

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1302 SCOMM 50: HOUSE SPECIAL COMMITTEE ON STATE LOANS 1985-86

(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

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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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;

(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

- 10. Acceptance of federal grants and transfers of property
- 20. Federal Transitional Grants Account

Section

- 30. Jurisdiction of accepted property
- 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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Chapter 162

Chapter 162

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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.

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

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37.15.630

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

Chapter 162

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plish the most advantageous sale of the bonds, with due regard,
however, (1) to necessary or normal costs of maintenance and opera-
tion; (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 financ-
ing 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.

Sec. 37.15.660. BOND RESOLUTION. The committee is authorized
and directed to adopt the bond resolution and prepare all other docu-
ments 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, condi-
tions, and covenants of the bonds or each series of them. The commit-
tee 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

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37.15.660

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published elsewhere in addition to the publication required by AS 37.-15.650.

37.15.670

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.

37.15.680

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 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.

37.15.690

Sec. 37.15.690. BOND NEGOTIABILITY. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state.

37.15.700

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

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Chapter 162

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issuance, exchange or sale, and delivery of the bonds. All provisions
nt 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.

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

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37.15.710

37.15.720

commissioner of transportation and public facilities.

37.15.730

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:

(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.

37.15.740

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

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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accomplish the purposes of AS 37.15.610 - 37.15.760.

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 reve-
nue bond redemption fund created by AS 37.15.640, including any ac-
counts 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 autho-
rized 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 construc-
tion fund created by AS 37.15.620;

(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.

* Sec. 2. AS 19.05.040 is amended to read:

Sec. 19.05.040. POWERS OF DEPARTMENT. The department may

(1) acquire property;

(2) exercise the power of eminent domain;

(3) take immediate possession of real property, or any
interest in it under a declaration of taking or by other lawful means;

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37.15.760

19.05.040

(4) acquire rights-of-way for present or future use;
 (5) control access to highways;
 (6) regulate roadside development;
 (7) preserve and maintain the scenic beauty along state highways;

(8) dispose of property acquired for highway purposes;
 (9) accept and dispose of federal funds or property available for highway construction, maintenance, or equipment;

(10) enter into contracts or agreements relating to highways with the federal government, municipalities, a political subdivision, or with a foreign government, if the contract is approved by the federal government; [AND]

(11) establish, levy, and collect tolls, fees, charges, and rentals for the use of state roads, highways, bridges, crossings, and causeways; and

(12) exercise any other power necessary to carry out the purpose of AS 19.05 - 19.25.

* Sec 3. AS 44.88.010(a) is amended to read:

44.88.010(a)

(a) The legislature finds, determines and declares that

(1) there exist areas of the state in which seasonal and nonseasonal unemployment exist;

(2) this unemployment is a serious menace to the health, safety and general welfare, not only to the people in those areas, but also to the people of the entire state;

(3) the state lacks the basic manufacturing, industrial, and business enterprises and the other facilities referred to in (5) of this subsection necessary to permit adequate development of its natural resources and the balanced growth of its economy;

(4) the establishment and expansion of industrial,

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ent or future use;

enic beauty along state

for highway purposes;

1 funds or property avail-
or equipment;

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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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companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(7) it is in the state's interest to import private capital to create new economic activity which would not otherwise take place in the state.

* Sec. 4. AS 44.88.070 is amended to read:

44.88.070

Sec. 44.88.070. PURPOSE OF THE AUTHORITY. The purpose of the authority is to promote, develop and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment by providing various means of financing and means of facilitating the financing of industrial, manufacturing, and business enterprises and the other facilities referred to in AS 44.88.010(a)(5) within the state, and by owning and operating the enterprises and other facilities.

* Sec. 5. AS 44.88.080 is amended to read:

44.88.080

Sec. 44.88.080. POWERS OF THE AUTHORITY. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

(1) to sue and be sued;

(2) to have a seal and alter it at pleasure;

(3) to make and alter bylaws for its organization and internal management;

(4) to adopt regulations governing the exercise of its corporate powers;

(5) to acquire an interest in a project as necessary or appropriate to provide financing for the project, whether by purchase, gift or lease;

(6) to lease to others a project acquired by it for the rentals and upon the terms and conditions the authority may consider

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including pension and re-
economic expansion;
to import private capital
not otherwise take place

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advisable, including, without limitation, provisions for options to
purchase or renew;

(7) to issue bonds, in accordance with AS 44.88.090, to pay
the cost of a project and to secure payment of the bonds as provided
in this chapter;

(8) to sell, by installment sale or otherwise, exchange,
donate, convey or encumber in any manner by mortgage or by creation of
any other security interest, real or personal property owned by it, or
in which it has an interest, including a project, when, in the judg-
ment of the authority, the action is in furtherance of its corporate
purposes;

(9) to accept gifts, grants or loans from, and enter into
contracts or other transactions regarding them, with a federal agency
or an agency or instrumentality of the state, a municipality, private
organization or other source;

(10) to deposit or invest its funds, subject to agreements
with bondholders;

(11) to enter into contracts or agreements with respect to
the exercise of any of its powers, and do all things necessary or
convenient to carry out its corporate purposes and exercise the powers
granted in this chapter;

(12) to purchase or insure loans to finance the costs of
manufacturing, industrial, and business enterprise projects;

(13) to enter into loan agreements with respect to one or
more projects upon the terms and conditions the authority considers
advisable;

(14) to acquire, manage, and operate projects as the author-
ity considers [A PROJECT WHEN IT BECOMES] necessary or appropriate
[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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ers to make loans to finance the
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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
30

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.

44.88.174 19 Sec. 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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16. ADVISORY COUNCIL. (a) Within
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18. ible for financing under
19. Regional Resource Advisory
20. project is to be located
21. has been established under
22. to assist the authority in
23. for development in its area

24. council consists of five mem-
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26. HCS CSSB 347(SA) am H

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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;

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44.88.175

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1 (B) the project applicant is financially responsible;

2 (C) the project is economically and financially feasi-
3 ble and able to produce revenue adequate to repay the bonds or
4 loans with which it is financed;

5 (D) increased demand on public facilities that might
6 result from the project will be provided for;

7 (E) the project will provide or retain employment
8 reasonably related to the amount of the financing by the authori-
9 ty, considering the amount of investment per employee for compa-
10 rable facilities, and other relevant factors;

11 (F) the scope of the project is sufficient to provide
12 a reasonable expectation of a benefit to the economy of the
13 state;

14 (G) the project is in compliance with applicable law;
15 and

16 (H) issuance of the bonds is not expected to adversely
17 affect the ability of the state or any political subdivision of
18 the state to market other bonds.

44.88.176

19 Sec. 44.88.176. HEARING TO CONSIDER PROPOSED PROJECT. Before
20 considering a resolution regarding the approval or rejection of the
21 development or financing of a proposed project with a cost in excess
22 of \$10,000,000, that is financed under AS 44.88.172, a Regional Re-
23 source Advisory Council shall conduct a public hearing within the
24 region. If a proposed project is located within a municipality, the
25 governing body of a municipality shall conduct a hearing on the pro-
26 posed project.

44.88.177

27 Sec. 44.88.177. OPERATION OF PROJECTS. If a project is financed
28 under AS 44.88.172, the authority shall solicit the review and advice
29 of the Regional Resource Advisory Council or governing body in the
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financially responsible;
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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, pre-
paring, 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, com-
pounds, alloys, fibers, commodities and materials, products
or substances of any kind or nature;

(ii) [, 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 furnish-
ing of water; as or in connection with mass commuting vehi-
cles; 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 acquisi-
tion, financing, or operation of projects under AS 44.88.172 enacted by
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44.88.220(5)

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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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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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permit the state to use or occupy a majority of the project, the authority may only establish a reserve fund under (g) of this section 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 authority may waive or modify the requirements of this section as it considers appropriate and prudent in order to finance a project if the authority intends to own the project.

44.88.155(g)

* Sec. 8. AS 44.88 is amended by adding new sections to read:

Sec. 44.88.172. ECONOMIC DEVELOPMENT FUND. (a) The economic development fund is established in the authority. The fund consists of money or assets appropriated, loaned, or transferred to the authority, and other money or assets deposited in the fund by the authority. The fund may only be used to finance, acquire, manage, and operate projects that the authority intends to own and operate. The term "operate" includes operation directly by the authority, or by an agent of the authority.

44.88.172

(b) 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. However, whether or not the authority uses the economic development fund, it may issue bonds to finance a project and may secure the bonds with a mortgage, pledge, or assignment of the project or of revenues, money, or agreements attributable to the project or the bonds as provided in sec. 10 of this Act.

Sec. 44.88.173. FINANCE PLAN. (a) Before approving a project financed under AS 44.88.172, the authority shall prepare a finance plan. The finance plan must include an estimate of the total cost of 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;

(ii) [, 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 HCS CSSB 347(SA) am H

44.88.220(5)

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sec. 8 of this Act without prior legislative approval.

* Sec. 11. It is the intent of the legislature to minimize the cost of state financial assistance for projects funded under AS 44.88.172, enacted by sec. 6 of this Act. To the extent possible, financial assistance shall be extended in the form of loans.

