

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 93
Fiscal Note Number:	2
(H) Publish Date:	2/18/2021

Identifier: 2007-DOR-TREASURY-2-4-21
Title: G.O. BONDS: STATE INFRASTRUCTURE PROJECTS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

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)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2022	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services							
Travel	20.0						
Services	1,773.2						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	3,600.0		22,810.0	22,810.0	22,810.0	22,810.0	22,810.0
Total Operating	5,393.2	0.0	22,810.0	22,810.0	22,810.0	22,810.0	22,810.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)	3,620.0		22,810.0	22,810.0	22,810.0	22,810.0	22,810.0
1008 G/O Bonds (Other)	1,773.2						
Total	5,393.2	0.0	22,810.0	22,810.0	22,810.0	22,810.0	22,810.0

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 (FY2021) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2022) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? Yes
(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If yes, by what date are the regulations to be adopted, amended or repealed?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:

Initial Version.

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Agency: Office of Management and Budget

Phone: (907)465-3750
Date: 02/04/2021 12:00 AM
Date: 02/04/21

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

Analysis

The bill authorizes the issuance of a total of \$356,405,952 of general obligation bonds of the State of Alaska, of which \$354,632,788 is for project costs and up to \$1,773,164 is for the costs associated with issuing the bonds. The bonds would carry the full faith, credit and resources pledge of the state and must be ratified in a statewide election. This is the strongest form of credit pledge available to the state and accordingly results in the lowest interest rates for borrowed funds. If the bill is approved, Alaska voters would consider the proposition in a special election to be held in May 2021. If approved by voters, any proceeds of bonds issued will be placed in the state Infrastructure Project Fund created by this act.

This fiscal note assumes that the proposed projects will be eligible for tax-exempt financing. There may be adjustments to this assumption required after the state's bond counsel reviews the project list. To the extent projects are not tax-exempt eligible, financing costs will increase to Alternative Minimum Tax or taxable rates. Two key limits associated with tax-exempt bond issues are that an issuer must be able to track all funds, including any investment earnings on unspent proceeds, to final expenditure on an allowed public capital project and that all funds resulting from the bond issuance are expended within three years of the bond sale. Due to these limitations it is anticipated that the authorization would require careful state oversight of the proposed municipal projects and potentially require multiple bond issues. This fiscal note assumes a single bond sale that would close in July 2021 to provide funding as quickly as possible.

The current rate for a 20-year level amortization of Alaska general obligation bonds are at all-time lows and estimated below 2% for tax exempt bonds.

The costs associated with issuing bonds include rating agencies, bond counsel attorneys, financial advisors, marketing and disclosure services, administrative, trustee/paying agent, and printing/internet posting. It is estimated that these costs will be no more than .05% of the bonds issued, or a total of up to \$1,773,164 for the anticipated bond issuance. The bonds will be sold on a competitive basis where underwriters provide bids on a declared date and time and the basis of award is the proposal with the lowest yield/true interest rate that conforms to the bidding specifications. The yield/true interest cost calculation includes an underwriter's discount that is retained by the underwriting firm to facilitate the sale of the bonds. The state is indifferent to the underwriter's discount being high or low in comparison to other bids as it is the yield/true interest cost that determines the winning bid. Therefore, the underwriter's discount will not be included as a cost of issuing the bonds.

Fiscal year 2022 estimated costs include \$1,773,164 for the cost of issuance that will be funded by bond proceeds and \$20,000 general funds for travel associated with bond sales and \$3,600,000 general funds for first-year interest. Out-year debt service costs are estimated to be \$22,809,981 general funds based on current interest rates.