

Fiscal Note

State of Alaska
2020 Legislative Session

Bill Version:	CSHB 268(FIN)
Fiscal Note Number:	2
(H) Publish Date:	3/18/2020

Identifier: HB268-DOR-TREAS-3-6-2020
 Title: MUNI BOND BANK: UA, LOAN AND BOND LIMITS
 Sponsor: LEBON
 Requester: House Finance

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)

	FY2021	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2021 Request	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
OPERATING EXPENDITURES	FY 2021	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Personal Services							
Travel	10.0		10.0	5.0	5.0	5.0	5.0
Services	350.0		350.0	350.0	350.0	350.0	350.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	360.0	0.0	360.0	355.0	355.0	355.0	355.0

Fund Source (Operating Only)

1007 I/A Rcpts (Other)	360.0		360.0	355.0	355.0	355.0	355.0
Total	360.0	0.0	360.0	355.0	355.0	355.0	355.0

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? no
(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? no
 If yes, by what date are the regulations to be adopted, amended or repealed?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: Deven Mitchell, Executive Director
 Division: Alaska Municipal Bond Bank Authority
 Approved By: Brad Ewing, Administrative Services Director
 Agency: Office of Management and Budget

Phone: (907)465-3750
 Date: 03/06/2020
 Date: 03/06/20

REPORTED OUT OF
HFC 03/18/2020
Control Code: exvzE

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2020 LEGISLATIVE SESSION

Analysis

HB268 broadens the Alaska Municipal Bond Bank Authority's (Bond Bank) ability to make loans to the University of Alaska and to regional health organizations. The Bond Bank is currently limited to lending to the University for power and heat projects only and the bill will expand that authority to any purpose the University is allowed to borrow. The primary object is to lower the cost of refinancing outstanding University bonds. The bill also broadens the authority of the Bond Bank to lend to regional health organizations by eliminating the project financing limit of 49 percent, the project funding limit of \$102,500.0 and increasing the total lending authority from \$205,000.0 to \$500,000.0. The Bond Bank's participation in regional health organization loans since the ability to lend to them was created in 2015 has totaled \$144,800.0 and produced savings by reducing borrowing interest rate of over \$65,300.0.

To the extent bonds are issued based on this legislation, they are and will be moral obligations of the State of Alaska. In the event of a default by the University or a regional health organization that participates in this program the State of Alaska would be asked to provide for that debt service, and if the State failed to act on that request a loss of market access, impacts on investor confidence and current credit rating would be expected.

The statutes will continue to require that the Commissioner of The Department of Health and Social Services anticipate a state financial benefit and increase in the regional quality of care for a regional health organization loan request to be considered by the Bond Bank. This provision generates additional state analysis of any proposed project and recognition of both financial and health care benefit to Alaska.

The bill creates a new Bond Bank lending limit in the principal amount of not to exceed \$500,000.0 to regional health consortiums.

Bond Bank costs were derived by assuming that approximately \$100,000.0 of bonds would be issued based on this authorization over the course of the next five years. The Bond Bank anticipates incurring travel costs of up to \$10.0 in FY 2021 and 2022 as the program awareness increases and project finance meetings are required and then approximately \$5.0 per year thereafter. There will also be a need to travel to meet with rating analysts, potential investors, and finance team members in the promotion and delivery of the program. Professional services of up to \$350.0 will be incurred in FY 2021 through FY 2026 as bond are issued. This amount includes an estimate of \$100.0 for a surety policy to meet the reserve requirement for the anticipated bond issues. The additional services will include fees to bond counsel, independent registered municipal advisor, rating agencies, preliminary and final official statement production, and investor presentation forum costs.

All costs incurred associated with the issuance of the bonds will be charged to the regional health organizations and University of Alaska and paid from the proceeds of the bond issues. If project financings are more rapid than anticipated or slower, the associated costs will flow to earlier or later years as they are 100 percent driven by bond issuance activity.