Eff. 10/4/84

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AN ACT

Extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date.

* Section 1. AS 44.66.010(a)(1) is amended to read:

(1) Alcoholic Beverage Control Board (AS 04.06.010) -- 44.66.010(a)(1)
June 30, 1986 [1984];

* Sec. 2. This Act takes effect immediately in accordance with AS 01.-
10.070(c).

Eff. 7/7/84

14-0431
Ford
1/22/85✓

Funding Information

General Fund	\$18,000,000
Other Funds	- 0 -
	<u>\$18,000,000</u>

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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RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.


Signature of Camera Operator


Date

SCOMM

#50:10

PRESENT VALUE DETERMINATION
RED DOG TAXES AND TRANSFERS
(millions \$)

Year Project Begins	Assumed annual transfer amount (real \$)	Present value of the transfers	Estimated annual taxes (real \$)	Present value of the taxes	Total present value of taxes and transfers
1	2.1	2.04	2.06	2.00	4.04
2	2.1	1.98	2.06	1.94	3.92
3	2.1	1.92	2.06	1.89	3.81
4	2.1	1.87	2.89	2.57	4.43
5	2.1	1.81	8.84	7.63	9.44
6	2.1	1.76	10.23	8.57	10.33
7	2.1	1.71	10.23	8.32	10.03
8	2.1	1.66	10.23	8.08	9.73
9	2.1	1.61	10.23	7.84	9.45
10	2.1	1.56	10.23	7.61	9.17
11	2.1	1.52	10.23	7.39	8.91
12	2.1	1.47	10.23	7.18	8.65
13	2.1	1.43	10.23	6.97	8.40
14	2.1	1.39	10.23	6.76	8.15
15	2.1	1.35	10.23	6.57	7.91
16	2.1	1.31	10.23	6.37	7.68
17	2.1	1.27	10.23	6.19	7.46
18	2.1	1.23	10.23	6.01	7.24
19	2.1	1.20	10.23	5.83	7.03
20	2.1	1.16	10.23	5.66	6.83
21	2.1	1.13	10.23	5.50	6.63
22	2.1	1.10	10.23	5.34	6.43
23	2.1	1.06	10.23	5.18	6.25
24	2.1	1.03	10.23	5.03	6.07
25	2.1	1.00	10.23	4.89	5.89
26	2.1	0.97	10.23	4.74	5.72
27	2.1	0.95	10.23	4.61	5.55
28	2.1	0.92	10.23	4.47	5.39
29	2.1	0.89	10.23	4.34	5.23
30	2.1	0.87	10.23	4.21	5.08
Total		41.16		169.68	210.84

Present value based on long term real rate of return of 3%
since all dollar values are in real terms

Paul Engelman 03/27/85

Rep. Rick Uehling

STATISTICS ON DCED LOAN PROGRAMS
(Thousands of Dollars)

January 31, 1985

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternate Energy	Resid. Energy	Fish Enhance	Power Dev.	Water Resource	Total
Commitments														
Total No. Loans														
Committed FY '72-85	7,718	1,338	2,657	59	148	42	9	65	2,691	2,173	97	3	5	17,005
Total Dollar Amount														
Committed FY '72-85	371,795.2	202,529.3	154,396.7	29,874.7	5,482.6	1,320.4	667.7	28,160.0	17,140.9	8,151.2	37,084.1	191,165.0	2,500.0	1,050,267.8
Total No. Loans														
Committed FY '85	-0-	-0-	110	-0-	28	6	-0-	2	183	159	9	3	-0-	500
Total Dollar Amount														
Committed FY '85	-0-	-0-	6,148.1	-0-	962.9	276.2	-0-	1,128.1	1,394.2	404.4	3,780.1	191,165.0	-0-	205,259.0
Appropriations														
FY '83	-0-	-0-	9,400.0	-0-	1,000.0	400.0	500.0	15,000.0	4,000.0	4,500.0	22,000.0 ¹	N/A	-0-	56,800.0
FY '84	-0-	-0-	9,091.0	-0-	-0-	869.5	500.0	-0-	2,400.0	3,123.4	6,500.0	N/A	-0-	22,483.9
FY '85	-0-	-0-	3,500.0	-0-	-0-	-0-	-0-	-0-	1,000.0	-0-	5,000.0	210,000.0	-0-	219,500.0
Loans Outstanding														
Owned by Fund														
Number of Loans														
Outstanding	135	268	999	5	49	25	3	48	1,944	1,571	81	3	1	5,132
Principal Amount														
Outstanding	6,129.4	33,835.6	48,402.5	3,258.2	1,257.0	867.0	339.9	18,833.6	12,051.7	4,966.0	31,116.2	191,165.0	909.8	353,131.9
Average Loan Amount														
Outstanding	45.5	201.4	48.5	651.6	25.7	34.7	113.9	392.4	6.2	3.2	38.5	63,721.7	909.8	68.8
Serviced for the Dept. of Revenue														
Number of Loans														
Outstanding	1,841	225	764	14	N/A	3	3	N/A	N/A	N/A	14	N/A	N/A	2,864
Principal Amount														
Outstanding	83,241.0	18,587.5	30,215.1	2,578.9		16.9	124.3				6,604.2			141,367.9
Average Loan Amount														
Outstanding	45.2	82.6	39.5	184.2		5.6	41.4				471.7			49.4
Summary														
Total No. of Loans														
Outstanding	1,976	493	1,763	19	49	28	6	48	1,944	1,571	95	3	1	7,996
Total Principal														
Amount Outstanding	89,370.4	52,423.1	78,617.6	5,837.1	1,257.0	883.9	464.2	18,833.6	12,051.7	4,966.0	37,720.4	191,165.0	909.8	494,499.8
Delinquency Rates (includes defaults)														
Number of Loans %	18.3%	32.8% ²	14.9% ³	10.5% ²	20.4%	14.8%	-0-	47.9%	16.6%	15.8%	N/A	N/A	-0-	17.8%
Outstanding Balance %	19.2%	34.1%	18.5%	3.5%	11.1%	13.9%	-0-	56.3%	15.8%	16.0%	N/A	N/A	-0-	24.0%

¹ See Ch 114, Sec 5 and Ch 141, Sec 242 SLA 1982, and Ch 106 Sec 11 SLA 1983.

² Adjusted for Bank Participation system inaccuracies

³ Adjusted for approved extension requests

33-million
15-20 million

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

March 14, 1985

LOAN PROGRAM RECAP

Page 1 of 2

PROGRAMS WITH CASH AVAILABLE	DATE OF ENACTMENT OF PROGRAM	STAT MAXIMUM	STAT TERM	AVER TERM	STAT RATE	DATE RATE EFFECTIVE	NOTES:	DELINQUENCY INFO. 1/31/85	
								DEFAULT	DELINQUENCY INCL. DEFAULT
WW II Veterans RLF AS 26.15.010-170	04-03-46	\$125,000			9.5% Fed VA rate 8.0% 6.0% 5.0%	06-01-79 05-27-71 05-07-69 10-07-67 04-08-65	No new loans being made although statutory authority still exists for personal loans (\$10,000) and multi-family loans (\$110,000), with the total amount loaned per veteran not to exceed \$125,000.	1.4%	19.2%
Mining RLF AS 27.09.010-060	06-21-80	\$5,000,000	15 yrs.		10.0%	06-21-80	Purpose: advanced mineral exploration, development or mining. Collateral may be deed of trust, mortgage secured by assignment of the leasehold interest in the mining claim or security interest in machinery and equipment.	15.2%	56.3%
Child Care Facilities RLF AS 44.33.240-275	07-01-76	\$ 50,000	20 yrs.		7.0% 6.0%	07-01-79 06-10-76	Purpose: construction, renovation or the purchase of equipment for a child care facility; not for interim financing.	0.0%	13.9%
Residential Energy Cons. RLF AS 45.89.010-500	07-01-80	\$ 5,000	10 yrs.	5 yrs.	Mkt-tied (11.0%) 5.0%	01-01-84 07-01-80	Purpose: energy conservation improvements in existing buildings only.	.3%	16.0%
Historical District RLF AS 45.98.010-070	09-16-77	\$250,000	30 yrs.	30 yrs.	7.5% 6.5%	06-01-79 09-16-77	Purpose: restoration, improvement, rehabilitation, maintenance of historical buildings. Any individual, firm, business or municipality may apply. Project must be approved by a local Historical District Commission and by the Historic Sites Advisory Committee.	0.0%	0.0%
Power Development RLF AS 44.33.600-630	07-14-84	No Max.	50 yrs.	35 yrs.	Mkt. rate of int. and est. costs of alter- native sources of power (8% to date)	07-14-84	Purpose: financing of a power project acquired or constructed under the energy program for Alaska for: (1) Cost of final design, acquisition and construction of a power project. (2) Defeasance or payment of bonds or notes . . . issued for a power project. (3) Establishment of a reserve fund. (4) Other project related expenses.		

