sale of general obligation bonds, revenue bonds or bond anticipation notes of the state may bid on the bonds.

(b) The sale of general obligation bonds, revenue bonds or bond anticipation notes of the state to a person who is prohibited from bidding on the bonds or notes under (a) of this section is against public policy and the sale is void.

(c) In this section "person" means an individual, firm, agent, factor, intermediary, partnership, corporation, association, bond house, stockbroker or bond broker. (§ 1 ch 102 SLA 1974)

Sec. 37.15.160. Contents of resolution. The resolution adopted by the state bond committee shall

(1) fix the principal amount, denominations, date, maturities, place of payment, terms, right of redemption if any, form, conditions and covenants of the bonds;

(2) fix the date of sale and the form of the notice of sale; and

(3) provide if the notice is to be published elsewhere in addition to the publication required by AS 37.15.040. (§ 3 ch 175 SLA 1960; am § 3 ch 26 SLA 1968)

Sec. 37.15.170. State bond committee to certify annual principal, interest, and reserve requirements. (a) Before January 1 of each year after bonds are issued, the state bond committee shall certify to the commissioner of administration the amount needed for the following calendar year to meet principal, interest, and reserve requirements on all bonds or issues or series of bonds then outstanding.

(b) The commissioner of administration shall set aside these amounts or make the necessary provisions for the setting aside of these amounts so that there will be sufficient money to pay the principal and interest on the due date and to meet reserve requirements. (§ 4 ch 175 SLA 1960)

Sec. 37.15.180. Remedies of bondholders. The owner and holder of each bond or the trustee may by appropriate proceeding require and compel the transfer and payment of money as directed by this chapter. (§ 4 ch 175 SLA 1960)

Sec. 37.15.190. Negotiability. General obligation bonds of the state and the coupons attached to the bonds are negotiable instruments. (§ 5 ch 175 SLA 1960)

Collateral references. — Negotiability of state warrants, 36 ALR 949.

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Sec. 37.15.200. Bonds as legal investments. General obligation bonds of the state are legal investments for all state funds, or for funds under state control, and for all funds of a political subdivision of the state. (§ 5 ch 175 SLA 1960)

Sec. 37.15.210. Refunding bonds. (a) All or a part of the general obligation bonds of the state, or all or a part of each outstanding issue or series of bonds, may be refunded at or before maturity by the issuance of general obligation refunding bonds of the state if, in the opinion of the state bond committee, refunding is advantageous to and in the best interest of the state and its inhabitants. Money set aside as reserve to secure the payment of the principal and interest of bonds being refunded may be used to pay the principal and interest on these bonds or may be retained by the state to secure the payment of the principal and interest on the refunding bonds to be issued.

(b) Refunding bonds and the coupons attached to them are negotiable instruments. The effective rate of interest over the life of refunding bonds may not exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of bonds, whichever is higher, and the amount of premium which is paid to effect the redemption of outstanding bonds may not be considered in determining the effective rate of interest.

(c) Refunding bonds may be exchanged for the bonds being refunded or refunding bonds may be sold in the manner and at the prices which the state bond committee determines to be for the best interest of the state and its inhabitants either at public or private sale.

(d) The issuance of refunding bonds need not be authorized by the qualified voters of the state. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, exchange or sale, and delivery of refunding bonds. The provisions of this chapter relating to the terms, conditions, covenants, issuance, and sale of general obligation bonds of the state apply to refunding bonds except as otherwise specifically provided in this section. (§ 6 ch 175 SLA 1960; am § 2 ch 92 SLA 1970; am § 2 ch 85 SLA 1980; am § 2 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" in the second sentence of subsection (b).

The 1982 amendment substituted the language beginning "11 percent a year" and ending "date of sale of bonds, whichever is higher" for "10 percent a

year" in subsection (b).

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them. 1 ALR2d 134.

Sec. 37.15.215. Official statements. To the extent practicable the official statements and other documentation issued in connection with an offering of state or local government securities shall comply with

the guidelines of the Municipal Finance Officers Association or other nationally recognized guidelines. (§ 12 ch 168 SLA 1978)

Sec. 37.15.220. Short title. AS 37.15.010 — 37.15.220 may be cited as the State Bonding Act. (§ 7 ch 175 SLA 1960; am § 54 ch 127 SLA 1974)

Article 2. Bond Anticipation Notes.

Section	Section
300. Borrowing in anticipation of sale of bonds permitted	350. Security for repayment of revenue bonds
310. Issuance of notes	360. Limitation on issuance of notes
330. Repayment of notes	370. Use of proceeds from sale of notes
340. Security for repayment of general obligation bonds	380. Sale of notes
	390. Execution of notes

Sec. 37.15.300. Borrowing in anticipation of sale of bonds permitted. When the state bond committee considers it in the best interests of the state, it may borrow money in anticipation of the sale of general obligation and revenue bonds, if

(1) the general obligation bonds to be sold have been authorized by law and ratified by a majority vote of the qualified voters of the state who vote on the question; or

(2) the general obligation bonds to be sold have been authorized by law for the purpose of meeting natural disasters, repelling invasion, suppressing insurrection, or defending the state in war; or

(3) the revenue bonds to be sold have been authorized by law; and

(4) money to be derived from the sale of general obligation and revenue bonds has been appropriated by the legislature. (§ 1 ch 42 SLA 1964; am § 1 ch 74 SLA 1964)

Sec. 37.15.310. Issuance of notes. The state bond committee shall issue notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All the notes are payable at a fixed place, on or before a fixed time, or at a fixed time, from the proceeds of the sale of bonds, in anticipation of which the original note or notes were issued, unless the bonds have not been sold by the maturity date of the notes. Interest on the notes is payable at a fixed place, on or before a fixed time, out of appropriations made for the payment of interest on general obligation notes or bonds of the state. (§ 1 ch 42 SLA 1964; am § 1 ch 127 SLA 1976)

Sec. 37.15.320. Issuance of new notes. [Repealed, § 3 ch 41 SLA 1967.]

