

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: SB 88
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB088-DOR-TRS-04-01-13
Title: ALASKA NATIVE MEDICAL CENTER HOUSING
Sponsor: FINANCE
Requester: (S) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Services							
Travel	15.0						
Services	400.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	350.0		2,791.6	2,792.5	2,793.7	2,795.7	2,793.9
Total Operating	765.0	0.0	2,791.6	2,792.5	2,793.7	2,795.7	2,793.9

Fund Source (Operating Only)

1004 Gen Fund	350.0		2,791.6	2,792.5	2,793.7	2,795.7	2,793.9
1163 COP	415.0						
Total	765.0	0.0	2,791.6	2,792.5	2,793.7	2,795.7	2,793.9

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial note.

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Department of Revenue

Phone: (907)465-3750
Date: 04/01/2013 03:00 PM
Date: 04/01/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. SB 88

Analysis

The bill authorizes sale of \$35 million in certificates of participation (COP), that is a subject to appropriation obligation of the State of Alaska, to finance construction of a residential housing facility to serve the Anchorage campus of the Alaska Native Medical Center. The bill declares an intent for the project to be designed, constructed, operated, and maintained by the Alaska Native Tribal Health Consortium. This fiscal note and analysis contemplates 15-year level debt service, a 2.3% interest rate/true interest cost for the COPs, and state subject to appropriation credit ratings of AA+, AA+, and Aa1. The first payment would be interest only in FY14, at an estimated \$350,000, followed by 15 subsequent principal and interest payments approximately \$2.8 million. Following repayment of the COPs ownership of the facility would revert to the Alaska Native Tribal Health Consortium.

Additional financing assumptions include issuing tax exempt certificates of participation between July and September 2013, debt service beginning in FY14 with an interest payment and then principal and interest payments through 2029. Interest earnings on COP proceeds are estimated at \$150,000. Debt issuance costs, estimated at \$415,000, need to be included in the cost of the project. If interest rates go up by 1% the estimated cost of the financing would increase by \$315,000 per year.

It is anticipated that if current capital market conditions hold, the COPs will be issued with a structure generating original issue premium (funds that are generated due to the coupon rates on the COPs being higher than current yield requirements for a particular maturity). The structure and par amount of the COPs will be determined in consideration of any Original Issue Premium to result in the anticipated net deposit of \$35 million, after all costs of issuance are paid, to the project fund.

The operation of the facility will need to be conducted in a fashion that won't jeopardize the tax exempt nature of the COPs.