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

March 14, 1985

LOAN PROGRAM RECAP

Page 2 of 2

OTHER PROGRAMS	DATE OF ENACTMENT OF PROGRAM	STAT MAXIMUM	STAT TERM	AVER TERM	STAT RATE	DATE RATE EFFECTIVE	NOTES:	DELINQUENCY INFO. 1/31/85	
								DEFAULT	DELINQUENCY INCL. DEFAULT
Small Business RLF AS 45.95.010 - .080	05-27-71	\$500,000	15 yrs.	10 yrs.	9.5% 8.0%	06-01-79 05-27-71	Purpose: loans to acquire, finance, re-finance or equip businesses. [Repealed S71 Ch 106, SLA 1980 7/1/81]	4.2%	34.1%
Commercial Fishing RLF AS 16.10.300 - .370	06-21-72	\$300,000 Type A \$100,000 Type B, C	15 yrs.	10 yrs.	10.5% 9.5% 7.0%	06-25-82 06-01-79 06-21-72	Purpose: loans to promote rehabilitation of the State's fisheries, the development of a predominantly resident fishery and continued maintenance of commercial fishing gear and vessels . . . by means of long-term, low interest loans.	2.0%	18.5%
Tourism RLF AS 45.90.010 - .040	07-07-72	\$3,000,000	20 yrs.	14 yrs.	9.5% 8.0%	06-01-79 07-07-72	Purpose: loans to individuals or businesses directly involved in the tourism industry to provide goods or services to the tourist. [Repealed S71 Ch 106, SLA 1980 7/1/81]	1.4%	3.5%
Bulk Fuel RLF AS 45.87.010 - .030; .500	06-13-80	\$ 50,000	1 yr.		0% 1st loan, 5% 2nd loan, municipal bond rate for 3rd or more	06-13-80	Purpose: loans to help rural communities purchase bulk fuel oil.	0%	11.1%
Alternative Technology and Energy RLF AS 45.88.010 - .040, .500	07-13-78	\$ 30,000	20 yrs.	10 yrs.	5% on \$15,000 15% on \$15-30,000	07-13-78	Purpose: loans for the purchase, construction and installation of alternative energy systems and for the development and implementation of more efficient, less costly, less energy intensive and more appropriate technology.	.7%	14.4%
Fisheries Enhancement RLF AS 16.10.500 - .620	06-19-76	\$10,000,000	30 yrs.	25 yrs.	9.5% 8.0%	06-01-79 06-19-76	Purpose: loans to qualified regional associations or nonprofit corporations, for planning and implementation of fisheries enhancement and rehabilitation activities.	N/A	N/A
Water Resources RLF AS 45.86.010 - .060	07-03-75	No Max.	50 yrs.	30 yrs.	3-5%		Purpose: loans for capital construction projects for hydroelectric generation and potable water supply. [Repealed S44 Ch 83, SLA 1980 6/13/80]	0%	0%

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

Loan Commitments (FY '72-'85)

(Thousands of Dollars)

Programs With Cash Available	FY 72-73	FY 74-75	FY 76-77	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85 thru 1/31/85	Total
MW II Veterans ¹	15,446.4 ²	17,515.5 ²	98,150.5	95,513.6	91,640.5	5,447.4	2,136.8 ³					325,850.7
Mining							9,935.2	6,933.5	6,300.0	3,863.1	1,128.2	28,160.0
Child Care			34.2	34.0	30.0	35.8	9.0	297.7	211.9	391.6	276.2	1,320.4
Resid. Energy Conser.							601.8	2,446.7	3,418.4	1,279.9	404.4	8,151.2
Historical District	-	-	-	-	78.7	214.0	-	200.0	75.0	100.0	-	667.7
Power Development											191,165.0	191,165.0
SUBTOTAL	15,446.4 ²	17,515.5 ²	98,184.7	95,547.6	91,749.2	5,697.2	12,682.8	9,877.9	10,005.3	5,634.6	192,973.8	555,315.0
<u>Other Programs</u>												
Small Business	685.9	4,864.5	7,020.6	22,369.1	42,096.4	78,531.2	46,961.6					202,529.3
Commercial Fish	11.5	3,460.5	9,419.1	13,044.3	29,733.6	32,548.1	21,205.6	9,054.3	2,282.2			120,759.2
Fisherman's Mort. & Note								1,797.6				1,797.6
Comm. Fish - Type A									5,914.9	6,527.0	2,613.4	15,055.3
- Type B									5,743.7	7,371.2	3,534.7	16,649.6
- Type C									118.4	16.5	-	134.9
Tourism	2,251.2	7,205.1	3,846.9	4,194.0	4,230.5	3,828.2	4,318.8					29,874.7
Bulk Fuel							50.0	804.8	1,685.2	1,979.6	963.0	5,482.6
Alternative Energy						10.0	2,243.2	5,392.2	4,591.8	3,509.5	1,394.2	17,140.9
Fish Enhancement			965.0	2,865.0	945.7	2,210.1	4,733.5	7,830.7	6,978.1	6,775.9	3,780.1	37,084.1
Water Resources			450.0	2,050.0								2,500.0
SUBTOTAL	2,948.6	15,530.1	21,701.6	44,522.4	77,006.2	117,127.6	79,512.7	24,879.6	27,314.3	26,179.7	12,285.4	449,008.2
TOTAL	18,395.0	33,045.6	119,886.3	140,070.0	168,755.4	122,824.8	92,195.5	34,757.5	37,319.6	31,814.3	205,259.2	1,004,323.2

¹ Statistics are provided on loans closed rather than loans committed.² Estimated.³ Loans were committed in FY '80 and not closed until FY '81.

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

March 12, 1985

Page 2 of 2

Loan Commitments (FY '72-'85)
Number of Loans

Programs With Cash Available	FY 72-73	FY 74-75	FY 76-77	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85 thru 1/31/85	Total
WW II Veterans ¹	630 ²	474 ²	2,095	1,707	1,574	78	35 ³					6,593
Mining							14	16	19	14	2	65
Child Care			4	4	1	2	1	7	6	11	6	42
Resid. Energy Conser.							159	653	880	322	159	2,173
Historical District					1	3	-	3	1	1	-	9
Power Development											3	3
SUBTOTAL	630 ²	474 ²	2,099	1,711	1,576	83	209	679	906	348	170	8,885
<u>Other Programs</u>												
Small Business	17	84	94	138	237	470	298					1,338
Commercial Fish	2	87	211	234	357	555	352	197	11			2,006
Fishermen's Mort. & Note								31				31
Comm. Fish - Type A									147	95	34	276
- Type B									121	144	76	341
- Type C									2	1	-	3
Tourism	7	17	10	3	8	10	4					59
Bulk Fuel							1	23	45	51	28	148
Alternative Energy						1	440	1,172	503	392	183	2,691
Fish Enhancement			3	2	4	11	20	18	12	18	9	97
Water Resources			1	4								5
SUBTOTAL	26	188	319	381	606	1,047	1,115	1,441	841	701	330	6,995
TOTAL	656	662	2,418	2,092	2,182	1,130	1,324	2,120	1,747	1,049	500	15,880

¹ Statistics are provided on loans closed rather than loans committed.² Estimated.³ Loans were committed in FY '80 and not closed until FY '81.