Sec. 37.15.330. Repayment of notes. Every note shall be payable from the proceeds of the next succeeding sale of bonds or from the proceeds of the sale of new bond anticipation notes. (§ 1 ch 42 SLA 1964)

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Sec. 37.15.340. Security for repayment of general obligation bonds. Notes issued in anticipation of the sale of general obligation bonds and the interest thereon are secured by the full faith, credit, and resources of the state. (§ 1 ch 42 SLA 1964)

Sec. 37.15.350. Security for repayment of revenue bonds. Notes issued in anticipation of the sale of revenue bonds and the interest thereon are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.360. Limitation on issuance of notes. The total amount of such notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.370. Use of proceeds from sale of notes. The proceeds from the sale of the notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.380. Sale of notes. Notes issued under this chapter shall be sold by the state bond committee in such manner and at such price or prices as it shall determine, at either public or private sale; however, no such note shall be sold for less than par and accrued interest or at an interest rate exceeding 11 percent a year or that rate of interest which is 110 percent of the rate of Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the notes, whichever is higher. (§ 1 ch 42 SLA 1964; am § 3 ch 92 SLA 1970; am § 3 ch 85 SLA 1980; am § 3 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" at the end of the section. The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the section.

Sec. 37.15.390. Execution of notes. Notes for money borrowed in anticipation of receipts from the sale of bonds shall be signed by the governor and countersigned by the lieutenant governor. The governor's and lieutenant governor's signatures may be facsimile signatures. (§ 1 ch 42 SLA 1964; am § 4 ch 110 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present second sentence for the former sentence, which read: "The governor's signature may be a facsimile signature."

Article 3. International Airports Revenue Bonds.

Section	Section
410. Bond authorization	490. Bond negotiability
420. Construction fund	500. Airport charges
430. Revenue fund	510. State improvements to airports
440. Redemption fund	520. Refunding
450. Bond terms	530. Bonds as legal investments
460. Bond resolution	540. Statutory construction
470. Enforcement by holder	550. Definitions
480. Amounts required for payments	

Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

Effect of amendments. — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence.

The 1982 amendment, substituted "\$34,825,000" for "\$43,325,000" in the first sentence.

The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence.

Editor's notes. — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

Sec. 37.15.420. Construction fund. (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and

sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972, Temporary and Special Acts.

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution con-

tains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.430. Revenue fund. (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other costs relating to the ownership, use and operation of the airports.

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(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.440. Redemption fund. There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.450. Bond terms. (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

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rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

Revisor's notes. — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 2, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

Sec. 37.15.460. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

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§ 37.15.520

Sec. 37.15.470. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.480. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

Sec. 37.15.490. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

Sec. 37.15.500. Airport charges. The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.510. State improvements to airports. The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

Sec. 37.15.520. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442. Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.530. Bonds as legal investments. The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

Sec. 37.15.540. Statutory construction. AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

Sec. 37.15.550. Definitions. As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

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(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

Chapter 20. Acceptance of Federal Funds.

Section	Section
10. Acceptance of federal grants and transfers of property	30. Jurisdiction of accepted property
20. Federal Transitional Grants Account	40. Alaska Native Fund

Sec. 37.20.010. Acceptance of federal grants and transfers of property. The governor is authorized to accept on behalf of the state all federal grants and transfers of property of an emergency, transitional or omnibus nature upon conditions imposed by the federal government. (§ 1 ch 176 SLA 1959)

Sec. 37.20.020. Federal Transitional Grants Account. There is established in the general fund a special account designated the Federal Transitional Grants Account. All grants of money accepted under this chapter shall be deposited in this special account. (§ 2 ch 176 SLA 1959)

Sec. 37.20.030. Jurisdiction of accepted property. (a) All chattels accepted under the provisions of AS 37.20.010 and 37.20.020 are subject to the jurisdiction of the Department of Administration for distribution to the appropriate department.

(b) All land accepted under the provisions of AS 37.20.010 and 37.20.020 is subject to the jurisdiction of the Department of Natural Resources.

Chapter 162

AN ACT

Authorizing the construction of the Knik Arm Crossing and relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority.

* Section 1. AS 37.15 is amended by adding new sections to read:

ARTICLE 4. TOLL FACILITIES REVENUE BONDS.

37.15.610

Sec. 37.15.610. BOND AUTHORIZATION. For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$500,000,000 is authorized to acquire, construct, equip, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.720 and 37.15.730. The principal of and interest on these bonds are paid out of and secured by the gross revenues derived by the state from the ownership, use, and operation of the toll facilities, and out of any other revenue or money that the state legislature may provide exclusive of any state tax or license. Bonds may not be issued to assist in the acquisition, financing, or operation of projects without prior approval from the legislature.

37.15.620

Sec. 37.15.620. CONSTRUCTION FUND. (a) The toll facilities construction fund is established for deposit of proceeds of the sale of the bonds authorized by AS 37.15.610 and any grant or other money

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1 that is legally provided for the same purposes for which the bonds are
 2 authorized except for any accrued interest paid on the bonds by the
 3 purchaser. The money in the construction fund is used to pay the cost
 4 of acquiring, constructing, and equipping facilities authorized in
 5 AS 37.15.720 and 37.15.730 and costs incidental to those activities,
 6 including costs of the authorization, issuance, and sale of the bonds.
 7 To the extent allowed in the bond resolution, money in the construc-
 8 tion fund may also be used for the payment of interest on the bonds
 9 during the time of actual construction, and for any additional time,
 10 not exceeding one year after construction is completed. Money in the
 11 construction fund may also be transferred to the bond redemption fund,
 12 as permitted by the bond resolution, to establish a reserve for the
 13 payment of the principal and interest on the bonds.

14 (b) The bond resolution may provide for the investment of money
 15 in the construction fund as the committee determines. The interest
 16 earned upon or any profit derived from the sale of the investment is
 17 deposited in the construction fund.

