

HB

955

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 -- JUNEAU 99811

JAY S. HAMMOND, GOVERNOR

May 3, 1978

The Honorable Charles Parr
Chairman
House Health, Education &
Social Services Committee
Alaska State Legislature
State Capitol Building - Room 112
Juneau, Alaska

Re: House Bill No. 955

Dear Mr. Parr:

House Bill No. 955, an Act providing for the issuance of general obligation bonds in the amount of \$48,841,900 for the purpose of paying the cost of capital improvements for constructing, repairing, equipping, and upgrading school facilities, was introduced in the House on May 1, 1978 and was referred to the House Health, Education and Social Services Committee and the House Finance Committee.

The State's Bond Counsel, Mr. C. Richard Walker of Orrick, Herrington, Rowley and Sutcliffe has advised that general obligation bonds of the State and nearly all other state and local government bonds are issued in the denomination of \$5,000, the standard unit.

Using House Bill No. 955 as an example, according to Mr. Walker, this would result in issuing less than the total amount of bonds authorized or in issuing one odd bond in the denomination of \$1,900 along with 9,768 bonds in the usual denomination of \$5,000.

Issuing a bond in an odd denomination requires extra time, expense and confusion in connection with the preparation of the resolution, notice of sale, official statement and other documents relating to the bonds, the printing of one odd bond with all of its special coupons, and all of the accounting and paying activities.

On the other hand, it would be highly unusual to find an estimate of expenditures, used in connection with determining the principal amount of nearly a forty-nine million bond issue, that was within \$5,000 of being a perfectly precise estimate. Consequently, it is respectfully recommended that your Committee round off the principal amount of the proposed bond issue to the nearest \$5,000 and make an adjustment of one of the projects enumerated in the bill to conform with the adjustment.

Reference is made to Section 3 of the bill which provides in part that the amount of \$17,100 or as much of that amount as is found necessary is appropriated from the general fund of the state to the state bond committee to carry out the provisions of the Act and to pay expenses incident to the sale and issuance of the bonds authorized in the Act.

It appears that either an arithmetical or typing error was made in listing the amount of \$17,100 for selling expenses. The normal formula for calculating selling expenses is to use a factor of .0035 times the principal amount of the bonds to be issued.

Thus the principal of \$48,841,900 X .0035 would result in the amount of \$170,946 for selling expenses or rounded to \$170,900.

Very truly yours,



R. D. Stevenson
Special Assistant

cc: The Honorable Steve Cowper
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Sterling Gallagher
Commissioner of Revenue
Secretary, State Bond Committee

David Klenner, Debt Manager
Treasury Division
Department of Revenue