Prepared by: Division of Accounting and Collections - 465-2555

sa0619s

March 14, 1985

			WWII Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Historical District	Mining	Alternative Technology & Energy	Residential Energy	Fisheries Enhance.	Water Resources	Residential Care	Fisherman's Mig & Note	Power Develop.	Line Total
Established			SLA 1946 Ch 27	SLA 1971 Ch 106 § 1	SLA 1972 Ch 134 § 1	SLA 1972 Ch 171 § 1	SLA 1980 Ch 83 § 41	SLA 1976 Ch 253 § 9	SLA 1977 Ch 139 § 3	SLA 1980 Ch 106 § 35	SLA 1980 Ch 29 § 1	SLA 1980 Ch 83 § 35	SLA 1976 Ch 190 § 1	SLA 1975 Ch 218 § 1	SLA 1978 Ch 153 § 6	SLA 1980 Ch 106 § 9	SLA 1984 Ch 169	
Repealed				SLA 1980 Ch 106 § 71		SLA 1980 Ch 106 § 71								SLA 1980 Ch 83	SLA 1982 Ch 113 § 72	SLA 1982 Ch 113 § 72		
SLA 55	Ch 5		1,000.0															1,000.0
SLA 60	Ch 136		1,200.0															1,200.0
SLA 72	Ch 109				1,000.0													1,000.0
SLA 72	Ch 158					1,000.0												1,000.0
SLA 72	Ch 34			135.4														135.4
SLA 76	Ch 237													2,500.0				2,500.0
SLA 77	Ch 153	Vetoed																
SLA 80	Ch 120	Sec 6		36,500.0	24,000.0	8,500.0		300.0			600.0		6,000.0		400.0	6,500.0		80,800.0
SLA 80	Ch 120	Sec 7								10,000.0								10,000.0
SLA 80	Ch 120	Sec 52					1,500.0					1,600.0						3,100.0
RP 08-81-	254X	(JV 81-2222)		11,000.0	[3,000.0]	[5,000.0]										[3,000.0]		0.0
RP 08-81-	292X	(JV 81-2436)									1,000.0					[1,000.0]		0.0
RP 08-81-	486X	(JV 81-13626)		[1,700.0]							1,700.0							0.0
SLA 81	Ch 82	Sec 13			4,500.0		1,010.0	180.0	200.0	20,000.0	500.0	500.0	8,000.0		120.0	1,800.0		36,800.0
SLA 81	Ch 72	Sec 1 (FY 82 only)								10,000.0								10,000.0
SLA 81	Ch 90	Sec 36									3,750.0	3,750.0						7,500.0
SLA 81	Ch 90	Sec 37									1,250.0	1,250.0						2,500.0
RP 08-81-	635X	(JV 81-14253)				1,739.0										[1,739.0]		0.0
RP 08-81-	664X	(JV 82-0062)		886.8		1,079.8		[291.0]			[914.6]		354.1		[354.1]	[761.0]		0.0
SLA 82	Ch 141	Sec 257 Repealed Ch 90 Sec 37 SLA 81									[1,250.0]	[1,250.0]						[2,500.0]
SLA 82	Ch 114	Sec 5			9,400.0		1,000.0	400.0	500.0	15,000.0	4,000.0	4,500.0	17,000.0					51,800.0
SLA 82	Ch 141	Sec 242											6,350.0					6,350.0
RP 08-82-	472X	(JV 82-4742)			5,000.0					[5,000.0]								0.0
RP 08-82-	524X	(JV 82-4836)						120.0							[120.0]			0.0
RP 08-82-	634X	(JV 82-5378)									1,000.0	[1,000.0]						0.0
SLA 83	Ch 107	Sec 22			9,091.0			869.5	500.0		2,400.0	3,123.4	6,500.0					22,483.9
SLA 83	Ch 106	Sec 11 (See Ch 141 Sec 242 SLA 82)											[1,350.0]					[1,350.0]
SLA 83	Ch 107	Sec 17 and 18		[16,800.0]		[2,700.0]												[19,500.0]
SLA 83	Ch 106	Sec 265		[1,000.0]														[1,000.0]
SLA 84	Ch 171	Sec 306			3,500.0						1,000.0		5,000.0					9,500.0
SLA 84	Ch 171	Sec 313															210,000.0	210,000.0
SLA 84	Ch 156	Sec 3 and 4		[Annual Receipts]		[Annual Receipts]												[Annual Receipts]

1/30/85

MEMORANDUM

TO: Rep. John Sund
FROM: J. Hartle, AA *JH*

RE: Red Dog Mine

Here are some questions, issues, and comments relating to the Red Dog mine.

According to its annual report, Cominco had an operating loss of \$39.3 million in 1983 and \$49.3 million in 1982. What was the loss for 1984 and what is it anticipated to be this year?

The Dept. of Commerce & Economic Development report on Red Dog states that government spending (especially the U.S. Federal Government) is a major fraction of the world zinc market. The outlook for increased (or even level) spending by the government is not good for the next few years. What will this mean in terms of zinc prices?

World market price? World market price? World market price? World market price? World market price? World market price? World market price? World market price?

What is the status of the plan of finance required by AIDA statutes before any of this money can be spent? When will it be done? What will it say?

What happened to last year's appropriation of \$3.⁴ million?

Is the price of labor too high in Northwest Alaska to profit from mining? (especially considering the last question above)

What happens to Cominco's guarantees (tariff, loan payback, etc) if the state does not meet the proposed payment schedule of \$18 million this year, \$50 M next year, \$50 M the next year, and \$30+ M the year after that?

What assets are Cominco willing to put up to guarantee payback (note that if the mine is not developed, then, of course, the minerals aren't worth much as a guarantee, either!)

With the North American mining industry losing so much money how will the bond market look at a bond issue guaranteed by tariffs on a mining road?

What is the level of Cominco's current debt? Their percentage of debt to capitalization? (According to the annual report it is very high - do they need a large new debt? Can they afford to pay interest?)

Will the strength of the U.S. dollar make it too expensive for Cominco to invest in an American mine?

Demand/prices Demand/prices Demand/prices Demand/prices
Demand/prices Demand/prices Demand/prices Demand/prices
NEED TO SEE LOTS OF CHARTS AND GRAPHS
AND THEY BETTER LOOK GOOD

Comincio has a mine in South Africa. Would they be willing to get rid of it? How would it look for the State of Alaska to be working with a company that has investments in a country with one of the most repressive governments in the world?

Cominco has a zinc discovery in Australia with very high-grade ore - 20% zinc and silver 6 oz/ton. Will this compete with Red Dog? Will it come on line sooner than Red Dog? Cominco also has found new zinc in the Yukon Territory.

After we purchase the port and road with the General Fund - then the mine? (work our way uphill so to speak?)

What is the status of access through the park for the road - the proposed land swap with Nana needed for the whole project to go?

Will this \$18 million be like the Susitna continuing appropriation that supposedly could not be spent until some decision was reached on Susitna that now the APA is able to spend?

Is this another Alpetco?

Background Materials on the Dedication Clause

Prepared by

Philip S. Barnett, Law Associate, Sierra Club
Legal Defense Fund, Inc.

April 16, 1985

Article IX, § 7, of the Alaska Constitution, the dedicated funds clause, provides as follows:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

In State v. Alex, 646 P.2d 203 (Alaska 1982), the Alaska Supreme Court held that the application of the clause should not be limited to taxes and licenses. The Court observed that in a draft at the Constitutional Convention, the prohibition against dedication was applied to "all revenues." After a review of the history of the Convention, the Court held that the change from the draft to the final version was not intended to have significant consequences. Rather, "the purpose of the proposed amendment was to allow for the setting up of certain special funds." Id. at 210. All other dedications were intended to be prohibited.

The "certain special funds" mentioned in Alex are easily identified, for they were expressly referred to during the Constitutional Convention. Specifically, they are pension contributions, proceeds from bond issues, sinking fund receipts, revolving fund receipts, contributions from local government units for state-local cooperative programs, and tax receipts which the state might collect on behalf of local government units. See 1982 Alaska Op. Atty. Gen. No. 13 at 10-11.

The loans that will be used to capitalize the road and port do not fit within one of the exempt "certain special funds." Therefore, they cannot be dedicated.

APPENDIX B

GENERAL GUIDELINES OF STATE/COMINCO RELATIONSHIP

SHOULD STATE INVEST IN THE PROJECT

- (1) The State of Alaska thru AIDA will own and operate the port and road.
- (2) Cominco will enter into an agreement with AIDA for payment of a user fee for operations and maintenance expense, as well as a toll fee for use of the facility.
- (3) Additional users will be accommodated upon payment of appropriate fees.
- (4) Satisfactory guarantees of total repayment of state expenditures by Cominco in the event the mine does not commence operation and accordingly completion guarantees by AIDA will be required.
- (5) NANA will provide the necessary leases and rights-of-way for the land required.

3/26/85

MEMORANDUM CONFIDENTIAL

TO: Rep. John Sund

FROM: John Hartle, AA

RE: Questions for agencies on Red Dog Mine

What we are looking for in this hearing is for the Administration to come forward and say: "this is the plan" but as of this morning, there seems to be no plan or perhaps it is secret....

1. AIDA: What is the status the finance plan? New contractor? Delay? When will we have a draft? When will we have the final? Are we going to be expected to commit state money to this project without a plan of finance? (The finance plan is mandated by statute) What is SRI's credibility now? Is it hopelessly compromised? Will the administrative appeal of the RFP award delay the whole plan?

2. AIDA: [see AIDA financing proposals] Which of the four plans looks most feasible? Which requires the least General Fund commitment from the state? Which provides for the best return on the state's investment (not including all the claimed tax benefits)?

3. Revenue: What will the true tax benefits be of this project? Will Cominco actually pay any taxes, considering that the Mining License Tax has a 3½-year moratorium on payments for new projects and the newly-enacted Investment Tax Credit will shelter Cominco from the Corporate Income Tax to a large extent and under the 7(i) provisions the royalty share that Nana receives will be distributed 13 ways?

4. Commerce: The update of your project analysis still shows a very optimistic projection for the price of zinc over the long term. Is this the case even though the price looks flat? What happens to the projections if the timing on the project slips by a year? Two years? (Cominco says that the timing has already slipped two years from where they want to be).

5. AIDA: Why do you think that your first experience in the construction business will be any better than that of the APA? Why shouldn't the construction schedule slip (like the dams) and why shouldn't the project have cost overruns (like the dams)?

6. AIDA: The Finance Committee Chairmen have announced that there will be a major reduction in loan program funding. Can you take a cut like the other loan programs?

7. Commerce: Are you willing to see other Commerce loan programs cut to include this \$18 million?

8. AIDA/Commerce: Now (Monday at Senate Resources) AIDA is proposing that \$100 million be appropriated in existing loans (with interest) to AIDA for the project. Is the Governor going to submit a bill to do this? If so, when? If not, why not? Are the specific loans identified? What is the difference between this and general fund? Are the loan proceeds to be used to repay the state? Does this make sense? (we already own those loans!!)