18 Sec. 37.15.630. REVENUE FUND. (a) The toll facilities revenue
 19 fund is established and shall be set apart from all other money of the
 20 state. The toll facilities revenue fund is a trust fund for the pur-
 21 poses under AS 37.15.610 - 37.15.760, where all revenue, fees, tolls,
 22 charges, and rentals are deposited that are derived by the state from
 23 the ownership, lease, use, and operation of the facilities authorized
 24 by AS 37.15.720 and 37.15.730. The revenue, fees, tolls, charges, and
 25 rentals may not include the proceeds of any state tax or license. The
 26 money in the revenue fund may only be used to

27 (1) pay or secure the payment of the principal of and inter-
 28 est on the toll facilities bonds and principal of and interest on any
 29 other revenue bonds issued by authorization of the legislature to

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37.15.630

Chapter 162

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1 determined by the committee;

2 (4) shall be signed on behalf of the state by the governor
3 and shall be attested to by the lieutenant governor, both of which
4 signatures may be facsimile signatures, and each of the interest
5 coupons attached to them shall be signed by the facsimile signatures
6 of these officials;

7 (5) shall have the seal of the state impressed, printed, or
8 lithographed on them; and

9 (6) shall be issued under and subject to the terms, condi-
10 tions, and covenants, providing for the payment of the principal of
11 and interest on the bonds and the other terms, conditions, covenants,
12 and protective features safeguarding this payment and relating to the
13 maintenance, operation, and improvement of the toll facilities as
14 found necessary by the committee, which covenants may include a pro-
15 vision requiring the setting aside and maintenance of certain reserves
16 to secure the payment of the principal and interest.

17 (c) If found reasonably necessary, the committee may select a
18 trustee or trustees for the holders of the bonds or any series of the
19 bonds, for the safeguarding and disbursement of any of the money in
20 any of the funds created by AS 37.15.620, 37.15.630, and 37.15.640, or
21 for the duties for authentication, delivery, and registration of the
22 bonds as the committee may determine. The committee shall also fix
23 the rights, duties, powers, and obligations of the trustee or trust-
24 ees.

25 (d) In the committee's determination of all of the matters and
26 questions relating to the issuance and sale of the bonds and the
27 fixing of the maturities, terms, conditions, and covenants of the
28 bonds as provided in (a) - (c) of this section, the decisions of the
29 committee shall be those found to be reasonably necessary for the best
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Chapter 162

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1 interests of the state and its inhabitants, and those that will accom-
2 plish the most advantageous sale of the bonds, with due regard,
3 however, (1) to necessary or normal costs of maintenance and opera-
4 tion; (2) to renewals and replacements of and repairs to the toll
5 facilities; (3) to all improvements to toll facilities and property of
6 toll facilities owned, used, operated, or leased in connection with
7 toll facilities; and (4) to the future growth and expansion of all of
8 the facilities and the possibility of additional revenue bond financ-
9 ing for toll facilities purposes. A decision of the committee, as
10 expressed in any bond resolution, is final when any bonds have been
11 issued under the bond resolution.

12 (e) A bond resolution may provide that the bonds issued contain
13 a recital that they are issued under AS 37.15.610 - 37.15.760, and any
14 bonds containing this recital are conclusively considered to be valid
15 and to have been issued in conformity with AS 37.15.610 - 37.15.760.

16 (f) The validity of the authorization and issuance of bonds is
17 not affected by any proceeding for the acquisition or construction of
18 the additions, improvements, or facilities for which the bonds have
19 been issued or by any contract in connection with the acquisition or
20 construction.

21 Sec. 37.15.660. BOND RESOLUTION. The committee is authorized
22 and directed to adopt the bond resolution and prepare all other docu-
23 ments and proceedings necessary for the issuance, sale, and delivery
24 of the bonds or any part or series of them. The bond resolution shall
25 fix the principal amount, denomination, date, maturities, place or
26 places of payment, rights of redemption, if any, terms, form, condi-
27 tions, and covenants of the bonds or each series of them. The commit-
28 tee shall also determine and provide for the date and manner of sale
29 of the bonds, and shall provide whether the notice of sale is to be
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37.15.660

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1 published elsewhere in addition to the publication required by AS 37.-
2 15.650.

37.15.670

3 Sec. 37.15.670. ENFORCEMENT BY HOLDER. The holder of any bonds
4 or the trustee for the holders of the bonds or any series of them,
5 may, by appropriate proceedings in the courts of record of the state,
6 compel the transfer, setting aside, and payment of money and the
7 enforcement of all of the terms, conditions, and covenants as required
8 and provided in AS 37.15.610 - 37.15.760 and in the bond resolution.

37.15.680

9 Sec. 37.15.680. AMOUNTS REQUIRED FOR PAYMENTS. The committee
10 shall, before December 31 of each year, commencing with the year in
11 which the bonds are issued, certify to the commissioner of revenue and
12 the commissioner of transportation and public facilities the amounts
13 required in the next ensuing calendar year by a bond resolution to be
14 paid out of the revenue fund into the bond redemption fund and to be
15 paid into and maintained in any reserve fund or account or any other
16 fund or account created by a bond resolution. The committee shall
17 also certify to the commissioners the last date upon which payments
18 may be made.

37.15.690

19 Sec. 37.15.690. BOND NEGOTIABILITY. The bonds and the coupons
20 attached to them are fully negotiable instruments under the laws of
21 the state.

37.15.700

22 Sec. 37.15.700. REFUNDING. (a) The bonds or any part of them
23 may be refunded at or before their maturity by the issuance of refund-
24 ing revenue bonds of the state if in the opinion of the committee
25 refunding is advantageous to and in the best interest of the state and
26 its inhabitants.

