

State of Alaska FY2004 Governor's Operating Budget

Department of Community & Economic Development Alaska Industrial Development and Export Authority Component Budget Summary

Component: Alaska Industrial Development and Export Authority

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Component Mission

The mission of the Alaska Industrial Development and Export Authority (AIDEA) is to create jobs through statewide economic development and statewide diversification.

Component Services Provided

AIDEA acts as an economic development catalyst by providing capital at a reasonable cost for Alaskan businesses, with emphasis on projects that create new jobs and economic activity in the private sector. AIDEA is a primary source of secondary financing in the state for business loans made by financial institutions. The loans are serviced by the banks, thereby limiting staffing requirements at AIDEA. The Authority can also own and operate specific development projects that enhance the economy of the state and support private sector investment. The Authority also acts as a conduit for the issuance of both taxable and tax-exempt bonds for specific business development projects. For small businesses, AIDEA has a Business and Export Assistance program, which provides loan guarantees, with particular emphasis on businesses in rural Alaska.

Bonds sold for AIDEA-owned projects do not carry the expressed moral obligation of the state of Alaska. AIDEA bonds are either general obligations of AIDEA or are backed by the revenue produced by a specific AIDEA-owned project.

AIDEA provides all staffing for Alaska Energy Authority (AEA). This encompasses (1) the oversight of the operations and maintenance of all AEA-owned power projects, (2) the management and staffing of AEA's Rural and Alternative Energy Programs, (3) the administration of the Power Cost Equalization (PCE) Program, and (4) the administration of the Circuit Rider Program.

Component Goals and Strategies

To stimulate economic development and diversification.

1. Provide business financing assistance throughout Alaska through AIDEA's credit programs by participating in or guaranteeing bank-originated loans.
2. Continue to develop, operate and maintain AIDEA-owned development projects that support private sector investment and create or maintain jobs for Alaskans.
3. Continue to provide conduit financing for the issuance of both taxable and tax-exempt bonds for specific business development projects in Alaska.

Key Component Issues for FY2003 – 2004

Provide technical assistance and financing to help businesses diversify the economy in Alaska.

Provide \$40-50 million in FY03 and \$30 million in FY04 in long-term financing for businesses throughout Alaska by purchasing up to 80% of bank-originated loans.

Alaska Seafood International (ASI) is a \$125 million project in Anchorage. AIDEA invested \$50 million in the project and owns the processing building and underlying land. The project provides value-added processing of Alaska seafood. The project has struggled since the facility opened in late 1999. ASI is in the process of completing its third restructuring. To assist in the various restructurings, AIDEA has deferred lease payments and reimbursed facility expenses in return for ASI equity and also purchased additional contiguous land from ASI. The most recent restructuring will allow the company time to implement its latest business plan and seek additional equity investors. The long-term outlook for ASI is unknown at this time, but additional equity is needed for the business to succeed over the long term.

Oversight of the Healy Clean Coal Project (HCCP) was transferred to Golden Valley Electric Association (GVEA) under a settlement agreement during the prior year. The settlement agreement ended two years of litigation between AIDEA and GVEA. During this post-settlement period, AIDEA and GVEA are exploring alternatives to allow the resumption of power generation.

The FY 2004 Governor's Operating Budget request proposes the elimination of the Alaska Science and Technology Foundation (ASTF). As part of that proposal, management of the BIDCO Assistance Program (consisting of 1 grant and 1 loan, which terminate in 2009) and the BIDCO Fund, and the "winding down" of ASTF's other existing grants will pass to AIDEA.

Major Component Accomplishments in 2002

Provided a \$17.5 million dividend to the State General Fund in FY02 and will provide a \$20.1 million dividend in FY03.

Purchased approximately \$39.7 million in loan participations originated through financial institutions for businesses and projects in Alaska, helping to expand Alaska's economic base and create jobs in Alaska. As of June 30, 2002, also had approved loan participation purchase commitments for an additional \$18 million.

Continued to work with Cominco Alaska and the U.S. Corp of Engineers to study the potential feasibility of a deep water port at the DeLong Mountain Transportation facility (DMTS), the road and port serving the Red Dog Mine. The Red Dog Mine and the DMTS provide approximately 485 permanent full-time jobs in the NW Arctic Borough.

