

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development
Alaska Industrial Development and Export Authority
Budget Request Unit

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Contact: Robert G. Poe, Jr., Executive Director

Tel: (907) 269-3000 **Fax:** (907) 269-3044 **E-mail:** bpoe@aidea.org

BRU Mission

To encourage economic growth and diversification of the economy.

BRU 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 can also act 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 projects are the general obligation of AIDEA and do not have the expressed moral obligation of the State of Alaska.

All staffing for Alaska Energy Authority (AEA) functions is provided by AIDEA. As the owner of six hydroelectric plants and the Alaska Intertie transmission line, AEA is responsible for the administrative oversight for these facilities. In addition, AIDEA staff is responsible for providing staffing for the oversight and operation of all rural and alternative energy programs and the circuit rider program of AEA.

BRU Goals and Strategies

- 1) To stimulate economic development and diversification.
 - Provide business financing assistance throughout Alaska through AIDEA's Credit programs by participating in or guaranteeing bank originated loans.
 - Continue to develop, operate and maintain AIDEA owned development projects that support private sector investment and create or maintain jobs for Alaskans.
- 2) To efficiently oversee the operations and maintenance of approximately \$1 billion in electrical generation and transmission facilities owned by AEA in Alaska.
 - To the extent feasible, contract to user utilities direct operating, maintenance and repair responsibilities for the AEA owned facilities.
- 3) To effectively provide management support for the Rural and Alternative Energy Programs and the circuit rider program of AEA.

Key BRU Issues for FY2001 – 2002

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

Provide financing assistance under the Business and Export Assistance Guarantee Program, assisting small businesses and businesses in rural Alaska to obtain bank financing that otherwise may not have been available to them.

Continue to maintain the technical integrity of AEA projects.

Continue to maximize local control of AEA projects, to the extent feasible, by contracting with the operating utilities to provide operating and maintenance services.

Continue to work with the operating utilities to lower operating costs and improve efficiencies at the AEA owned hydroelectric projects.

Provide staff to operate AEA's Rural and Alternative Energy Programs.

Major BRU Accomplishments for FY2000

Provided a \$26 million dividend to the State General Fund.

Purchased approximately \$30 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.

Issued \$6.9 million in conduit financing for private sector and non-profit projects.

Completed demonstration testing and transferred oversight of the Healy Clean coal Project (HCCP) to Golden Valley Electric Association (GVEA) under a settlement agreement that ended two years of litigation between AIDEA and GVEA. GVEA and AIDEA agreed to a course of action that provides full pay back of AIDEA's investment in the HCCP and protects the interests of Interior ratepayers.

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.

Completed a revised development plan for the AIDEA-owned Ketchikan Shipyard. The proposed improvements will increase shipyard efficiency and production capacity and improve services, ultimately creating a more viable shipyard and increased employment. Construction is scheduled to begin in December 2000. The shipyard currently employs over 100 employees.

Completed construction on the \$125 million Alaska Seafood International manufacturing facility (ASI), and helped negotiate an organizational restructuring to provide short-term operating capital. In full production, ASI will provide 450 year-round manufacturing jobs, result in hundreds of indirect jobs, and stimulate the local economies of fishing communities by providing a reliable market for their product.

Maintained and administered AEA owned facilities; maximizing services and revenues and minimizing unscheduled outages.

Integrated personnel and finance functions of the former Division of Energy into AIDEA creating operating efficiencies and cost savings.

Continued to administer outstanding AEA long-term debt in excess of \$300 million; continued to administer special trust funds relating to the facilities.

Alaska Industrial Development and Export Authority

BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
AIDEA	0.0	0.0	3,520.7	3,520.7	0.0	0.0	5,763.6	5,763.6	0.0	0.0	5,835.4	5,835.4
AIDEA Facilities Maintenance	0.0	0.0	66.6	66.6	0.0	0.0	177.0	177.0	0.0	0.0	177.0	177.0
Alaska Energy Auth Op & Maint	0.0	0.0	605.0	605.0	0.0	0.0	1,049.5	1,049.5	0.0	0.0	1,051.9	1,051.9
Totals	0.0	0.0	4,192.3	4,192.3	0.0	0.0	6,990.1	6,990.1	0.0	0.0	7,064.3	7,064.3

**Alaska Industrial Development and Export Authority
Proposed Changes in Levels of Service for FY2002**

None.

**Alaska Industrial Development and Export Authority
Summary of BRU Budget Changes by Component
From FY2001 Authorized to FY2002 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	6,990.1	6,990.1
Adjustments which get you to start of year:				
-AIDEA	0.0	0.0	9.3	9.3
Adjustments which will continue current level of service:				
-AIDEA	0.0	0.0	37.5	37.5
Proposed budget increases:				
-AIDEA	0.0	0.0	25.0	25.0
-Alaska Energy Auth Op & Maint	0.0	0.0	2.4	2.4
FY2002 Governor	0.0	0.0	7,064.3	7,064.3