27 (b) The issuance of refunding bonds need not be authorized by an
28 act of the legislature, and the committee shall adopt the resolution
29 and prepare all other documents and proceedings necessary for the
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issuance, exchange or sale, and delivery of the bonds. All provisions
of AS 37.15.610 - 37.15.760 applicable to revenue bonds are applicable
to the refunding bonds and to the issuance, sale, or exchange of the
bonds, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount suffi-
cient to provide money for the payment of all bonds to be refunded by
them, and, in addition, for the payment of all expenses inci ent to
the calling, retiring, or paying of the outstanding bonds, and the
issuance of the refunding bonds. These expenses include the differ-
ence in amount between the par value of the refunding bonds and any
amount less than par for which the refunding bonds are sold, any
amount necessary to be made available for the payment of interest on
the refunding bonds from the date of sale of them to the date of
payment of the bonds to be refunded or to the date upon which the
bonds to be refunded will be paid under the call of the bonds or
agreement with the holders of them, and the premium, if any, necessary
to be paid in order to call or retire the outstanding bonds and the
interest accruing on the outstanding bonds to the date of the call or
retirement.

Sec. 37.15.710. BONDS AS LEGAL INVESTMENTS. Toll facilities
bonds are legal investments for all banks, trust companies, savings
banks, savings and loan associations, and other persons carrying on a
banking business, all insurance companies and other persons carrying
on an insurance business, and all executors, administrators, trustees,
and other fiduciaries. The bonds may be accepted as security for
deposits of all money of the state and its political subdivisions.

37.15.710

Sec. 37.15.720. STATE TOLL FACILITIES. The state is authorized
to acquire, construct, equip, and maintain toll bridges, highways,
roads, crossings, and causeways found to be necessary by the

37.15.720

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1 commissioner of transportation and public facilities.

37.15.730

2 Sec. 37.15.730. KNIK ARM CROSSING. Notwithstanding the provisions of AS 37.15.720 the first state toll facility to be financed under this article is the Knik Arm Crossing near Anchorage if the following conditions are met:

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4
5
6 (1) the department submits to the governor and the legislature a feasibility study that finds that the crossing is financially feasible and able to produce revenue adequate to repay the bonds with which it is financed;

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9
10 (2) if financing in addition to revenue bonds is anticipated, the department submits to the governor and legislature a finance plan to include an estimate of the total cost of the project and a description of the sources of money that will be used to finance the total cost of the project; and

11
12
13
14 (3) the office of management and budget reviews the feasibility study and the finance plan, if required, and reports its findings and recommendations to the governor and legislature not later than 90 days after the study and plan are received by the office.

37.15.740

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19 Sec. 37.15.740. TOLL FACILITY CHARGES. The commissioner of transportation and public facilities shall fix and collect the fees, charges, tolls, and rentals derived by the state from the ownership, lease, use, and operation of the facilities authorized by AS 37.15.720 and 37.15.730 and improvements of the facilities as will provide revenues sufficient to comply with all of the covenants of the bond resolution.

37.15.750

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26 Sec. 37.15.750. STATUTORY CONSTRUCTION. AS 37.15.610 - 37.15.760 shall be liberally construed in order to carry out the purposes for which the provisions were enacted, and all existing laws in conflict with AS 37.15.610 - 37.15.760 are superseded as necessary to

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sion of this chapter, a facility to be financed
near Anchorage if the

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ture crossing is financially
to repay the bonds with

revenue bonds is anticipat-
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plan for the project and a
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budget reviews the feasi-
bility, and reports its find-
ings to the legislature not later
than 90 days after the date
received by the office.

1. The commissioner of
transportation shall collect the fees,
and shall receive the proceeds from the ownership,
as authorized by AS 37.15.720
for the facilities as will provide
for the covenants of the bond

AS 37.15.610 - 37.15.-
shall carry out the purposes
of the existing laws in con-
sistency with the provisions
of this chapter as necessary to
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1 accomplish the purposes of AS 37.15.610 - 37.15.760.

2 Sec. 37.15.760. DEFINITIONS. In AS 37.15.610 - 37.15.760,
3 unless the context requires otherwise

4 (1) "bond redemption fund" means the toll facilities reve-
5 nue bond redemption fund created by AS 37.15.640, including any ac-
6 counts that are created in that fund after the effective date of this
7 Act;

8 (2) "bond resolution" means the resolution authorizing the
9 issuance of bonds, adopted by the committee under AS 37.15.660;

10 (3) "bonds" means the toll facilities revenue bonds autho-
11 rized by AS 37.15.610 - 37.15.760;

12 (4) "committee" means the state bond committee created by
13 AS 37.15.110, or any other committee, body, department, or officer of
14 the state that or who succeeds to the rights, powers, duties, and
15 obligations of the state bond committee by act of the legislature;

16 (5) "construction fund" means the toll facilities construc-
17 tion fund created by AS 37.15.620;

18 (6) "revenue fund" means the toll facilities revenue fund
19 created by AS 37.15.630;

20 (7) "toll facilities" means highways, roads, bridges,
21 crossings, and causeways upon which tolls, charges, rentals, or other
22 user fees are placed by the commissioner of transportation and public
23 facilities.

24 * Sec. 2. AS 19.05.040 is amended to read:

25 Sec. 19.05.040. POWERS OF DEPARTMENT. The department may

- 26 (1) acquire property;
- 27 (2) exercise the power of eminent domain;
- 28 (3) take immediate possession of real property, or any
29 interest in it under a declaration of taking or by other lawful means;

30 HCS CSSB 347(SA) am H

37.15.760

19.05.040

- 1 (4) acquire rights-of-way for present or future use;
- 2 (5) control access to highways;
- 3 (6) regulate roadside development;
- 4 (7) preserve and maintain the scenic beauty along state
- 5 highways;
- 6 (8) dispose of property acquired for highway purposes;
- 7 (9) accept and dispose of federal funds or property avail-
- 8 able for highway construction, maintenance, or equipment;
- 9 (10) enter into contracts or agreements relating to highways
- 10 with the federal government, municipalities, a political subdivision,
- 11 or with a foreign government, if the contract is approved by the
- 12 federal government; [AND]
- 13 (11) establish, levy, and collect tolls, fees, charges, and
- 14 rentals for the use of state roads, highways, bridges, crossings, and
- 15 causeways; and
- 16 (12) exercise any other power necessary to carry out the
- 17 purpose of AS 19.05 - 19.25.