10. C&RA: You predict an increase in the need for state programs in the Nana region based on the influx of workers; Cominco and DCED has made a big deal of the reduction of transfer payments to the region. Who is right and how much money are we talking about?

11. AIDA: Why do so many of your scenarios show no provision for return of the state's investment? We want you to drive a hard bargain with Cominco; (at least as hard a bargain as they are offerering!!) Why doesn't it look like you are doing so?

12. AIDA: all assumptions about bonding assume tax exempt financing will be available for this project - will it?

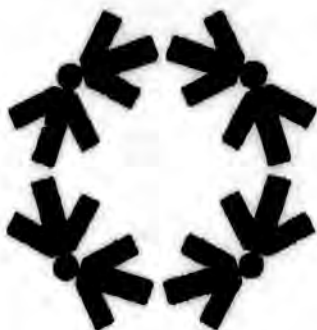
13. DCED: Status of land trade for right of way - Congressional action expected soon?

14. DCRA: Status of moving project out of North Slope Borough? Is this still a critical decision point as indicated by Cominco President Bill Wilson?

15. AIDA: Present value of subsidy to Cominco under each of the four financing scenarios?

14. AIDA: (Again) Why must we appropriate funds this year? (Despite the lack of the statutorily-mandated plan of finance) Can we put a late effective date on the appropriation? Tie it to conditions?

15. AIDA: Can private lenders provide the funds needed by Cominco for building the road? (Bill Wilson says yes) If so, at what rate? If not, why not? If not, why should we? Monday in Senate Resources Bert Wagnon said that Cominco could not afford to pay back \$150 million with interest. Why not?



ALASKA PUBLIC INTEREST RESEARCH GROUP
Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

April 25, 1985

Alaska Senate
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Legislator:

The Alaska Public Interest Research Group is very supportive of development of the Red Dog lead and zinc mine in northwest Alaska. The project will bring needed employment and earnings to the area, and the benefits of the multiplier effect will be felt in the NANA region and throughout the state.

We have several very serious reservations concerning the \$175 million appropriation (\$33 million in direct appropriations and \$142 million in loan appropriations) and additional \$175 million bond authorization planned this year for the Red Dog Road and Port Project:

*If the project is pursued as most-recently planned, the State will divert \$435 million from the General Fund to the Road and Port Facility over the next 30 years in the form of a direct state subsidy. The Alaska Industrial Development Authority (AIDA) intends to issue \$175 million in bonds early next year. Over 30 years, our liabilities to bondholders will mount to \$662 million. Cominco Alaska has agreed in principal to contribute a total of \$260 million over 30 years in the form of toll fees. The balance, \$402 million, will be picked up by AIDA.

To this figure must be added the \$33 million in direct appropriations (\$15 million now available for reappropriation within AIDA which will be redirected to the Red Dog project, and \$18 million in principal and interest which will accrue to AIDA's Economic Development Fund rather than to the Dept. of Commerce as a result of the transfer of the \$142 million loan portfolio) for a total subsidy of \$435 million over 30 years.

We anticipate that a major portion of the state subsidy will come from interest and principal payments on the \$142 million loan

portfolio. The Dept. of Revenue estimates that these payments will total only \$207.5 million over 25 years, however. The difference between the \$435 million in outstanding obligations and the \$207 million in diverted General Funds (\$228 million) may have to come from future General Fund appropriations to AIDA.

Nothing in HB 105 or SB 280 (the bond authorization bills with accompanying commitments) requires AIDA to cover the difference between its bond obligations without resorting to future General Fund appropriations through increased assessments to road and port users. Without this insurance, the state is not protected from a major revenue drain in the future.

*According to the statute authorizing AIDA's Economic Development Fund, AIDA must "submit a finance plan prepared under this section (AS 44.83.172) to the state bond committee, the governor, and the legislature before issuing bonds or otherwise incurring debt for the project." The finance plan "must identify the method of financing that minimizes the cost to the state." Clearly, the intent of this section was to ensure that the legislature and administration had sufficient background information to make an informed, rational funding decision.

The Finance Plan for the Red Dog Road and Port Project will not be available until August 15th, at the earliest, according to AIDA. In the meantime, you are being asked to make a \$662 million decision based on "financing options" hastily assembled and constantly changing. Those options, one of which is embodied in the appropriation and authorization bills before you, may be dramatically different from the Finance Plan "that minimizes the cost to the state" finally developed by SRI in August. On the other hand, the Finance Plan may be a rubber stamp of what developed in late March, and less-expensive options may not be fully examined.

*Finally, although the end of the session is only 3 short weeks away, many of the details of the Red Dog package are still murky: the Administration says it no longer needs a direct appropriation of \$18 million (still in the budget) but rather a reappropriation of \$12 million (not yet in the budget). HB 105 and SB 280 both authorize a \$175 million bond issue, yet AIDA says it needs only \$135 million. The \$142 million in loans is scheduled to be transferred from DCED to AIDA, yet Commerce officials say only \$136 is available. The actual cost of construction on the project has increased 65% since February, 1984 (from \$135 million to \$208 million). Even those following the project must carefully do not know exactly what is being appropriated or to what extent the State is committing itself over the long term.

We urge you to wait until these issues are resolved before voting for funding for the project. Under the current scenario, each of the 347 jobs anticipated for Alaskans at the Red Dog mine will entail a \$1.2 million state subsidy. Is Red Dog a good deal in that light?

Sincerely,


Maureen Kennedy
Director



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

The Red Dog Road and Port Project

THE PROPOSAL: Cominco/NANA have formed a joint venture to develop the Red Dog zinc/lead deposit just north of Kotzebue near the mouth of the Noatak River. The deposit is 55 miles from tidewater. With Administration support, Cominco /NANA is pushing the State to build a port facility and road from the deposit to tidewater for transportation to smelters in British Columbia and Japan.

Though major components of the plan have changed several times in the last 2 months, the most recent plan is for the State to transfer \$142 million of the State's loan portfolio to the Alaska Industrial Development Authority's (AIDA) Economic Development Fund. The loan principal and interest would form collateral for a \$175 bond issue for construction of the road and port. Some portion of construction costs would be paid by facilities users over the life of the project.

Until today, an \$18 million appropriation to AIDA for the project was in the governor's budget. In February, 1984, the total cost of the project was anticipated at \$135 million. That figure increased to \$150 million in February, 1985, to \$165 million in March, 1985 and \$193 million in late March, 1985.

Varying moratoria on repayments, low-interest or no-interest loan terms, term repayment schedules and outright grants have been discussed by state policymakers and Cominco. The value of direct subsidy on the part of the State has varied from \$40.1 million in February, 1984 to \$65 million in February, 1985 to a high of \$90 million in March, 1985.

NANA and Cominco have worked out a detailed agreement covering shared profits, local hire goals, efforts to minimize the adverse impacts of the project on the NANA region, etc.

Once the infrastructure is in place, the State and Cominco/NANA anticipate that other deposits in the area will be exploited as development

costs go down. GCO, Inc. owns rights to the Lik deposit 10 miles from Red Dog, and Cominco has control of the nearby Su deposit.

COST/BENEFIT OF PROJECT: The State projects a 5.3/1 (down from 6.2/1) cost-benefit ratio for the port and road project. (Assumes .60/lb. price for zinc, 15% return on investment for Cominco/NANA, \$40.1 million subsidy, \$169 million in direct returns to the State in taxes or transfer payment savings.)

"The ratio is high because it appears the project would not be viable without State support. Under the foregoing assumptions, the minimum level of investment the State can make in the project and have any expectation of immediate development is estimated to be \$40.1 million. Higher involvement by the State through larger amounts of subsidy will increase expected rates of return to Cominco The State could subsidize the project up to \$245.0 million and still have a benefit/cost ratio greater than 1 If the zinc price is lowered from .60 to .55 per pound (the low side of our estimated future price), the rate of return to Cominco would also fall. At the .55 price, to get the return to Cominco up to 15% the State might have to put up a subsidy of \$158.0 million in the project. Because of the lower price, the taxes are also lower; this, coupled with the higher level of subsidy, reduces the benefit/cost ratio to 1.25 in comparison to the 6.2 figure generated by a .60 price." (Red Dog Project Analysis, February, 1984.)

At .63/lb., the project is expected to be viable without state investment. The current price of zinc is .45/lb.; of lead, .19/lb.

OTHER ISSUES: In addition to state sponsorship of the project, a few other issues must be resolved. The road route preferred by Cominco/NANA, the southern route, is less environmentally damaging. However, it runs through the Cape Krusenstern National Monument. The joint venture has applied for a land exchange and right of way from the Dept. of Interior. Congress is considering a bill approving the land exchange.

Just as difficult is the conflict between NANA and the North Slope Borough over jurisdiction over the Red Dog deposit. After ANCSA, the Arctic Slope Native Assoc. formed a borough which included a strip of land (the Red Dog deposit) which now is part of the NANA regional corporation. The borough and regional corporation boundaries should be roughly contiguous, but the processes were completed out of synch with each other and thus the important discrepancy occurred.

