

# FISCAL NOTE

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

Fiscal Note Number: 1  
 Bill Version: CSHB 191(FIN)  
 (H) Publish Date: 4/27/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Financing for Transportation Projects BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: House Finance  
 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 (Marketing & Selling Bonds)	20.0	10.0				
Contractual (Trustee/Paying Agent)	21.0	20.0	20.0	20.0	20.0	20.0
Supplies	1.0					
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		3,209.5	6,062.5	6,059.3	6,052.0	6,042.3
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>3,239.5</b>	<b>6,082.5</b>	<b>6,079.3</b>	<b>6,072.0</b>	<b>6,062.3</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 (FHWA)		1,609.5	4,062.5	4,559.3	5,052.0	6,042.3
1003 GF Match						
1004 GF	42.0	30.0	20.0	20.0	20.0	20.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Project Fund Investment Earnings		1,600.0	2,000.0	1,500.0	1,000.0	0.0
<b>TOTAL</b>	<b>42.0</b>	<b>3,239.5</b>	<b>6,082.5</b>	<b>6,079.3</b>	<b>6,072.0</b>	<b>6,062.3</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 page

Prepared by: Deven Mitchell, Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time April 25, 2001, 9 a.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 04/25/2001  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

## **Department of Revenue Fiscal Note and Bill Analysis**

### **HB 191 - FN#1 – April 25, 2001**

#### **BOND ISSUE**

This legislation authorizes the State Bond Committee to issue \$58.365 million in bonds for \$56 million in transportation projects statewide and to cover the costs of issuing the bonds and six months of capitalized interest on the bonds. The bonds will be secured by leases entered into by the Alaska Department of Transportation and Public Facilities. The bonds will be structured to allow, subject to annual appropriation, the total repayment of this obligation through a combination of federal funds and investment earnings on bond proceeds. However, the bonds will carry the moral obligation pledge of the general fund and payment of debt service will be expected regardless whether investment earnings or federal revenues are realized.

Assuming an interest cost of 5.75% (approximately 1% above April 2001 rates), an issue date of October 1, 2001, six months of capitalized interest (paying the first interest payment with principal), no principal payment in the first two years, and 15 annual principal payments, the debt service levels out at approximately \$6 million in FY 04. Final maturity on the bonds will occur on October 1, 2016.

#### **STATE MATCH ANALYSIS**

The state's annual 9.1% match for debt service if paid on an annual basis would be approximately \$3.9 million, or cumulatively \$7.96 million. The Federal Highway Administration allows issuers to pay their match obligation earlier and receive a present-value credit for the payment (a payment today is worth more than a payment in the future, thus the state's cumulative-match requirement becomes smaller in nominal dollars if paid earlier).

The state has received verbal approval from the Federal Highway Administration for this concept of using investment earnings to satisfy state match on a present-value basis, but we haven't received final approval for the concepts or financing mechanism. A TE-045 application for innovative financing will need to be approved by the Federal Highway Administration for the final structure of this issuance.

#### **PLAN OF FINANCE**

All \$58.365 million in authorized bonds will be issued as quickly as possible. Assuming the legislation is approved, a closing date of October 1, 2001 is anticipated. All funds will be invested until expended.