18 * Sec 3. AS 44.88.010(a) is amended to read:

44.88.010(a)

- 19 (a) The legislature finds, determines and declares that
- 20 (1) there exist areas of the state in which seasonal and
- 21 nonseasonal unemployment exist;
- 22 (2) this unemployment is a serious menace to the health,
- 23 safety and general welfare, not only to the people in those areas, but
- 24 also to the people of the entire state;
- 25 (3) the state lacks the basic manufacturing, industrial,
- 26 and business enterprises and the other facilities referred to in (5)
- 27 of this subsection necessary to permit adequate development of its
- 28 natural resources and the balanced growth of its economy;
- 29 (4) the establishment and expansion of industrial,
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1 manufacturing, and business enterprises in Alaska and the other facil-

2 ities referred to in (5) of this subsection are essential to the

3 development of the natural resources and the long-term economic growth

4 of the state, and will directly and indirectly alleviate unemployment

5 in the state;

6 (5) the achievement of the goal of full employment, and of

7 establishment and continuing operation and development of industrial,

8 manufacturing, and business enterprises in the state, including,

9 without limitation, facilities for [AIR AND WATER] transportation,

10 facilities for pollution control and waste disposal, facilities for

11 the local furnishing of gas, facilities for water, [AND] facilities

12 for industrial parks, mass commuting vehicles, facilities for local

13 district heating or cooling, parking facilities, or a storage or

14 training facility relating to a plant or facility, will be accelerated

15 and facilitated by the creation of an instrumentality of the state

16 with powers to incur debt, to own and operate facilities, [AND] to

17 make and insure loans to finance, and to assist private lenders to

18 make loans to finance, the establishment, operation, and development

19 of industrial, manufacturing, and business enterprises, including,

20 without limitation, facilities for [AIR AND WATER] transportation,

21 facilities for pollution control and waste disposal, facilities for

22 the local furnishing of gas, facilities for water, [AND] facilities

23 for industrial parks, mass commuting vehicles, facilities for local

24 district heating or cooling, parking facilities, or a storage or

25 training facility relating to a plant or facility;

26 (6) it is in the public interest to promote the prosperity

27 and general welfare of all citizens of the state by stimulating com-

28 mercial and industrial growth and expansion by encouraging an increase

29 of private investment by banks, investment houses, insurance

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1 companies, and other financial institutions, including pension and re-
2 tirement funds, to help satisfy the need for economic expansion;

3 (7) it is in the state's interest to import private capital
4 to create new economic activity which would not otherwise take place
5 in the state.

6 * Sec. 4. AS 44.88.070 is amended to read:

44.88.070

7 Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the
8 authority is to promote, develop and advance the general prosperity
9 and economic welfare of the people of Alaska, to relieve problems of
10 unemployment, and to create additional employment by providing various
11 means of financing and means of facilitating the financing of indus-
12 trial, manufacturing, and business enterprises and the other facil-
13 ities referred to in AS 44.88.010(a)(5) within the state, and by own-
14 ing and operating the enterprises and other facilities.

15 * Sec. 5. AS 44.88.080 is amended to read:

44.88.080

16 Sec. 44.88.080. POWERS OF THE AUTHORITY. In furtherance of its
17 corporate purposes, the authority has the following powers in addition
18 to its other powers:

19 (1) to sue and be sued;

20 (2) to have a seal and alter it at pleasure;

21 (3) to make and alter bylaws for its organization and
22 internal management;

23 (4) to adopt regulations governing the exercise of its
24 corporate powers;

25 (5) to acquire an interest in a project as necessary or
26 appropriate to provide financing for the project, whether by purchase,
27 gift or lease;

28 (6) to lease to others a project acquire^d by it for the
29 rentals and upon the terms and conditions the authority may consider
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1 advisable, including, without limitation, provisions for options to
2 purchase or renew;

3 (7) to issue bonds, in accordance with AS 44.88.090, to pay
4 the cost of a project and to secure payment of the bonds as provided
5 in this chapter;

6 (8) to sell, by installment sale or otherwise, exchange,
7 donate, convey or encumber in any manner by mortgage or by creation of
8 any other security interest, real or personal property owned by it, or
9 in which it has an interest, including a project, when, in the judg-
10 ment of the authority, the action is in furtherance of its corporate
11 purposes;

12 (9) to accept gifts, grants or loans from, and enter into
13 contracts or other transactions regarding them, with a federal agency
14 or an agency or instrumentality of the state, a municipality, private
15 organization or other source;

16 (10) to deposit or invest its funds, subject to agreements
17 with bondholders;

18 (11) to enter into contracts or agreements with respect to
19 the exercise of any of its powers, and do all things necessary or
20 convenient to carry out its corporate purposes and exercise the powers
21 granted in this chapter;

22 (12) to purchase or insure loans to finance the costs of
23 manufacturing, industrial, and business enterprise projects;

24 (13) to enter into loan agreements with respect to one or
25 more projects upon the terms and conditions the authority considers
26 advisable;

27 (14) to acquire, manage, and operate projects as the author-
28 ity considers [A PROJECT WHEN IT BECOMES] necessary or appropriate
29 [DESIRABLE] to serve a public purpose [DO SO TO SAFEGUARD THE
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AUTHORITY FROM LOSSES:

(15) to assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

(16) to accept gifts, grants, or loans from a federal agency, from an agency or instrumentality of the state or of a municipality, or from any other source;

(17) to enter into contracts or other transactions with a federal agency, with an agency or instrumentality of the state or of a municipality, or with a private organization or other entity consistent with the exercise of any power under this chapter;

(18) to facilitate the expansion of a secondary market for the resale of federally or commercially insured loans made to finance the costs of projects in Alaska held by federal and state chartered financial institutions or by the Alaska Commercial Fishing and Agriculture Bank;

(19) to charge fees or other forms of remuneration for the use or possession of the projects described in (14) of this section in accordance with the agreements described in (11) and (17) of this section, other agreements pertaining to the projects, covenants, or representations made in bond documents pertaining to the projects, or regulations of the authority pertaining to the projects.

