

**CS FOR HOUSE BILL NO. 388(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

**BY THE HOUSE RESOURCES COMMITTEE**

**Offered: 4/9/24**

**Referred: Finance**

**Sponsor(s): HOUSE RESOURCES COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to state loans for oil and gas development projects in the Cook Inlet**  
2 **sedimentary basin; relating to the creation of subsidiaries by the Alaska Industrial**  
3 **Development and Export Authority; relating to the Cook Inlet reserve-based lending**  
4 **fund and the payment of dividends from the fund; relating to a report to the legislature**  
5 **related to oil and gas development projects in the Cook Inlet sedimentary basin; and**  
6 **providing for an effective date."**

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

8 **\* Section 1.** AS 44.88.088(a) is amended to read:

9 (a) The authority shall adopt a policy for payment of a dividend from the  
10 revolving fund, the Alaska Industrial Development and Export Authority sustainable  
11 energy transmission and supply development fund (AS 44.88.660), [AND] the Arctic  
12 infrastructure development fund (AS 44.88.810), **and the Cook Inlet reserve-based**  
13 **lending fund (AS 44.88.850)** to the state each fiscal year. The dividends for a fiscal

1 year shall be made available by the authority before the end of that fiscal year. The  
 2 authority shall notify the commissioner of revenue when the dividends for a fiscal year  
 3 are available for appropriation. The amount of the dividend payable from the

4 (1) revolving fund for a fiscal year may not be less than 25 percent nor  
 5 more than 50 percent of the net income of the revolving fund for the base fiscal year;  
 6 however, in no event [,] may the dividend payable from the revolving fund for a fiscal  
 7 year exceed the total unrestricted net income of the revolving fund for the base year;

8 (2) Alaska Industrial Development and Export Authority sustainable  
 9 energy transmission and supply development fund (AS 44.88.660) for a fiscal year  
 10 may not be less than 25 percent nor more than 50 percent of the net income of the  
 11 Alaska Industrial Development and Export Authority sustainable energy transmission  
 12 and supply development fund for the base fiscal year; however, the dividend payable  
 13 from the Alaska Industrial Development and Export Authority sustainable energy  
 14 transmission and supply development fund for a fiscal year may not exceed the total  
 15 unrestricted net income of the Alaska Industrial Development and Export Authority  
 16 sustainable energy transmission and supply development fund for the base year;

17 (3) Arctic infrastructure development fund (AS 44.88.810) for a fiscal  
 18 year may not be less than 25 percent nor more than 50 percent of the net income of the  
 19 Arctic infrastructure development fund for the base fiscal year; however, the dividend  
 20 payable from the Arctic infrastructure development fund for a fiscal year may not  
 21 exceed the total unrestricted net income of the Arctic infrastructure development fund  
 22 for the base year;

23 **(4) Cook Inlet reserve-based lending fund (AS 44.88.850) for a**  
 24 **fiscal year may not be less than 25 percent nor more than 50 percent of the net**  
 25 **income of the Cook Inlet reserve-based lending fund for the base fiscal year;**  
 26 **however, the dividend payable from the Cook Inlet reserve-based lending fund**  
 27 **for a fiscal year may not exceed the total unrestricted net income of the Cook**  
 28 **Inlet reserve-based lending fund for the base year.**

29 \* **Sec. 2.** AS 44.88.178 is amended to read:

30 **Sec. 44.88.178. Creation of subsidiaries.** The authority may create one or  
 31 more subsidiary corporations for the purpose of acquiring, constructing, owning,

1 operating, or financing a project financed **by the authority** [UNDER AS 44.88.172].  
 2 A subsidiary corporation created under this section may be incorporated under  
 3 AS 10.20.146 - 10.20.166. The authority may transfer assets of the authority to a  
 4 subsidiary created under this section. A subsidiary created under this section may  
 5 borrow money and issue bonds as evidence of that borrowing [,] and has all the  
 6 powers of the authority that the authority grants to it. Unless otherwise provided by the  
 7 authority, the debts, liabilities, and obligations of a subsidiary corporation created  
 8 under this section are not the debts, liabilities, or obligations of the authority.

9 \* **Sec. 3.** AS 44.88 is amended by adding a new section to read:

10 **Sec. 44.88.385. Cook Inlet oil and gas development projects; report.** The  
 11 authority shall evaluate oil and gas development projects that have the potential to  
 12 increase oil and gas production from the Cook Inlet sedimentary basin. Each year, the  
 13 authority shall prepare a report related to those oil and gas development projects and  
 14 shall, by the first day of each regular session of the legislature, deliver the report to the  
 15 senate secretary and the chief clerk of the house of representatives and notify the  
 16 legislature that the report is available. At the request of a legislative committee, a  
 17 representative of the authority shall appear in that committee to review the report. For  
 18 each oil and gas development project, the report must include

19 (1) a cost estimate for the project;

20 (2) the potential recoverable gas from the project; and

21 (3) the amount necessary to be appropriated to the Cook Inlet reserve-  
 22 based lending fund to finance the project.

23 \* **Sec. 4.** AS 44.88 is amended by adding a new section to read:

24 **Article 10A. Cook Inlet Reserve-Based Lending.**

25 **Sec. 44.88.850. Cook Inlet reserve-based lending fund.** (a) The Cook Inlet  
 26 reserve-based lending fund is established in the authority. The fund consists of  
 27 appropriations made to the fund by the legislature, money or other assets transferred to  
 28 the fund by a vote of the members of the authority under AS 44.88.050 from any other  
 29 fund controlled by the authority, and unrestricted loan repayments, interest, or other  
 30 income earned on loans, investments, or assets of the fund. The fund is not an account  
 31 in the revolving fund established in AS 44.88.060, and the authority shall account for

1 the fund separately from the revolving fund. The authority may create additional  
 2 accounts in the fund. Subject to agreements made with the holders of the authority's  
 3 bonds or with other persons, the authority may transfer amounts from an account in  
 4 the fund to another account in the fund. The authority may not transfer to another fund  
 5 in the authority amounts that were appropriated to the fund by the legislature.

6 (b) The authority may use money in the fund to make one or more reserve-  
 7 based loans to fund oil and gas development projects the authority considers necessary  
 8 to increase oil and gas production from the Cook Inlet sedimentary basin.

9 (c) The authority shall set the interest rate for a reserve-based loan under this  
 10 section. The interest rate may be less than the cost of funds to the authority. In this  
 11 subsection, "cost of funds" means earnings, expressed as an annual interest rate, the  
 12 authority would receive on a comparable financial security.

13 \* **Sec. 5.** AS 44.88.900 is amended by adding new paragraphs to read:

14 (20) "oil and gas development project" means a development project to  
 15 produce proven oil or gas reserves;

16 (21) "reserve-based loan" means a loan made against and secured by  
 17 an oil and gas field or undeveloped or developed oil and gas assets.

18 \* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).