Issued refunding bonds for the Federal Express Aircraft Maintenance Facility, resulting in an annual interest savings of \$215,000.

Statutory and Regulatory Authority

AS 44.88	Alaska Industrial Development and Export Authority
3 AAC 99	Alaska Industrial Development and Export Authority

Alaska Industrial Development and Export Authority
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,822.6	4,665.5	4,667.2
72000 Travel	33.2	68.2	68.2
73000 Contractual	1,194.0	1,574.4	1,646.5
74000 Supplies	41.7	38.9	38.9
75000 Equipment	37.0	15.5	15.5
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,128.5	6,362.5	6,436.3
Funding Sources:			
1007 Inter-Agency Receipts	1,896.2	2,391.9	2,420.0
1102 Alaska Industrial Development & Export Authority Receipts	3,232.3	3,970.6	4,016.3
Funding Totals	5,128.5	6,362.5	6,436.3

**Alaska Industrial Development and Export Authority
Proposed Changes in Levels of Service for FY2004**

The FY 2004 Governor's Operating Budget request proposes the elimination of the Alaska Science and Technology Foundation (ASTF). As part of that proposal, management of the BIDCO Assistance Program (consisting of 1 grant and 1 loan, which terminate in 2009) and the BIDCO Fund, and the "winding down" of ASTF's other existing grants will pass to AIDEA.

**Summary of Component Budget Changes
From FY2003 Authorized to FY2004 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	0.0	0.0	6,362.5	6,362.5
Adjustments which will continue current level of service:				
-Authorization Transfer to Facilities Maintenance Component ADN 0830083	0.0	0.0	-15.0	-15.0
-\$75 per Month Health Insurance Increase for Non-covered Staff	0.0	0.0	55.1	55.1
Proposed budget increases:				
-Increases in various rate-based services	0.0	0.0	33.7	33.7
FY2004 Governor	0.0	0.0	6,436.3	6,436.3

Alaska Industrial Development and Export Authority

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	65	65	Annual Salaries	3,638,189
Part-time	0	0	Premium Pay	50,117
Nonpermanent	0	0	Annual Benefits	1,262,866
			<i>Less 5.73% Vacancy Factor</i>	(283,950)
			Lump Sum Premium Pay	0
Totals	65	65	Total Personal Services	4,667,222

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	4	0	0	0	4
Accounting Technician	4	0	0	0	4
Accounting Technician II	1	0	0	0	1
Admin Assistant	1	0	0	0	1
Administrative Assistant	2	0	0	0	2
Administrative Clerk II	2	0	0	0	2
Administrative Manager	1	0	0	0	1
Business Plan Dev Specialist	1	0	0	0	1
Contracts Administrator I	1	0	0	0	1
Dep Dir/Project Dev/Operations	1	0	0	0	1
Dep Dir-Bus Dev-Rural Energy	1	0	0	0	1
Deputy Director	1	0	0	0	1
Deputy Director Credit	1	0	0	0	1
Deputy Director Finance	1	0	0	0	1
Development Specialist II	3	0	0	0	3
Drafting Technician III	1	0	0	0	1
Engineering Assistant III	1	0	0	0	1
Executive Director	1	0	0	0	1
Finance Assistant	3	0	0	0	3
Financial Analyst	1	0	0	0	1
Loan Officer II	2	0	0	0	2
Loan Servicing Officer	1	0	0	0	1
Loan Servicing Technician I	1	0	0	0	1
Loan Servicing Technician II	2	0	0	0	2
Microcomputer/Network Spec	1	0	0	0	1
Operations Manager	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Program Manager	2	0	0	0	2
Project Assistant	3	0	0	0	3
Project Development Manager	1	0	0	0	1
Project Manager	6	0	0	0	6
Project Manager II	2	0	0	0	2
Project Manager, Bradley Lake	1	0	0	0	1
Rural Development Manager	1	0	0	0	1
Rural Elect Utility Worker	3	0	0	0	3
Rural Energy Programs Manager	1	0	0	0	1
Technical Engineer II	2	0	0	1	3
Totals	64	0	0	1	65