* Sec. 6. AS 44.88.105 is amended by adding a new subsection to read:

(h) Notwithstanding any other provision of this section, the authority may waive or modify the requirements of (a) of this section establishing maximum costs of \$10,000,000 for a project and the requirements of (f) of this section as it considers appropriate and prudent in order to finance a project if the authority intends to own the project. However, if the authority intends to lease or otherwise

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44.88.105(h)

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1 permit the state to use or occupy a majority of the project, the
2 authority may only establish a reserve fund under (g) of this section
3 to secure bonds issued to finance a project.

4 * Sec. 7. AS 44.88.155 is amended by adding a new subsection to read:

5 (g) Notwithstanding any other provision of this section, the
6 authority may waive or modify the requirements of this section as it
7 considers appropriate and prudent in order to finance a project if the
8 authority intends to own the project.

44.88.155(g)

9 * Sec. 8. AS 44.88 is amended by adding new sections to read:

10 Sec. 44.88.172. ECONOMIC DEVELOPMENT FUND. (a) The economic
11 development fund is established in the authority. The fund consists
12 of money or assets appropriated, loaned, or transferred to the author-
13 ity, and other money or assets deposited in the fund by the authority.
14 The fund may only be used to finance, acquire, manage, and operate
15 projects that the authority intends to own and operate. The term
16 "operate" includes operation directly by the authority, or by an agent
17 of the authority.

44.88.172

18 (b) If a project is financed or developed through use of the
19 assets of the economic development fund, the authority may not pledge
20 or use other assets of the authority to assist in the financing,
21 development, or operation of the project. However, whether or not the
22 authority uses the economic development fund, it may issue bonds to
23 finance a project and may secure the bonds with a mortgage, pledge, or
24 assignment of the project or of revenues, money, or agreements attrib-
25 utable to the project or the bonds as provided in sec. 10 of this Act.

26 Sec. 44.88.173. FINANCE PLAN. (a) Before approving a project
27 financed under AS 44.88.172, the authority shall prepare a finance
28 plan. The finance plan must include an estimate of the total cost of
29 the project, and a description of the sources of money that will be
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44.88.173

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1 used to finance the total cost of the project. The finance plan must
2 also include an estimate of the operational costs of the completed
3 project, as well as a description of the source of the money that is
4 to be used to pay the operational costs.

5 (b) The authority shall give preference to a project that does
6 not require financial assistance from the state. If the authority
7 determines that a project requires state financial assistance, and if
8 the authority further determines that it is desirable to finance the
9 project, the authority shall recommend a method of financing that
10 minimizes cost to the state. A finance plan required under (a) of
11 this section must identify the method of financing that minimizes the
12 cost to the state.

13 (c) The authority shall submit a finance plan prepared under
14 this section to the state bond committee, the governor, and the legis-
15 lature before issuing bonds or otherwise incurring debt for the proj-
16 ect. If a project requires financial assistance from the state, the
17 state financial assistance must be available before bonds are issued
18 for the project.

19 44.88.174. REGIONAL RESOURCE ADVISORY COUNCIL. (a) Within
20 30 days after the authority adopts a resolution certifying that a
21 project in the unorganized borough is eligible for financing under
22 AS 44.88.172, the governor shall appoint a Regional Resource Advisory
23 Council in the area of the state where the project is to be located
24 and for which a regional housing authority has been established under
25 AS 18.55.996. The purpose of a council is to assist the authority in
26 reviewing a project that has been proposed for development in its area
27 of the state.

28 (b) A Regional Resource Advisory Council consists of five mem-
29 bers registered to vote in the region. The governor shall appoint the
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1 members to reflect the economic and geographic diversity of the re-
 2 gion. Council members serve three-year terms at the pleasure of the
 3 governor, except that the initial members may be appointed for less
 4 than three years so that the term of at least one of the members
 5 expires each year. The governor shall appoint a chairperson who shall
 6 call meetings as required and preside over the deliberations of the
 7 council. A majority of the council constitutes a quorum for conduct-
 8 ing the business of the council.
 9 (c) Members of a Regional Resource Advisory Council do not
 10 receive compensation for their services on the council, but are en-
 11 titled to per diem and travel expenses authorized by law for state
 12 boards and commissions under AS 39.20.180.
 13 Sec. 44.88.175. REQUIREMENTS PRIOR TO APPROVAL OF PROJECTS. (a)
 14 Before entering into an agreement to finance or to develop a proposed
 15 project with a cost in excess of \$10,000,000 that is financed under
 16 AS 44.88.172, the authority shall obtain the approval of each Regional
 17 Resource Advisory Council or municipality in the area in which the
 18 proposed project is to be located. Approval under this subsection
 19 must be evidenced by a certified copy of a resolution of the council
 20 or of the governing body of the municipality.
 21 (b) Before approving a project financed under AS 44.88.172 for
 22 which bonds must be issued, the authority shall
 23 (1) obtain approval under (a) of this section;
 24 (2) find, on the basis of all information reasonably avail-
 25 able to it, that
 26 (A) the project and its development under this chapter
 27 will be economically advantageous to the state and to the general
 28 public welfare and will contribute to the economic growth of the
 29 state;
 30 HCS CSSB 347(SA) am H

44.88.175

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(B) the project applicant is financially responsible;

(C) the project is economically and financially feasible and able to produce revenue adequate to repay the bonds or loans with which it is financed;

(D) increased demand on public facilities that might result from the project will be provided for;

(E) the project will provide or retain employment reasonably related to the amount of the financing by the authority, considering the amount of investment per employee for comparable facilities, and other relevant factors;

(F) the scope of the project is sufficient to provide a reasonable expectation of a benefit to the economy of the state;

(G) the project is in compliance with applicable law; and

(H) issuance of the bonds is not expected to adversely affect the ability of the state or any political subdivision of the state to market other bonds.

44.88.176

Sec. 44.88.176. HEARING TO CONSIDER PROPOSED PROJECT. Before considering a resolution regarding the approval or rejection of the development or financing of a proposed project with a cost in excess of \$10,000,000, that is financed under AS 44.88.172, a Regional Resource Advisory Council shall conduct a public hearing within the region. If a proposed project is located within a municipality, the governing body of a municipality shall conduct a hearing on the proposed project.

