

# Fiscal Note

State of Alaska  
2018 Legislative Session

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

Identifier: DOR-TREASURY-4-12-18  
Title: TAX CREDIT CERT. BOND CORP; ROYALTIES  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: House Finance Committee

Department: Debt Service  
Appropriation: Oil & Gas Tax Credits Financing  
Allocation: Oil&Gas Tax Credits Financing  
OMB Component Number: 3211

## 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	27,000.0							
<b>Total Operating</b>	<b>27,000.0</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

## Fund Source (Operating Only)

1004 Gen Fund (UGF)	27,000.0							
<b>Total</b>	<b>27,000.0</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If yes, by what date are the regulations to be adopted, amended or repealed?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, due to removal of bond interest from the operating budget.

Prepared By: Ken Alper, Director and Deven Mitchell, Debt Manager  
Division: Tax Division/Treasury Division  
Approved By: Mike Barnhill  
Agency: Department of Revenue

Phone: (907)465-8221  
Date: 04/12/2018 04:00 PM  
Date: 04/13/18

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

Control Code: hucVK

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB 331

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. The bill 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 funds for FY2019 to make the estimated first debt service payment on the initial bond offering. The appropriated funds will be deposited into the Debt Service Fund within the Reserve Fund created by Sec. AS 37.18.040 of the bill. The \$27 million estimate for FY 2019 is based on the largest possible need if all \$807 million of outstanding credits participate, and all obtain the reduced annual discount rate, estimated at 5.1%, from their face value. Should less than the full \$27 million be needed for FY19 interest payments, the balance will lapse. Given the uncertainty about actual participation and the final discount rates, the future years are listed as indeterminate. There will be up to three additional bond offerings for the estimated \$150 million of cashable tax credits expected to be approved before the sunset of the Corporation's ability to issue bonds in 2021. For future budget cycles, the administration will seek appropriations for the Funding Agreement and debt service payments based on the actual bonds existing at that time combined with projections for any additional bonds to be issued.

The Corporation's costs of issuing the bonds including bond counsel, financial advisor, printing, cusips, rating agencies, and other miscellaneous costs will be funded from bond proceeds. Ongoing administrative monitoring and disclosure, paying agent, and arbitrage rebate costs will require annual appropriation once established.

Estimated Maximum Case Bond Payments for the first issuance of bonds of the Corporation are shown below:

Expected Bond Payments		Year	Initial Balance	Interest	Principal	Annual Payment	Ending Balance
(all values in \$millions)		FY19	\$745.3	\$27.0	\$0.0	\$27.0	\$745.3
		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