Without the tax base represented by the Red Dog mine, a proposed NANA area borough will not have enough revenues to function. Since the disputed area is not populated (and a simple vote cannot be taken), a complicated detachment process is underway. Various technicalities preempt the Legislature from signing off on any agreement until the '86 legislative session. NANA has indicated that if the boundary dispute is not settled, and tax policy is not clear, the mine will not be developed.

COST/BENEFIT OF THE MINE ITSELF: The Red Dog Project Analysis anticipates the following costs and benefits of the mine:

Employment:

Direct: 143 jobs during construction
 (40% NANA residents)
 375 jobs during production
 (50-75% NANA residents)

Indirect: 92 during construction
 (23 in NANA villages)
 226 during production
 (106 in villages)

Income:

Direct: \$8.8 million/yr during construction
 (\$3.5 million to NANA residents)
 \$12 million/yr during production
 (\$7.5 million to NANA residents)

Indirect: \$2.3 million/yr during construction
 (\$.575 million/yr in villages)
 \$5.7 million/yr during production
 (\$2.7 million/yr in villages)

Jobs for previously unemployed people:

During Construction: 38-- 12 in villages, 7 outside AK
During Production: 93--51 in villages, 10 outside AK

Tax revenues :

(Corporate income tax and mining license tax, based on probable price of zinc at .60/lb)

Cominco:

\$2 million per year through 1992, \$8 million in 1993, average \$10/per year through 2008. million

NANA:

\$2.36 million per year through 1991, \$6.68 million after 1991.

Last year's investment tax credit grants the joint venture nearly \$15 million in tax breaks through 1994.

ZINC OUTLOOK: Today's zinc price is .45 lb., lead price is .20/lb. The State's analysis of the Red Dog project assumes 20 year real prices for zinc and lead to average .60/lb and .35/lb respectively. Today's low prices are supposedly reflective of low recessionary demand and high supply of metals. Developing technology should bring about some product substitution for lead, little for zinc.

Business Week's 12/17/84 issue featured a cover story, "The Death of Mining." In it, the authors lump zinc and lead in with copper, nickel and moly markets and envision bad times ahead for the long term future. Cominco has reflected worldwide difficulties: it lost \$31 million in 1982 and \$39 million 1983. Analysts anticipate that lead and zinc demand will increase by 1-2% in the next ten years. The State is assuming a 2.5% increase in demand annually. The article does emphasize that third world mines are coming on line rapidly and are far superior to American mines as far as recovery technology goes. The Red Dog mine is analogous to a third world mine in this sense, except that transportation costs as a proportion of production costs are higher (40%) than average (10%).

Brad Tuck of the Institute for Social and Economic Research, wrote a chapter on mining in Alaska Resource Development last year. He anticipates that world metal prices will not increase significantly (prices would have to increase by 35% to reach the probable price of .60/lb in the state analysis). "The State will at best derive only modest revenues from non-fuel mineral and coal development. Annual revenues by the mid 1990s from Red Dog, Eagle, Greens Creek and Quartz Hill will be less than \$10 million."

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ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

RED DOG ROAD AND PORT FACTSHEET

The Alaska Industrial Development Authority (AIDA) with the support of the Administration, is pushing for an \$18 million appropriation to AIDA's Economic Development Fund, along with a commitment of the interest and principal on \$142 million of the State's loan portfolio. This commitment will become collateral for a bond issue of \$175 million for actual road and port construction.

Over the past year, the estimated cost of the project has risen from \$135 million to \$193 million, an increase of 42%. The level of direct state subsidy increase from \$40.1 million to \$65 million between February, 1984 and February, 1985. Current options include direct subsidies of up to \$90 million. If no appropriation is made, the State will provide a \$15 million subsidy to the project through tax breaks already on the books.

When the legislature gave AIDA authority to develop and own projects such as the proposed road and port, it required that AIDA produce a Finance Plan for the legislature and the governor, laying out financing options. AIDA is specifically required to seriously consider those options requiring the least state involvement.

Although the legislature is being pressed to fund the project now, before the money runs out, the conclusions of the Finance Plan will not be available until next August at the earliest. In the meantime, the legislature is considering a \$142 million loan appropriation and \$175 million bond authorization based on a series of "finance options" assembled in less than 24 hours.

The Alaska Public Interest Research Group feels that the DeLong Mountain Regional Road and Port Facility is a poorly planned project, based on inadequate financial backup and nonexistent investment criteria. Given the State's other pressing needs and declining revenues, the project should not be funded this year.

If the legislature chooses to invest in the Red Dog road and port project, it should protect Alaskans' interests by:

- *Limiting the extent of the State's direct subsidy to the initial appropriation of \$18 million;

- *Requiring Cominco/NANA and any other future users to repay the principal and interest of a market value state loan from AIDA;

- *Requiring Cominco/NANA and any other future users to cover operation and maintenance costs of the project;

- *Requiring AIDA to return to the General Fund any toll payments beyond those necessary to repay the debt service and secure outstanding bonds;

- *Putting a time limit on the project: if conditions are not met by March 15, 1986, the bond authorization lapses.

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

*Terry Elder Draft
AKPIRG comments*

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.

* 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:

(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 by Cominco, Ltd. to the Alaska Industrial Development Authority may be adjusted if the price of zinc rises above a level, agreed upon with the Authority, which yields a return of investment commensurate with the risk;

subject to legal interpretation??

good -
response
parent.

(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 a reasonable return on the state's investment commensurate with project viability and future usage, and guarantees equitable access to the facilities by all users; the toll schedule may be periodically adjusted.

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

AIDA should be able to agree to that the "combined" users will pay fees that will at a minimum cover the P+I, without risking 3-~~tax~~ tax exempt status

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).

Missing: AIDA assures that Cominco's future users will cover O&M (as opposed to just requiring Cominco to cover its proportion).

The bond authorization lapses if the bonds aren't issued by mid '86 - if we will miss the "window of opportunity," then the State ought not be involved. Even Cominco agrees it will not be feasible.



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/ Anchorage, Alaska 99510/(907) 278-3661

Proposed Amendments to SB 280

Section 1. (1) (c) Cominco, Ltd. will repay all expenditures (market rate interest and principal) by the State for the project through toll fees paid beginning the year of project completion for the use of facilities constructed as part of the project; (and other payments;)

Section 1. (2) The United States Congress approves the Cape Krusenstern National Monument land exchange between NANA Regional Corporation and the United States Dept. of Interior or a right of way as authorized by Title 11 of ANILCA;

Section 1. (3) NANA Regional Corporation agrees in writing to convey to the Alaska Industrial Development Authority, (at no more than fair market value,) at no cost, 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;

Section 1. (5) the Alaska Industrial Development Authority obtains a ruling from the Internal Revenue Service that all bonds or notes issued under this section will qualify for tax exempt status; (and;)

Section 1. (6) the Alaska Industrial Development Authority establishes a toll schedule for use of facilities constructed as part of the DeLong Mountain transportation project that minimizes the cost to the State of (ensures the greatest 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.

Section 1. (7) the Alaska Industrial Development Authority ensures that Cominco and any other future users will pay all operation and maintenance of facilities constructed as part of the project, on a pro rata basis;

Section 1. (8) the Alaska Industrial Development Authority agrees to limit the present value of the direct subsidy to the project to \$18 million;

Section 1. (9) the Alaska Industrial Development Authority agrees to turn over any funds not necessary for bond security or construction of the authorized project to the general fund as they become available;

Section (2). If the Alaska Industrial Development Authority does not issue bonds for the project by March 15th, 1986, this bond authorization lapses.

MAR 11 1985



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

March 6, 1985

Sen. Arliss Sturgulewski
Pouch V
Juneau, AK 99811

Dear Sen. Sturgulewski:

Thanks very much for meeting with me last week to discuss issues. I wanted to get back in touch with you to point out some areas of the Red Dog Project Analysis that should be updated by staff before the Resources Committee examines the Delong Road and Port Project more seriously.

1. The analysis does not include the impact of the Investment Tax Credit which the legislature passed last year. The lost revenues will be very substantial as the new law provides a 100% tax credit on both mining license tax and state corporate tax payments on the first \$50 million in investment, an 80% tax break on the next \$50 million and so on up to \$250 million for up to 10 years. I'm also unclear whether the tax exemption would apply to the \$150 million in road and port construction as well as the \$400 million in mine development--if the State is acting as bank, wouldn't Cominco/NANA be eligible for the credit on the \$150 million too?

2. We are also unclear on how the new mining license tax regs will impact the project. The regs were not in existence at the time of the analysis; now proposed regs are available and can be used to evaluate the revenue potential (or loss).

3. Although savings in regional shipping costs are touted as a major justification for state investment in the project, the projected savings are small and OMB did not have time to check 4 of 6 issues factored into the estimate. Are the other assumptions and the total estimated savings correct?

