



Senator Lyman F. Hoffman

Senate Finance Committee - Co Chair

Alaska State Legislature • State Capital • Juneau, AK 99801-1182
Toll Free 1-866-465-4453 • (907) 465-4453 • Fax (907) 465-4523

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Tuluksak
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Tununak
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Sponsor Statement

SB 46

Muni Bond Bank loans to Regional Health Organizations

SB 46 provides Regional Health Organizations direct access to the Alaska Municipal Bond Bank (AMBB) for the purpose of issuing debt, in an amount not to exceed \$250 million. In 2014, the Legislature passed SB 218 which allows AMBB to issue bonds on behalf of the University of Alaska for their new power plant. This bill aims to accomplish the same results for Regional Health Care Organizations.

AMMB is a public corporation of the State of Alaska established to aid Alaska municipalities in financing capital improvement projects. AMBB generates funding by selling bonds on the national market, and using the proceeds to purchase bonds from local governments. AMBB leverages its credit ratings into lower interest rates than municipalities would be able to borrow independently. These municipalities then pay principal and interest to the Bond Bank on their debt. Utilization of the State's moral obligation pledge has not cost the State as every loan that the AMBB has entered into over the last 40 years has been paid.

Currently, regional health organizations have *indirect* access to the Bond Bank by partnering with a municipality to apply to the Bond Bank on a conduit basis. All non-profits that want to issue tax exempt debt in Alaska must do so through a municipality on a conduit basis. However, even though the debtor is not the municipality, not all municipal governments are willing to consider using the Bond Bank on the behalf of a local non-profit due to the complexity of the bonding process.

Benefits of Utilizing the Bond Bank

The Bond Bank has an excellent loan record with 100% of loans repaid and in conjunction with state support, has received "AA+" credit ratings from both Standard & Poor's Ratings Services and Fitch Ratings. Strong credit ratings allow the Bond Bank to borrow money at favorable interest rates. Smaller communities are at a disadvantage in the financial markets. They may have lower bond ratings, and although credit worthy, have not issued bonds or notes, have little outstanding debt, or lack investor familiarity. Over the last 10 years, the Bond Bank has saved Alaskan communities approximately \$112 million, and has secured

over \$1.5 billion dollars since inception to finance the construction of key projects; including schools, roads, utilities, harbors, hospitals, and other municipal facilities.

Yukon Kuskokwim Health Corporation (YKHC) Proposal

Regional health organizations in Alaska have been constructing new health infrastructure in coordination with the federal government's Indian Health Service's Joint Venture Construction Program (JVCP). JVCP is a competitive federal program whereby the regional health organization agrees to construct new health infrastructure and then the federal government will request additional staffing for the new facility from Congress.

Four JVCP projects have recently been built in Alaska. At this time, the federal government is considering two additional JVCP projects in Alaska, one of which is a large rural project with the Yukon-Kuskokwim Health Corporation headquartered in Bethel. YKHCs' project request was recently rated number one in the nation by the federal government out of thirty-seven other competitive JVCP applications.

YKHC is currently working with the federal government to renovate the existing Bethel hospital and construct a new primary care clinic costing approximately \$250 million. YKHC will pay for the construction. Federal standards call for Congress to fund approximately 200 new staff in relation to the cost of a construction project, which will also provide an economic opportunity in human capital for the region.

The JVCP will cost the State of Alaska no additional monies, and in fact the improvements are expected to save State funds. The JVCP will bring approximately 200 new permanent positions into Bethel region, paid for by the federal government. The JVCP will create hundreds of new construction jobs in Bethel and elsewhere, paid for by YKHC. The JVCP will improve access and quality of care for the residents of the entire Yukon-Kuskokwim Delta.

Construction in rural Alaska is expensive and therefore affordable financing becomes extremely important for large rural JVCP projects. For this large rural project to be affordable for YKHC, the low interest rates obtainable by the Bond Bank is necessary.

I request your support in passing this bill.