

# FISCAL NOTE

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

Fiscal Note Number: 1  
 Bill Version: SB 122  
 (S) Publish Date: 2/28/01

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Accelerated Transportation Initiative BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Rules Committee  
 Requester: Governor 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		24,774.5	42,565.8	42,536.6	42,505.9	42,457.0
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>24,804.5</b>	<b>42,585.8</b>	<b>42,556.6</b>	<b>42,525.9</b>	<b>42,477.0</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 (FHWA)			13,530.0	38,241.0	42,028.5	42,457.0
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		24,774.5	29,035.8	4,295.6	477.4	0.0
<b>TOTAL</b>	<b>42.0</b>	<b>24,804.5</b>	<b>42,585.8</b>	<b>42,556.6</b>	<b>42,525.9</b>	<b>42,477.0</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 Division Date/Time 02/27/2001 2 p.m.  
 Approved by: Larry Persily, Deputy Commissioner Date Feb. 27, 2001  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

## **BOND ISSUE**

Authorizes the State Bond Committee to issue \$442.9 million in bonds for transportation projects statewide, 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 state General Fund, and payment of debt service will be expected regardless whether investment earnings or federal revenues are realized.

Assuming an interest cost of 5.85% (approximately 1% above rates on Feb. 21, 2001), an issue date of Oct. 1, 2001, six months of capitalized interest (paying the first interest payment with principal), no principal payment in the first two years, and 16 annual principal payments, the annual debt service would level out at approximately \$42.4 million in Fiscal Year 2004. Final maturity on the bonds will occur on Oct. 1, 2018.

## **STATE MATCH ANALYSIS**

The state's 9.1% match for debt service if paid on an annual basis would be approximately \$3.9 million, or cumulatively \$63.8 million. The Federal Highway Administration allows issuers to pay their match obligation earlier and receive a present value credit for the payment. Because a payment today is worth more than a payment in the future, the state's cumulative match requirement becomes smaller in nominal dollars if paid earlier. Based on analysis of the proposed debt issuance, the state will have exceeded the match requirement by over \$4.6 million after Oct. 1, 2003, with cumulative payments of \$47.7 million, and by over \$13.5 million at the end of the construction period.

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 concept or the 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 \$442.9 million in authorized bonds will be issued as quickly as possible. Assuming the legislation is approved, a closing date of Oct. 1, 2001 is anticipated. The project cash flows then draw funds during the following construction period of almost five years. All funds will be invested until expended. It is projected that the earnings of the fund will exceed state match requirements by over \$13.5 million by the end of construction, with cumulative earnings of \$58.5 million.