4. What discount rate is Cominco using in its proposal, and what rate of return will it require before committing to the project? The company provided this information to Canadian provinces when negotiating state assistance with infrastructure there; why does

the State have to make assumptions about these critical factors, basically making major fiscal decisions in a dark room?

5. While project benefits have been outlined extensively in the Analysis, costs have not been delineated because "time constraints have prevented analysis," and "no attempt is made here to place a dollar value on the increase in social service delivery." Costs should be fleshed out to the same degree as have benefits.

6. Shouldn't the royalty payments to NANA (\$658 million) be included in the cost-benefit analysis, since according to Cominco, development and therefore royalties, would not come through if the State does not invest in the project?

7. How is the dramatic difference in estimated tax payments cited at \$205.69 million on p. IV-2 of the Analysis and \$420 million on pp. V-66 and V-68 explained (these final figures are extrapolated from the "probable" figures listed on those pages, multiplied by a conservative 20-year mine life).

8. Does the State or legislature have any recent indications as to the likelihood of a detachment agreement between the NSB and the potential NANA borough?

9. Since AIDA has recently decided to scrap its contract for geotechnical studies with Cominco, will that \$3 million be available to the project as the first installment of an \$18 million appropriation, reducing this year's appropriation down to \$15 million?

As I expressed to you during our meeting, AkPIRG is very supportive of the development of the Red Dog Mine in NW Alaska; we are, however, concerned that the State go into negotiations with accurate information and a full hand. Given that the session is nearly half over, that a proposal is still not on the table, that Cominco has said it cannot agree to develop the mine unless certain commitments are ironed out, and since these difficulties are very likely NOT to be ironed out before May 15th, we have strong reservations about the manner in which the state seems to be rushing headlong into a commitment.

I hope you will ask your staff to include these issues as part of its updated analysis of the project.

Sincerely,


Maureen Kennedy
Director


To: AKPIRG Board
From: Maureen
Re: Red Dog Mine road and port proposal
Date: 2/5/85

CONFIDENTIAL

As agreed at our last Board meeting, I have done extensive research on the DeLong Mt. Port and Road Project. Please read this memo so we can make a decision on our involvement in the issue at the next Board meeting. Things are moving fast, so we must make SOME decision on the 13th.

THE PROPOSAL:

Cominco/NANA have formed a joint venture to develop the Red Dog zinc/lead/molybdenum deposit just north of Kotzebue near the mouth of the Noatak River. The deposit is 55 miles from tidewater. With Administration support, Cominco/NANA is pushing the State to build a port facility and road from the deposit to tidewater for transportation to smelters in BC and Japan.

Though few details have been worked out, the most often-cited plan is for the State to loan the venture \$135 million plus inflation and cost overruns to build the project, with repayment based on road and port user fees. Though facilities users would pay for the project, the State would actually own it. Eighteen million dollars is scheduled for appropriation to the Alaska Industrial Development Authority this year, which in turn will be lent to C/N, \$50 million next year, \$50 million in '87-'88 and \$18 million plus inflation and overruns in the final year to round out the project. The most-often considered proposal includes forgiving \$28 million of this total. C/N have asked for a ten year moratorium on repayments; a 6 year moratorium seems more popular at this time. Interest rates, collateral, repayment schedules, etc. are all up in the air.

NANA and Cominco have worked out a detailed agreement covering shared profits, local hire goals, efforts to minimize the adverse impacts of the project on the NANA region, etc. With the exception of local hire provisions (targets, not commitment; NANA is responsible for training of workers), NANA seems to be getting a good deal.

Once the infrastructure is in place, the State and C/N anticipate that other deposits in the area will be exploited as development costs go down. GCO owns rights to the Lik deposit 10 miles away, and Cominco also has control of the nearby Su deposit.

This whole proposal originated with Cominco; the State has gone through and tried to test the assumptions, costs, and cost/benefits suggested by Cominco. It has been a difficult task however, since Cominco has not been willing to turn over much of the critical metals price forecasts, or information about its corporate decisionmaking (necessary rate of return, etc.).

COST/BENEFIT OF PROJECT:

The State projects a 6.2:1 cost/benefit ratio for the port and road project. (Assumes .60/lb price for zinc, 15% return on investment, \$40.1 million necessary state subsidy, \$246.85 million in direct returns to the State in taxes or transfer payment savings.)

"The ratio is high because it appears the project could not be viable without State support. Under the foregoing assumptions, the minimum level of investment the State can make in the project and have any expectation of immediate development is estimated to be \$40.1 million. Higher involvement by the State through larger amounts of subsidy will increase expected rates of return to Cominco The State could subsidize the project up to \$245.0 million and still have a benefit/cost ratio greater than 1 If the zinc price is lowered from .60 to .55 per pound (the low side of our estimated future price), the rate of return to Cominco would also fall. At the .55 price, to get the return to Cominco up to 15% the State might have to put a subsidy of \$158.0 million in the project. Because of the lower price, the taxes are also lower; this, coupled with the higher level of subsidy, reduces the benefit cost ratio to 1.25 in comparison to the 6.2 figure generated by a .60 price."

At .63/lb., the project is expected to be viable without state investment.

COMPLICATIONS:

In addition to state sponsorship of the project, a few other things may impede the whole project. The road route preferred by C/N, the southern route, is less environmentally damaging. However, it runs through the Cape Krusenstern National Monument. C/N have applied for a right-of-way permit from the DOI; the Sierra Club is opposing it. A land swap between NANA and the Monument has also been proposed.

Just as difficult is the conflict between NANA and the North Slope Borough over jurisdiction over the Red Dog deposit. After ANCSA, the Arctic Slope Native Association formed a borough which included a strip of land which now is part of the NANA regional corporation. The borough and regional corp. boundaries should be roughly contiguous, but the processes were completed out of synch with each other and thus the important discrepancy occurred. Without the tax base represented by the Red Dog Mine, a proposed NANA area borough would not have enough revenues to function. Since the disputed area is not populated (and a simple vote cannot be taken), a complicated detachment process is underway. Various technicalities preempt the Legislature from signing off on any agreement until the '86 legislative session. Cominco has indicated that if the boundary dispute is not settled, and tax policy not clear, the company is unlikely to move forward with the mine project.

COST/BENEFIT OF THE NANA PROJECT

I think it is crucial to be clear about our interest in the road and port project, not the proposed NANA/Cominco processing a private development project on private land. Nevertheless, the feasibility of the mine impacts the likelihood that the State will actually get repaid for its investment, and influences the need for any state involvement at all.

The Red Dog Project Analysis outlines the following benefits of the project:

Employment:

Direct: 143 jobs during construction
(40% NANA residents)
375 jobs during production
(50-75% NANA residents)

Indirect: 92 during construction
(23 in NANA villages)
226 during production
(106 in villages)

Income:

Direct: \$8.8 million/yr during construction
(\$3.5 million to NANA residents)
\$12 million/yr during production
(\$7.5 million to NANA residents)

Indirect: \$2.3 million/yr during construction
(\$.575 million/yr in villages)
\$5.7 million/yr during production
(\$2.7 million/yr in villages)

Jobs for Previously Unemployed People:

During Construction: 33, 12 in villages, 7 outside of AK
During Production: 93, 51 in villages, 10 outside AK

Supposed savings in Shipping Costs to Kotzebue Area:

(Very uncertain because of Jones Act restrictions, etc)
\$2-3 million annually

Tax Revenues to AK mining tax and corp. tax:

Cominco estimate based on
probable price of zinc at .60/lb: \$10.21 million/yr
(Note--Project is exempt from mining
license tax for first 3 1/2 yrs. of
production)

NANA taxes, same assumptions: \$2.25 million/yr '83-91
\$5.75 million/yr '91-

Population Increases:

During construction:

During Production:

(NB: With the exception of a few small towns, which are close to capacity right now, the State does not anticipate any additional costs based on population increases.

Road and Port Project Costs:

See attached tables. **IMPORTANCE:** Forest fire loss with a 7 year deferred payment has a present value of \$28-45 million to the State, representing a line item of \$90-107 million on the project. A 3% loan with a 5% real rate of interest has a present value of \$57-91 million, representing a \$44-78 million cost to the State. **BIG DIFFERENCE.**

THE BIG PICTURE, OR NAUREEN'S THUMBNAIL SKETCH OF THE FUTURE OF WORLDWIDE ZINC PRICES:

Since 85% of the revenues of Red Dog will be based on zinc concentrate sales, and since loan repayment is based on a successful mine project, this is an important issue.

Today's zinc price is .43/lb., lead price is .23/lb. The State's analysis of the Red Dog Project assumes 20 year real prices for zinc and lead to average .60/lb and .35/lb respectively. Today's low prices are supposedly reflective of low recessionary demand and high supply of metals. Developing technology should bring about some product substitution for lead, little for zinc.

Business Week's 12/17/85 issue featured a cover story, "The Death of Mining." In it, the authors lump zinc in with the copper, nickel, lead and moly markets and envision bad times ahead for the long term future. Cominco has reflected worldwide difficulties--it lost \$31 million in 1982 and \$39 million in 1985. (through Sept. 84, things were on the rebound: Akl income was \$29 million). Analysts anticipate that lead and zinc demand will increase by 1-2% in the next ten years. The State is assuming a 2.5% increase in demand annually. The article does emphasize that third world mines are coming on line rapidly and are far superior to American mines as far as recovery technology goes. The Red Dog mine is analogous to a third world mine in this sense, except that transportation costs as a proportion of production costs are higher (40%) than average (10%).