44.88.177

Sec. 44.88.177. OPERATION OF PROJECTS. If a project is financed under AS 44.88.172, the authority shall solicit the review and advice of the Regional Resource Advisory Council or governing body in the

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financially responsible;
 and financially feasi-
 to repay the bonds or
 facilities that might
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1 area in which a project is located before the execution of contracts,
 2 agreements, resolutions, or other matters that directly concern the
 3 development, maintenance, and operation of a project.

4 * Sec. 9. AS 44.88.220(5) is amended to read:

5 (5) "project" means

44.88.220(5)

6 (A) a plant or facility used or intended for use

7 (i) in connection with making, processing, pre-
 8 paring, or producing in any manner, goods, products or
 9 substances of any kind or nature or in connection with
 10 developing or utilizing a natural resource, or extracting,
 11 smelting, transporting, converting, assembling or producing
 12 in any manner, minerals, raw materials, chemicals, com-
 13 pounds, alloys, fibers, commodities and materials, products
 14 or substances of any kind or nature;

15 (ii) [, ANY PLANT OR FACILITY USED OR INTENDED
 16 FOR USE] as an industrial park; [OR] in connection with [AIR
 17 AND WATER] transportation; [, OR ANY PLANT OR FACILITY] for
 18 the prevention, limitation or control of [AIR OR WATER]
 19 pollution; [,] for the disposal of sewage or solid waste;
 20 [,] for the local furnishing of gas; [, OR] for the furnish-
 21 ing of water; as or in connection with mass commuting vehi-
 22 cles; for local district heating or cooling; as a parking
 23 facility; or as a storage or training facility directly
 24 related to a plant or facility described in this paragraph;

25 (B) a plant or facility used or intended for use in
 26 connection with a business enterprise;

27 (C) commercial activity by a small enterprise;

28 * Sec. 10. The authority may not issue bonds to assist in the acquisi-
 29 tion, financing, or operation of projects under AS 44.88.172 enacted by
 30 HCS CSSB 347(SA) am H

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1 sec. 8 of this Act without prior legislative approval.

2 * Sec. 11. It is the intent of the legislature to minimize the cost of
3 state financial assistance for projects funded under AS 44.88.172, enacted
4 by sec. 6 of this Act. To the extent possible, financial assistance shall
5 be extended in the form of loans.

6 Eff. 10/4/84

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AUTHORITY FROM LOSSES:

(15) to assist private lenders to make loans to finance the costs of projects through loan commitments, short-term financing, or otherwise;

(16) to accept gifts, grants, or loans from a federal agency, from an agency or instrumentality of the state or of a municipality, or from any other source;

(17) to enter into contracts or other transactions with a federal agency, with an agency or instrumentality of the state or of a municipality, or with a private organization or other entity consistent with the exercise of any power under this chapter;

(18) to facilitate the expansion of a secondary market for the resale of federally or commercially insured loans made to finance the costs of projects in Alaska held by federal and state chartered financial institutions or by the Alaska Commercial Fishing and Agriculture Bank;

(19) to charge fees or other forms of remuneration for the use or possession of the projects described in (14) of this section in accordance with the agreements described in (11) and (17) of this section, other agreements pertaining to the projects, covenants, or representations made in bond documents pertaining to the projects, or regulations of the authority pertaining to the projects.

* Sec. 6. AS 44.88.105 is amended by adding a new subsection to read:

(h) Notwithstanding any other provision of this section, the authority may waive or modify the requirements of (a) of this section establishing maximum costs of \$10,000,000 for a project and the requirements of (f) of this section as it considers appropriate and prudent in order to finance a project if the authority intends to own the project. However, if the authority intends to lease or otherwise

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1 permit the state to use or occupy a majority of the project, the
2 authority may only establish a reserve fund under (g) of this section
3 to secure bonds issued to finance a project.

* Sec. 7. AS 44.88.155 is amended by adding a new subsection to read:

(g) Notwithstanding any other provision of this section, the
4 authority may waive or modify the requirements of this section as it
5 considers appropriate and prudent in order to finance a project if the
6 authority intends to own the project.

44.88.155(g)

* Sec. 8. AS 44.88 is amended by adding new sections to read:

10 Sec. 44.88.172. ECONOMIC DEVELOPMENT FUND. (a) The economic
11 development fund is established in the authority. The fund consists
12 of money or assets appropriated, loaned, or transferred to the author-
13 ity, and other money or assets deposited in the fund by the authority.
14 The fund may only be used to finance, acquire, manage, and operate
15 projects that the authority intends to own and operate. The term
16 "operate" includes operation directly by the authority, or by an agent
17 of the authority.

44.88.172

(b) If a project is financed or developed through use of the
18 assets of the economic development fund, the authority may not pledge
19 or use other assets of the authority to assist in the financing,
20 development, or operation of the project. However, whether or not the
21 authority uses the economic development fund, it may issue bonds to
22 finance a project and may secure the bonds with a mortgage, pledge, or
23 assignment of the project or of revenues, money, or agreements attrib-
24 utable to the project or the bonds as provided in sec. 10 of this Act.

25 Sec. 44.88.173. FINANCE PLAN. (a) Before approving a project
26 financed under AS 44.88.172, the authority shall prepare a finance
27 plan. The finance plan must include an estimate of the total cost of
28 the project, and a description of the sources of money that will be

44.88.173

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44.88.105(h)

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used to finance the total cost of the project. The finance plan must also include an estimate of the operational costs of the completed project, as well as a description of the source of the money that is to be used to pay the operational costs.

(b) The authority shall give preference to a project that does not require financial assistance from the state. If the authority determines that a project requires state financial assistance, and if the authority further determines that it is desirable to finance the project, the authority shall recommend a method of financing that minimizes cost to the state. A finance plan required under (a) of this section must identify the method of financing that minimizes the cost to the state.

