

# **State of Alaska FY2002 Governor's Operating Budget**

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

## **Component: Alaska Industrial Development and Export Authority**

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### **Component Mission**

To create jobs through economic development and 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 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.

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.

### **Key Component Issues for FY2001 – 2002**

- Provide technical assistance and financing to help businesses diversify the economy in rural Alaska.
- Provide \$30 million in long term financing for business developments throughout Alaska by purchasing up to 80% of bank originated loans.
- Begin production of Alaska's first seafood manufacturing facility.

### **Major Component 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 construction on the \$125 million Alaska Seafood International manufacturing facility (ASI), and helped negotiate an organizational restructuring to provide short term operating capital. ASI is expected to restart production in January 2001. 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.

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.

## Statutory and Regulatory Authority

AS 44.88  
3 AAC 99

## Key Performance Measures for FY2002

**Measure: Create at least 250 new jobs for Alaskans in FY 2002 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.**

*(Revised from Legislature's FY2001 version.)*

### **Current Status:**

In FY 2000 AIDEA funded loan participations totaling approximately \$30 million, creating approximately 530 construction jobs and 295 new jobs.

### **Benchmark:**

No other state in the nation has a public development corporation identical to AIDEA.

### **Background and Strategies:**

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, and to own projects that promote economic development.

In FY 2002, AIDEA will purchase \$30.0 million in loan participations with financial institutions; and participate in or guarantee \$5.0 million in small rural loans.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment.

**Measure: Maintain a loan delinquency rate at or lower than the average loan delinquency rates of Alaskan banks.**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

In August 2000, AIDEA's delinquency rate on loan participations dropped to 0.71 percent. This is a lower delinquency rate than most banks average. This is down from a 1.47 percent delinquency rate for the previous fiscal year.

**Benchmark:**

Delinquency rates can not be directly controlled by AIDEA. Delinquency rates are more a result of the economy. However, though prudent business practices, AIDEA can make knowledgeable decisions on participating in loans that will help diversify Alaska's economy and create jobs for Alaskan.

**Background and Strategies:**

AIDEA will continue to carefully review all loan participation requests from banks to help insure that each business receiving the loan can produce adequate revenues to repay the loan and that AIDEA's loan portfolio remains strong.

AIDEA will monitor its loan portfolio monthly and work with businesses to help insure their loans are current.

AIDEA will insure its loan portfolio is diverse regionally and by industry sector.

**Measure: Annually AIDEA will provide a dividend to the State based on AIDEA's net income for the fiscal year two years before the year the dividend is to be paid (the "base year").**

*(Added by Legislature in FY2001 version.)*

**Current Status:**

Since the Dividend Program became law in 1996, AIDEA has provided \$91.5 million to the General Fund in the form of a dividend.

**Benchmark:**

AIDEA's Dividend Program is unique to the agency.

**Background and Strategies:**

Through prudent business practices and a guiding investment policy, AIDEA will continue to produce net income, thereby allowing AIDEA to provide a dividend to the General Fund to fund other important programs.

**Status of FY2001 Performance Measures**

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> <li>• Create at least 350 new jobs for Alaskans by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.</li> </ul>			X		
<ul style="list-style-type: none"> <li>• Maintain a loan delinquency rate at or lower than the average loan delinquency rates of Alaskan banks</li> </ul>		X			
<ul style="list-style-type: none"> <li>• Provide a dividend to the General Fund</li> </ul>		X			

**Alaska Industrial Development and Export Authority**  
**Component Financial Summary**

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,154.0	4,131.0	4,193.5
72000 Travel	47.6	68.2	68.2
73000 Contractual	1,268.2	1,510.0	1,519.3
74000 Supplies	19.3	38.9	38.9
75000 Equipment	31.6	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
<b>Expenditure Totals</b>	<b>3,520.7</b>	<b>5,763.6</b>	<b>5,835.4</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	319.5	1,961.5	1,977.2
1102 Alaska Industrial Development & Export Authority Receipts	3,201.2	3,802.1	3,858.2
<b>Funding Totals</b>	<b>3,520.7</b>	<b>5,763.6</b>	<b>5,835.4</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<b>Unrestricted Revenues</b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	319.5	1,961.5	1,961.5	1,977.2	1,977.2
AK Industrial Dev. Export Auth. Receipts	51406	3,201.2	3,802.1	3,802.1	3,858.2	3,858.2
<b>Restricted Total</b>		<b>3,520.7</b>	<b>5,763.6</b>	<b>5,763.6</b>	<b>5,835.4</b>	<b>5,835.4</b>
<b>Total Estimated Revenues</b>		<b>3,520.7</b>	<b>5,763.6</b>	<b>5,763.6</b>	<b>5,835.4</b>	<b>5,835.4</b>

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

None.

**Summary of Component Budget Changes**  
**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>
<b>FY2001 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>5,763.6</b>	<b>5,763.6</b>
<b>Adjustments which get you to start of year:</b>				
-Update Executive Administration and Support Cost Allocation Plan	0.0	0.0	9.3	9.3
<b>Adjustments which will continue current level of service:</b>				
-Year 2 Labor Costs - Net Change from Fy 2001	0.0	0.0	37.5	37.5
<b>Proposed budget increases:</b>				
-Engineering Staff Reclassification Increment	0.0	0.0	25.0	25.0
<b>FY2002 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>5,835.4</b>	<b>5,835.4</b>

## Alaska Industrial Development and Export Authority

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	61	61	Annual Salaries	3,265,500
Part-time	0	0	COLA	77,958
Nonpermanent	0	0	Premium Pay	38,272
			Annual Benefits	1,045,659
			<i>Less 5.28% Vacancy Factor</i>	<i>(233,889)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>61</b>	<b>61</b>	<b>Total Personal Services</b>	<b>4,193,500</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	5	0	0	0	5
Accounting Technician	4	0	0	0	4
Admin Assistant	1	0	0	0	1
Administrative Assistant	5	0	0	0	5
Administrative Clerk II	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 Credit	1	0	0	0	1
Deputy Director Finance	1	0	0	0	1
Development Spec I	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	2	0	0	0	2
Financial & Legal Affairs Mgr	1	0	0	0	1
Loan Officer II	2	0	0	0	2
Loan Servicing Officer	1	0	0	0	1
Loan Servicing Technician II	3	0	0	0	3
Microcomputer/Network Spec	1	0	0	0	1
Operations Manager	1	0	0	0	1
PCE Program Administrator	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Project Assistant	3	0	0	0	3
Project Development Manager	1	0	0	0	1
Project Manager	1	0	0	0	1
Project Manager I	2	0	0	0	2
Project Manager II	2	0	0	0	2
Receptionist	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 I	1	0	0	0	1
Technical Engineer II	2	0	0	1	3
Tehnical Engineer I	1	0	0	0	1
<b>Totals</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>61</b>