Brad Tuck of the Institute for Social and Economic Research, wrote a chapter on mining in Alaska Resource Development last year. He anticipates that world metal prices will not increase significantly (price would have to increase by 50% to reach probable price of .60/lb in State analysis). "The State will at

best derive only modest revenues from non-fuel minerals and coal development. Annual revenues to the mid 1990s from Red Dog, Eagle, Green Creek and Ouzie River will be less than \$1 million."

Cominco anticipates an increase in demand of 2% per year for zinc and 1% for lead.

World supplies for zinc and lead are expected to decline over the next 10 years. Smelters, including those owned by Cominco, will be looking for new sources of concentrate. The most likely competition for Red Dog will be from Australian sources.

POLITICS:

1. The deal has to go through House and Senate Revenue, Finance and the House Special Committee on Loans. These are chaired by Herrmann/Schultz, Sturgulewski, Adams, Faiks/Sackett and Sund. Because the project is in his district, Adams is very attached to it. Adams, Ferguson, Sackett, and Willie Hensley are committed to pushing the project through.

2. The Governor is behind the project. Both John Shaffer and John Shively have connections with NNNA.

3. The House minority and the Senate majority have expressed opposition or concerns about the propriety of state involvement.

4. The State analysis of the project includes a list of other potential mine projects and necessary infrastructure--the state could conceivably receive \$1.9 billion in requests for state aid on other roads, railroad spurs and ports just for the mining industry. Equity question.

5. Cominco agrees that Red Dog will be developed at some point, it's just a question of when. With State involvement, it'll happen that much sooner.

6. Impact on ACAF.

7. No one else is willing to enter the discussion with our viewpoint. Ann Cony couldn't get anyone to go on record with concerns, much less opposition to the investment when the News did its analysis piece on Red Dog.

8. Sheffield can be fairly criticized for ignoring the local unemployment problem in Bush Alaska (less than 5% of the Red Dog area population is "fully employed"). The road and port project will produce construction jobs and facilitate production jobs.

9. John Hartle, John Sund's staffperson on the loans committee, says the approval is wired.

10. The State hasn't promulgated mining license tax regs yet.

RECOMMENDATION:

I suggest that we do ahead and give ourselves in the future. Adams et al. will have plenty to be picked off at some point already and this is exactly the type of shakedown appropriation we should be known for influencing. I think we could be successful in changing certain aspects of the deal such as interest rates, moratorium, payment terms, collateral on the loan, tax deferrals, etc. Comins agreed that it will be mining the richest portion of the deposit fund. At that time the time that payments to the state might be forgiven or delayed, and some any mining taxes might be for a time.

At the Pine Point mine in Canada, Cominco engineered an agreement for the State to build a railway spur with payments based on tons shipped, with an overall cap on total annual payments. Should payments be based on value or volume? In the first couple of years, the mine was unexpectedly successful, yet Cominco's annual payments were limited by the cap.

We will enhance our credibility with the public. With every additional point of interest charged, the people save roughly \$5 million 1983 dollars. Getting rid of the 6 year deferment saves roughly \$40 million. A lot's at stake.

With the paranoia about declining revenues, legislators might see the light and realize that subsidies on the project must be scaled back and we would win out.

TABLE D-4
COST TO THE STATE
OF NO-INTEREST LOAN OF \$135 MILLION
WITH VARYING PAYBACK PERIODS*
(Millions--1983 Dollars)

Payback Deferment Options	Present Value to State of Payback @ OCC =			Direct State Costs (-NPV) OCC =		
	8%	10%	12%	8%	10%	12%
10 Years	\$30	\$22	\$16	\$105	\$113	\$119
5 Years	45	35	28	90	100	107
No Deferment	67	58	51	68	77	84

OCC = Opportunity cost of capital for the State.

-NPV = Negative net present value.

* Loan is to be paid back in equal installments over a 20-year period, with different deferment periods as shown.

NB: Estimates based on overnight construction costs, (i.e., initial loan is made at a single point in time, after which the deferment period or repayment period begins).

Source: Office of Management and Budget, State of Alaska

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TABLE D-5

REPAYMENT OPTIONS AND STATE COSTS FOR \$135 MILLION LOAN
(1983 Dollars, In Millions)

REPAYMENT OPTIONS:

<u>Interest Rate</u>	<u>Deferment</u>	<i>Present Value</i> <u>PV OF Payback</u>	<u>Direct Costs To State</u>
0%	10 yr	\$16-30	\$105-119
	5 yr	28-45	90-107
	none	51-67	68-84
5%	10 yr	25-48	87-110
	5 yr	45-72	63-90
	none	81-107	28-54
8%	10 yr	31-61	74-104
	5 yr	57-91	44-78
	none	103-135	0-32
10%	10 yr	36-71	64-99
	5 yr	66-105	30-69
	none	0-118	0-17
12%	10 yr	41-80	55-94
	5 yr	75-120	15-60
	none	0-135	-0-

Source: Office of Management and Budget, State of Alaska

11/1368



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

April 26, 1985

Terry Elder
Dept. of Commerce and Economic Development
Pouch D
Juneau, AK 99811

Dear Terry:

I understand you have some questions concerning the assumptions we used in quantifying the subsidy involved in the Red Dog Road and Port Project. Before explaining our figures, I would like to make a few points.

Jobs: The jobs generated by state investment in the Red Dog project are 5 year jobs. Cominco officials have said time and time again that the Red Dog project will be developed with or without state help--the only question is timing. In attesting to the value of the Red Dog deposit, Cominco lobbyists have told us that the mine would be developed 5-8 years later than the proposed schedule without this year's \$175 million appropriation and \$175 million bond authorization. By funding Red Dog this year, the legislature is simply bringing those jobs on line 5 years sooner, at a nominal cost of \$1.2 million over 5 years.

Taxes and Avoided Transfer Payments: You would be correct in saying that our subsidy estimate did not include increased future state revenues in the form of taxes and avoided transfer payments only if these payments would not accrue without state investment in the project. As we pointed out above, Red Dog will be developed and the benefits will accrue--starting in 1989 with state investment or 5-8 years later without. Since the State will receive the \$169 million in taxes and transfer payment savings in any event, these cannot be counted as a benefit of the project.

"Finance Plan": You are correct in saying that an official Finance Plan is not yet in place. This has been a source of great concern to us. In the meantime, the Dept. of Commerce and AIDA have proffered a finance "option" and have based legislative requests on it. All our estimates are based on the "option" discussed in the numerous letters DCED, DoR and AIDA have written

In response to Committee questions. Our assumptions are, in fact, your assumptions, and I have referenced them in the footnotes below.

As you know, I have asked many times over the past months for an Administration estimate of the subsidy to Red Dog similar to the one given in the Red Dog Project Analysis. No one has answered. If you do not agree with our estimate, I would be very interested in hearing your figure.

THE SUBSIDY LEDGER

Nominal Costs:

\$175 million bond issue--
annuitized sinking fund
payment of \$22.09 mil.
per year for 30 years
will cover state debt.
\$22.09 million x 30 =

\$662 million(1)

Available in AIDA for re-
appropriation but now to be
directed to Red Dog--

\$ 15 million(2)

FY 86 P+I on loan port-
folio transferred from
DCED to AIDA

\$ 18 million(3)

COST:

\$625 million

BENEFITS:

\$260 million

Difference (subsidy) = \$435 million

(1) Assumes \$175 million bond issue (SB 280), tax exempt rate of 10.5% (AIDA letter to Sturgulewski, 3/19/85, page 9 (unnumbered) of Appendix A, Case IV), taxable rate of 13.5% (3% margin between tax exempt and taxable), port costs (ibid., p. 9) are tax exempt, \$12 million in bonds called 1990 (ibid., p. 9), 30 year term (ibid., page 2).

(2) \$3 million in FY 85 app. to AIDA for DeLong Mountain Regional Port and Road available for reappropriation (AIDA letter to Sturgulewski, 4/9/85, p. 2), \$12 million in multifamily housing funds to be reappropriated to the project (committee testimony, 4/16/85).

(3) Dept. of Revenue letter to Sturgulewski, 4/15/85, p. 2).

(4) AIDA letter to Sturgulewski, 3/19/85, p. 9. Assumes 4 year moratorium on payments (conversations with Cominco, Bad Dog Project Analysis options, p. V-72, explicit cap at \$260 million rather than \$300 million over 30 years).

Real Costs:

Present Value of construction (value of bond issue)--

\$175 million

Real Benefits:

PV of \$260 million over 30 years beginning year 5--

\$67.82 million

PV of net subsidy--\$107.2 million* or 61% of total project cost.

*Same assumptions as above

I would be happy to answer any questions you may have on these figures.

Sincerely,


Maureen Kennedy
Director