→ (c) The authority shall submit a finance plan prepared under this section to the state bond committee, the governor, and the legislature before issuing bonds or otherwise incurring debt for the project. If a project requires financial assistance from the state, the state financial assistance must be available before bonds are issued for the project.

44.88.174

Sec. 44.88.174. REGIONAL RESOURCE ADVISORY COUNCIL. (a) Within 30 days after the authority adopts a resolution certifying that a project in the unorganized borough is eligible for financing under AS 44.88.172, the governor shall appoint a Regional Resource Advisory Council in the area of the state where the project is to be located and for which a regional housing authority has been established under AS 18.55.996. The purpose of a council is to assist the authority in reviewing a project that has been proposed for development in its area of the state.

(b) A Regional Resource Advisory Council consists of five members registered to vote in the region. The governor shall appoint the

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members to reflect the economic and geographic diversity of the region. Council members serve three-year terms at the pleasure of the governor, except that the initial members may be appointed for less than three years so that the term of at least one of the members expires each year. The governor shall appoint a chairperson who shall call meetings as required and preside over the deliberations of the council. A majority of the council constitutes a quorum for conducting the business of the council.

(c) Members of a Regional Resource Advisory Council do not receive compensation for their services on the council, but are entitled to per diem and travel expenses authorized by law for state boards and commissions under AS 39.20.180.

Sec. 44.88.175. REQUIREMENTS PRIOR TO APPROVAL OF PROJECTS. (a) Before entering into an agreement to finance or to develop a proposed project with a cost in excess of \$10,000,000 that is financed under AS 44.88.172, the authority shall obtain the approval of each Regional Resource Advisory Council or municipality in the area in which the proposed project is to be located. Approval under this subsection must be evidenced by a certified copy of a resolution of the council or of the governing body of the municipality.

← 44.88.175

(b) Before approving a project financed under AS 44.88.172 for which bonds must be issued, the authority shall

(1) obtain approval under (a) of this section;

(2) find, on the basis of all information reasonably available to it, that

(A) the project and its development under this chapter will be economically advantageous to the state and to the general public welfare and will contribute to the economic growth of the state;

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- (B) the project applicant is financially responsible;
- (C) the project is economically and financially feasible and able to produce revenue adequate to repay the bonds or loans with which it is financed;
- (D) increased demand on public facilities that might result from the project will be provided for;
- (E) the project will provide or retain employment reasonably related to the amount of the financing by the authority, considering the amount of investment per employee for comparable facilities, and other relevant factors;
- (F) the scope of the project is sufficient to provide a reasonable expectation of a benefit to the economy of the state;
- (G) the project is in compliance with applicable law; and
- (H) issuance of the bonds is not expected to adversely affect the ability of the state or any political subdivision of the state to market other bonds.

44.88.176

Sec. 44.88.176. HEARING TO CONSIDER PROPOSED PROJECT. Before considering a resolution regarding the approval or rejection of the development or financing of a proposed project with a cost in excess of \$10,000,000, that is financed under AS 44.88.172, a Regional Resource Advisory Council shall conduct a public hearing within the region. If a proposed project is located within a municipality, the governing body of a municipality shall conduct a hearing on the proposed project.

44.88.177

Sec. 44.88.177. OPERATION OF PROJECTS. If a project is financed under AS 44.88.172, the authority shall solicit the review and advice of the Regional Resource Advisory Council or governing body in the

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area in which a project is located before the execution of contracts, agreements, resolutions, or other matters that directly concern the development, maintenance, and operation of a project.

* Sec. 9. AS 44.88.220(5) is amended to read:

(5) "project" means

(A) a plant or facility used or intended for use

(i) in connection with making, processing, preparing, or producing in any manner, goods, products or substances of any kind or nature or in connection with developing or utilizing a natural resource, or extracting, smelting, transporting, converting, assembling or producing in any manner, minerals, raw materials, chemicals, compounds, alloys, fibers, commodities and materials, products or substances of any kind or nature;

44.88.220(5)

(ii) (i) ANY PLANT OR FACILITY USED OR INTENDED FOR USE] as an industrial park; [OR] in connection with [AIR AND WATER] transportation; [, OR ANY PLANT OR FACILITY] for the prevention, limitation or control of [AIR OR WATER] pollution; [,] for the disposal of sewage or solid waste; [,] for the local furnishing of gas; [, OR] for the furnishing of water; as or in connection with mass commuting vehicles; for local district heating or cooling; as a parking facility; or as a storage or training facility directly related to a plant or facility described in this paragraph;

(B) a plant or facility used or intended for use in connection with a business enterprise;

(C) commercial activity by a small enterprise;

* Sec. 10. The authority may not issue bonds to assist in the acquisition, financing, or operation of projects under AS 44.88.172. enacted by

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1 sec. 8 of this Act without prior legislative approval.

2 * Sec. 11. It is the intent of the legislature to minimize the cost of
3 state financial assistance for projects funded under AS 44.88.172, enacted
4 by sec. 6 of this Act. To the extent possible, financial assistance shall
5 be extended in the form of loans.

Eff. 10/4/84

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AN ACT

6
7 Extending the termination date of the Alcoholic Beverage
8 Control Board; and providing for an effective date.

9
10 * Section 1. AS 44.66.010(a)(1) is amended to read:

11 (1) Alcoholic Beverage Control Board (AS 04.06.010) -- 44.66.010(a)(1)
12 June 30, 1986 [1984];

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

15 Eff. 7/7/84

Funding Information
General Fund \$18,000,000
Other Funds - 0 -
\$18,000,000

1 IN THE HOUSE

BY THE HOUSE SPECIAL
COMMITTEE ON LOANS

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Industrial Development Authority economic development
8 fund for design and construction of the Delong Moun-
9 tains regional transportation project."

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

11 * Section 1. The sum of \$18,000,000 is appropriated from the general
12 fund to the Alaska Industrial Development Authority economic development
13 fund (AS 44.88.172) for design and construction of the Delong Mountains
14 regional transportation project.

15 * Sec. 2. The appropriation made by this Act is for capitalization of a
16 loan fund and does not lapse in accordance with AS 37.25.010.
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