

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 121  
 (S) Publish Date: 2/28/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title State of Alaska Capital Corporation RDU State of Alaska Capital Corporation  
 Component \_\_\_\_\_  
 Sponsor Rules Committee  
 Requester Request of the Governor Component No. 121

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

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	10.0					
Contractual	6,700.0	100.0	100.0	100.0	100.0	100.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	9,782.9	39,764.0	36,490.4	36,354.4	36,400.6	36,460.5
<b>TOTAL OPERATING</b>	<b>16,492.9</b>	<b>39,864.0</b>	<b>36,590.4</b>	<b>36,454.4</b>	<b>36,500.6</b>	<b>36,560.5</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						
1005 GF/Program Receipts						
Bond Proceeds	6,700.0					
Alaska Capital Income Account and Earnings on Fund Balance	9,792.9	39,864.0	36,590.4	36,454.4	36,500.6	36,560.5
<b>TOTAL</b>	<b>16,492.9</b>	<b>39,864.0</b>	<b>36,590.4</b>	<b>36,454.4</b>	<b>36,500.6</b>	<b>36,560.5</b>

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

The bill creates the State of Alaska Capital Corporation which will enter into operating agreements that will provide annual appropriations equal to the annual available fund balance in the Alaska Capital Income Account. This stream of payments will be leveraged into up to \$350 million in bond proceeds that will be placed into a construction fund to pay for capital improvements and costs of issuing bonds.

The Corporation will enter into flexible payment operating agreements that will provide the ability to appropriate fund balance in the Alaska Capital Income Account to the Corporation. As fund balance fluctuates with volatility, appropriated operating agreement payments will also fluctuate.

Prepared by: Deven Mitchell, Debt Manager Phone \_\_\_\_\_  
 Division: Treasury Date/Time 2/11/05 8:39 AM  
 Approved by: Jerry Burnett, Special Assistant to the Commissioner Date 2/11/2005  
 Agency: Department of Revenue

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### ANALYSIS CONTINUATION

The corporation will leverage the flexible payment operating agreements through the issuance of flexible amortization bonds. The flexible amortization bonds will provide the ability to manage possible volatility in available fund balance in the Alaska Capital Account. A minimum annual payment amount will be established through a 40 year interest only payment schedule with a 40 year balloon principal payment. The actual annual payment will be based on available appropriations to the corporation, and as excess funds are received principal will be retired.

Annual amount available for appropriation in this fiscal note are based on the projected realized return rate of 7.61% on funds from fiscal year 2005 through fiscal year 2016. At this level of realized earnings the annual appropriation to the corporation will be \$33,525,656. All available fund balance in the Alaska Capital Income Account will be requested for appropriation by the corporation on an annual basis. The actual account balance is expected to vary from year to year, but the assumption of an average annual realized return rate of 7.61% is below the last 20 year average of 8.94%.

Although only \$9.8 million in expenditures funded from the Alaska Capital Income Account in fiscal year 2005 and 2006 the corporation will receive an appropriation for the available fund balance in the account in both 2005 and 2006. The balance of the appropriation will be used to fund structural enhancements including a debt service reserve fund equal to ten percent of par on outstanding bonds, and revenue fund balance equal to the upcoming year's nominal interest payment.

The \$6.6 million in contractual costs in fiscal year 2006 will fund costs associated with creating the structure for and issuing the bonds of the corporation. These costs will include underwriters, financial advisor, bond counsel, rating agencies, publishing, advertising, and other associated expenses of the corporation. The annual \$100,000 increment will fund annual operation and accounting costs of the corporation.