

SPONSOR STATEMENT FOR Senate Bill 54

"An Act authorizing and relating to the issuance of bonds by the Alaska Housing Finance Corporation for safe and clean water and hygienic sewage disposal facility capital projects and transportation projects; providing for the repayment of the bonds and bond costs; relating to the dividend paid to the state by the Alaska Housing Finance Corporation; and providing for an effective date."

Senate Bill 54 will authorize the Alaska Housing Finance Corporation (AHFC) to issue \$101,630,000 in tax-exempt capital project bonds to fund transportation and water and sewer projects and provide matching funds required by federal grant programs to build those projects.

SB 54 is similar to previous legislation that has passed into law that has authorized AHFC to sell bonds to support state capital project funding when the interest rate environment has been conducive to issuing bonds, as done through five previous legislative actions between 1996 and 2004.

The bonds would not be issued as debt of the State of Alaska and there would be no financial or credit impact to the State because AHFC is a legally independent corporation with its own general obligation credit ratings. Repayment of costs of the bonds by AHFC, including principal and interest, would be offset by a reduction in the annual AHFC dividend paid to the state. The methodology used to calculate the annual AHFC dividend to the state is established in AS 18.56.089(c).

The market is currently seeing interest rates at historic lows, which makes the timing good to capitalize future revenue streams for the benefit of today's needs. Annual debt service on the proposed bonds is dependent on future market rates and the structured amortization but is conservatively projected to be about \$6.9 million assuming a bond yield of 2.5% with a final maturity of 20 years.

The projects in the state capital budget to be funded in the Department of Transportation and Public Facilities and Department of Environmental Conservation are:

- | | |
|--|--------------|
| 1. Federal-Aid Highway State Match DOT State Wide Construction | \$71,200,000 |
| 2. Federal-Aid Aviation State Match DOT State Wide Construction | \$14,700,000 |
| 3. Village Safe Water and Wastewater Existing Service Infrastructure | \$9,438,000 |
| 4. Village Safe Water and Wastewater First Time Service Infrastructure | \$6,292,000 |

TOTAL: **\$101,630,000**