

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB372  
 (S) Publish Date: 5/8/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Transportation Bonds BRU Revenue Operations  
 Component Treasury Division  
 Sponsor Senate Transportation  
 Requester Senate Transportation 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		550.5	15.0	15.0	15.0	15.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		14,417.2	14,417.6	14,417.7	14,414.1	14,417.3
<b>TOTAL OPERATING</b>		<b>14,982.7</b>	<b>14,432.6</b>	<b>14,432.7</b>	<b>14,429.1</b>	<b>14,432.3</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						
1003 GF Match						
1004 GF		14,422.2	14,432.6	14,432.7	14,429.1	14,432.3
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		560.5				
<b>TOTAL</b>		<b>14,982.7</b>	<b>14,432.6</b>	<b>14,432.7</b>	<b>14,429.1</b>	<b>14,432.3</b>

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 \$160,130,000 in general obligation bonds to pay for transportation projects statewide.

If the legislature approves this measure, the proposal would be included on the ballot for voter authorization in November 2002. Assuming voter approval, the intent is to issue the full \$160.1 million of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sale based on project demand and market conditions. As much as \$565,500 of the bond issue would be used to pay the costs of issuing the bonds including rating agency fees, printing, public notices, travel, financial adviser fees and bond counsel fees.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time 5/7/02 9:22 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 5/7/2002  
 Agency: Department of Revenue

**FISCAL NOTE #1**

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**BILL NO. SB372**

**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 \$800,650.

Assuming an interest rate of 4.65% (approximately 25 basis points higher than current rates), and a 15-year term, the annual debt service would be approximately \$14.4 million per year beginning in FY 2004. If this rate deteriorates by 1% prior to selling bonds, the annual cost would increase to \$15.7 million.

The projects listed in the bill are eligible to have debt service paid from Federal Highway Receipts of the State of Alaska. However, there is no language indicating that this option would be used. Rather, it appears that the bonds would be an additional use of approximately \$230.6 million in general fund dollars for debt service (in addition to the current general fund match to federal dollars) for transportation projects in the state.