

State of Alaska

Department of Revenue
Office of the Commissioner

Sponsor Statement for CS HB 338 (L&C) and CS SB 269(FIN)

The American Recovery and Reinvestment Act of 2009 authorized the issuance of certain tax-advantaged bonds known as recovery zone economic development bonds and recovery zone facility bonds and set a national volume limitation for recovery zone economic development bonds of \$10,000,000,000, and a national volume limitation for recovery zone facility bonds of \$15,000,000,000. The United States Secretary of the Treasury allocated the national volume limitation for those bonds among the states and the IRS allocated each state's volume among the counties and large municipalities in the state in proportion to relative employment declines in 2008. The Internal Revenue Service guidance relating to the allocation of recovery zone economic development bonds and recovery zone facility bonds provides that a county or large municipality may waive a portion of the volume cap allocation received for recovery zone bonds; upon a waiver, the state in which the county or large municipality is located is authorized to reallocate the waived volume cap in any reasonable manner as it shall determine in good faith in its discretion.

HB 338 and SB 269 define when a borough or census area to which recovery zone economic development bond volume cap and recovery zone facility bond volume cap have been allocated is considered to have waived the volume cap, and authorizes the Alaska Municipal Bond Bank Authority to reallocate waived recovery zone economic development bond volume cap and authorizes the Alaska Industrial Development and Export Authority to reallocate waived recovery zone facility bond volume cap. It also authorizes the State Bond Committee to reallocate tax credit and tax-exempt bond limitations for other programs authorized by the U.S. government.

The bill is necessary because the allocation methodology used by the IRS to allocate the volume cap under this program used census areas, not local government organizations with bonding authority, as the basis for allocation. Much of the bond volume given to areas of the state under the federal allocation could not be used without passage of this bill.

In addition to the reallocation of volume cap under ARRA, HB 338 and SB 269 make two changes to the Municipal Bond Bank statutes: 1. The total loan volume authorized for the Municipal Bond Bank is increased from \$750 million to \$1 billion. 2. The current restrictions on making loans to municipalities for hydroelectric projects and state leased buildings and equipment are removed.

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Sectional for CS HB 338 (L&C) and CS SB 269(FIN)

Section 1. Findings and intent.

Section 2. Gives the authority to reallocate tax credit and tax exempt bond limitations to the State Bond Committee

Section 3. Increases the total bond authority for the Alaska Municipal Bond Bank Authority from \$750 million to \$1 billion.

Section 4. Removes limitations on the Alaska Municipal Bond Bank related to financing certain power projects and equipment and building that are leased to the state.

Section 5. Waiver and allocation of volume cap for Recovery Zone Economic Development Bonds which allow local governments to issue bonds for a government capital projects and receive a 45% interest subsidy from the U.S. government. This will provide a significant cost savings for local governments and taxpayers. Reallocated by the Alaska Municipal Bond Bank Authority

Section 6. Waiver and allocation of volume cap for Recovery Zone Facility Bonds which allow for private sector projects to be financed with a 45% interest rate subsidy. Reallocated by Alaska Industrial Development and Export Authority.

Section 7. Revisor's instructions for technical title changes

Section 8. Immediate effective date.