

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version:	CSHB 331(FIN)
Fiscal Note Number:	4
(H) Publish Date:	5/2/2018

Identifier: DOR-TREASURY-4-27-18  
Title: TAX CREDIT CERT. BOND CORP; ROYALTIES  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance Committee

Department: Department of Revenue  
Appropriation: Administration and Support  
Allocation: Commissioner's Office  
OMB Component Number: 123

## Expenditures/Revenues

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

	FY2019 Appropriation Requested	Included in Governor's FY2019 Request	Out-Year Cost Estimates					
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>OPERATING EXPENDITURES</b>								
Personal Services			***	***	***	***	***	***
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous	737,900.0							
<b>Total Operating</b>	<b>737,900.0</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

## Fund Source (Operating Only)

1178 temp code (UGF)	737,900.0							
<b>Total</b>	<b>737,900.0</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

## Positions

Full-time								
Part-time								
Temporary								

## Change in Revenues

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2019) 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If yes, by what date are the regulations to be adopted, amended or repealed?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/comments:

New fiscal note added for House Finance, to authorize Commissioner of Revenue to use bond proceeds to purchase participating tax credit certificates.

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Approved By: Mike Barnhill  
Agency: Department of Revenue

Phone: (907)465-8221  
Date: 04/27/2018  
Date: 04/27/18

**REPORTED OUT OF  
HFC 05/02/2018**

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

## Analysis

The legislation creates the Alaska Tax Credit Certificate Bond Corporation "the Corporation," a new state corporation empowered to sell up to \$1 billion in bonds for the purpose of repurchasing outstanding oil and gas tax credit certificates, it establishes rules and criteria by which to determine the value of those certificates, and enables the department to make an offer to purchase the certificates at the authorized value. The bonds of the Corporation will be secured by a subject to appropriation pledge of the State to make the debt service payments. When the bonds are sold the annual payment amount of the State will be finalized and embedded in a Funding Agreement which will be a subject to appropriation contractual commitment between the Corporation and the Department of Revenue.

This fiscal note appropriates bond proceeds to the Commissioner of Revenue so that the Commissioner may purchase participating tax credit certificates under the program created by the bill. The estimated appropriation amount of \$737.9 million is derived from the table below which estimates the maximum amount of bond proceeds for FY2019 assuming all eligible credit holders participate and obtain the lower discount rate resulting in the largest possible payment.

Expected Bond Payments (all values in \$millions)		Year	Initial Balance	Interest	Principal	Annual Payment	Ending Balance
			FY19	\$745.3	\$27.0	\$0.0	\$27.0
	FY20	\$745.3	\$27.0	\$0.0	\$27.0	\$745.3	
Total Credits Repurchased	\$ 807.0	FY21	\$745.3	\$27.0	\$34.7	\$61.7	\$710.6
Annual Discount Rate	5.12%	FY22	\$710.6	\$25.7	\$66.1	\$91.8	\$644.5
Amount Paid with Discount	\$ 737.9	FY23	\$644.5	\$23.3	\$89.9	\$113.2	\$554.6
Financing Cost	\$ 7.4	FY24	\$554.6	\$20.1	\$103.2	\$123.3	\$451.4
Total Bonds Issued	\$ 745.3	FY25	\$451.4	\$16.3	\$106.9	\$123.2	\$344.5
Bond Interest Rate	3.62%	FY26	\$344.5	\$12.5	\$110.8	\$123.3	\$233.7
		FY27	\$233.7	\$8.5	\$114.8	\$123.3	\$118.9
		FY28	\$118.9	\$4.3	\$118.9	\$123.2	\$0.0