

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSHB 149(FIN)  
 (S) Publish Date: 4/27/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Private Prison in Kenai BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Representative Chenault  
 Requester: House Finance Component Number: 121

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	20.0	10.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>20.0</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match	20.0	10.0				
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>20.0</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750  
 Division: Treasury Date/Time April 10, 2001, 5 p.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 04/10/2001  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

**Department of Revenue**  
**Fiscal Note for CSHB 149(FIN) #4** April 10, 2001

This legislation authorizes the Department of Corrections to enter into an agreement with the Kenai Peninsula Borough to lease facilities for the confinement and care of prisoners. The lease would be for at least 20 years and provide at least 800 prison beds with no statutory limitation on cost of the facility or cost of prisoner care. The lease must provide for an agreement between the Kenai Peninsula Borough and a private third-party contractor to construct and operate the facility. The legislation provides no requirement in statute to use tax-exempt financing, no maximum lease term, no maximum annual lease payment amount, and no maximum project size in either dollars or number of prisoners to be housed at the facility.

Additional concerns that should be addressed in the legislation:

- No maximum capital expenditure for the facility is established.
- No maximum lease term is specified.
- No maximum lease payments are identified.

While the state's lease payments will be the security for the bonds, there is no specific provision in this legislation for the State Bond Committee to participate in structuring the financing. The state's credit is involved as purchasers of the bonds look to the underlying source of revenues for bond payments when determining risk. As the source of revenues will be the lease payments of the state to the borough, the "credit trail" leads to the state and its ability to make future lease payments. The foundation upon which the state has built credit ratings has been the centralized control of the state's credit through the State Bond Committee. To the extent we deviate from this policy, continued strong ratings of the state become more difficult to retain.

Accordingly, similar to the Anchorage jail transaction, it is anticipated that the State Bond Committee will actively participate in structuring the transaction with the Kenai Peninsula Borough. In addition to the staff travel costs stated in the fiscal note, it is anticipated that between \$50,000 and \$80,000 of bond proceeds (depending upon the size of the bond issue) would be used to pay the state's financial adviser, bond counsel and other expenses in this transaction.