

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 218(FIN)
 Fiscal Note Number: 3
 (S) Publish Date: 4/9/14

Identifier: SB218-DOR-AMBBA-04-02-14
 Title: AK MUNICIPAL BOND BANK AUTHORITY
 Sponsor: FINANCE
 Requester: Senate Finance Committee

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Treasury Division
 OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services			2.0	4.0	6.0	8.0	10.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Fund Source (Operating Only)

1104 AMBB Rcpts			2.0	4.0	6.0	8.0	10.0
Total	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version

Prepared By:	Pam Leary, Director	Phone:	(907)465-3751
Division:	Treasury	Date:	04/02/2014 11:40 AM
Approved By:	Angela Rodell, Commissioner	Date:	04/02/14
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS #3

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 218(FIN)

Analysis

The bill has three primary components comprised of increasing the bonding limit of the Bond Bank by \$500 million, allowing the Bond Bank to make loans of up to \$150 million to the University for heating or energy projects, and allowing any earnings of the Bond Bank to be retained by the Bond Bank. The fiscal impact included in this note are due to the potential increased trustee and paying agent costs from a larger bond portfolio in the forecast period.

The Bill increases the Bond Bank's borrowing limit from \$1 billion to \$1.5 billion. Following the last Bond Bank bond sale there was \$908 million of bonds outstanding, leaving a remaining authority of \$92 million for additional community loans. Current applications of the Bond Bank exceed \$80 million and it is anticipated that the \$1 billion cap would be reached in the next 12-18 months. The increased cap will allow the Bond Bank to continue to operated and save the communities and state interest expense with no change in current operating cost.

The Bill allows a loan of up to \$150 million to the University. The University is a political subdivision of the State of Alaska that will benefit from the higher credit ratings and security structuring flexibility that the Bond Bank offers. The additional borrowing will be integrated into the bond issues that the Bond Bank otherwise would undertake in the normal course of business.

The Bill provides for the Bond Bank's retention of any investment earnings in excess of operating costs. The Bond Bank must currently account for two categories of assets in determining what amounts must be annually remitted to the State. This accounting has become relatively complex over the years. Over the course of the last 7 years the Bond Bank has received an annual appropriation of any investment earnings in excess of operating costs. Over the last three years there were no excess investment earnings. Given the continued low interest rate environment at the short end of the yield curve here are no anticipated earnings over the forecast period at this time. This change will diminish the Bond Bank's cost of compiling our financial statements.