FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 524(FIN)
(H) Publish Date: 5/3/02

Revision Date/Time (Note if correction):
Title: General Obligation Bonds: Schools and State Facilities
Sponsor: House Finance Committee
Requester: House Finance Committee

Dept. Affected: Revenue
BRU: Revenue Operations
Component: Treasury Division
Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Personal Services						
Travel		15.0				
Contractual		525.2	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		11,780.5	11,779.6	11,780.9	11,780.2	11,782.9
TOTAL OPERATING		**12,320.7**	**11,794.6**	**11,795.9**	**11,795.2**	**11,797.9**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		11,785.5	11,794.6	11,795.9	11,795.2	11,797.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		535.2				
TOTAL		**12,320.7**	**11,794.6**	**11,795.9**	**11,795.2**	**11,797.9**

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

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

This legislation authorizes the issuance of $152,914,583 in general obligation bonds to pay for the cost of design, construction and maintenance of public schools and state facilities.

If approved by the legislature this session, the proposal would be on the November 2002 general election ballot for voter authorization. Assuming voter approval, the intent is to issue the $152,914,583 of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sales based on project demand and market conditions. As much as $535,201 of the bond issue will be used to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial adviser and bond counsel fees.

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Division: Treasury Division
Date/Time 5/3/02 8:45 AM

Approved by: Larry Persily, Deputy Commissioner
Date 05/03/2002
Agency: Department of Revenue

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ANALYSIS CONTINUATION

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at $760,000.

Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately $11.8 million per year beginning in FY2004. If this rate increases by 1% prior to selling bonds, the annual cost would increase to $13.0 million.