

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HCS CSSB 218(FIN)
Fiscal Note Number: 4
(H) Publish Date: 4/19/14

Identifier: SB218HCSCS(FIN)-DOR-AMBBA-04-19-14
Title: MUNI BOND BANK; UAF HEAT & PWR PLANT
Sponsor: FINANCE
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Alaska Municipal Bond Bank Authority
Allocation: AMBBA Operations
OMB Component Number: 108

Expenditures/Revenues

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

| | FY2015 Appropriation Requested | Included in Governor's FY2015 Request | Out-Year Cost Estimates | | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|-------------|---------|
| | | | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| OPERATING EXPENDITURES | | | | | | | | |
| 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 | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

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If yes, by what date are the regulations to be adopted, amended or repealed?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:

| |
|--------------------------|
| Updated to CS verison P. |
|--------------------------|

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|---|----------------------------------|
| Prepared By: <u>Pam Leary, Director</u> | Phone: <u>(907)465-3751</u> |
| Division: <u>Treasury</u> | Date: <u>04/19/2014 05:00 PM</u> |
| Approved By: <u>Angela Rodell, Commissioner</u> | Date: <u>04/19/14</u> |
| Agency: <u>Department of Revenue</u> | |

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS 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 \$87.5 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.