

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 127
Fiscal Note Number:	1
(H) Publish Date:	4/16/2021

Identifier: HB127-DOR-AMBBA-4-2-21
 Title: MUNI BOND BANK: UA, LOAN AND BOND LIMITS
 Sponsor: LEBON
 Requester: (H) Community and Regional Affairs

Department: Department of Revenue
 Appropriation: Alaska Municipal Bond Bank Authority
 Allocation: AMBBA Operations
 OMB Component Number: 108

Expenditures/Revenues

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

	FY2022	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2022 Request	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
OPERATING EXPENDITURES	FY 2022	FY 2022					
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)

1104 AMBB 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 (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? 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 If yes, by what date are the regulations to be adopted, amended or repealed?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.

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Division:	Alaska Municipal Bond Bank Authority	Date:	04/02/2021
Approved By:	Brian Fechter, Administrative Services Director	Date:	04/02/21
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

Analysis

HB 127 broadens the Alaska Municipal Bond 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 for which the University is otherwise allowed to borrow. The primary objective of the change is to lower the cost of financing any needed University projects. 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 \$102.5 million and increasing the total lending authority from \$205 million to \$500 million. Since the authority to lend to regional health organization was created in 2015 the Bond Bank has lent \$144.8 million and produced savings by reducing borrower interest rates of over \$65.3 million.

To the extent bonds are issued based on this legislation they will be moral obligations of the State of Alaska. This means that in the event the University or a regional health organization that borrows in this program were to default, the Bond Bank would request funding from the Legislature and Governor to pay their debt service. If the State failed to act on that request the municipal market would lose confidence in the State of Alaska as a credit.

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 an additional layer of state analysis of any proposed project.

For this fiscal note Bond Bank costs were derived by assuming that approximately \$100 million of bonds would be issued per year over the next five years. The Bond Bank anticipates incurring travel costs of up to \$10.0 in FY2022 and FY2023 as program awareness is generated and increases followed by approximately \$5.0 per year thereafter. Professional services of up to \$350.0 will be incurred in FY2022 through FY2027 as bonds are issued. Costs incurred may include a surety policy, financial advisor, bond counsel, rating agencies, trustee paying agent, and other services.

All costs incurred due to the issuance of bonds will be charged to the University or regional health organization, and paid from proceeds of their bond issue.

The estimates in this fiscal note will adjust based on realized demand and will go up or down according to potential borrower activity.