

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	CSHB 268(FIN)
Fiscal Note Number:	1
(H) Publish Date:	3/18/2020

Identifier: HB268-UA-SYSBRA-3-7-2020
 Title: MUNI BOND BANK: UA, LOAN AND BOND LIMITS
 Sponsor: LEBON
 Requester: (H) FINANCE

Department: University of Alaska
 Appropriation: University of Alaska
 Allocation: Budget Reductions/Additions - Systemwide
 OMB Component Number: 1296

Expenditures/Revenues

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

	FY2021 Appropriation Requested	Included in Governor's FY2021 Request	Out-Year Cost Estimates				
			FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
OPERATING EXPENDITURES	***	***	***	***	***	***	***
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2020) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2021) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? N
(Supplemental/Capital/New Fund - 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? N
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version

Prepared By: Miles Baker, AVP Government Relations
 Division: University of Alaska
 Approved By: Michelle Rizk, VP University Relations
 Agency: University of Alaska

Phone: (907)463-3086
 Date: 03/07/2020
 Date: 03/07/20

REPORTED OUT OF
HFC 03/18/2020

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION**Analysis**

This legislation expands the Alaska Municipal Bond Bank Authority's (AMBBA) bonding and lending authority relative to the University of Alaska (UA). Currently, the AMBBA may provide loans to the University of Alaska, but those loans are limited to heating or energy capital projects, and the total principal of those notes and bonds may not exceed \$87.5 million. This legislation would remove the heating and energy project restriction, and raise the not to exceed amount to \$500.0 million. UA has the authority to issue debt in its own name pursuant to AS14.40.040 and AS14.40.253. This legislation would not modify those statutory provisions.

AMBBA currently has strong credit ratings and an excellent leading record. As a consequence, AMBBA is generally able to borrow money at lower interest rates than UA. Last year, Moody's and Standard & Poor's, downgraded UA's credit rating following significant reductions in the university's state operating appropriation, and consecutive years of enrollment declines. In July, Moody's downgraded UA's credit rating three notches (A1 to Baa1) with a negative outlook, and in October, Standard & Poor's lowered by one notch (AA- to A+) with a stable outlook.

UA has no immediate plans for new borrowing or debt issuance, and is therefore submitting an indeterminate fiscal note. However, if AMBBA's interest rates remain more favorable than UA's, this legislation could provide an opportunity within the next several years, for UA to refinance existing debt and generate operating cost savings.

For illustration purposes: the interest rate differential on 3/5/20 for a 30-year, \$50 million bond issuance was approximately 0.154%. This would provide an interest cost savings to UA of approximately \$50,000 per year, or \$1.5 million over the life of the bonds. If interest rates raise, and UA and AMBBA credit ratings remain unchanged, there could be more benefit to UA.