

H B

3/6

COMMITTEE REPORT

HOUSE

3/11/81

FURTHER: FINANCE

(5)

Date: 4-13-81

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 316

"An Act making special appropriations for capital projects for which general obligation bonds have been authorized but not issued and for defeasance of outstanding general obligation bonds; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without ^{individual} recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Miller
Jon Stille

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Miller
Jon Stille

Miller
CHAIRMAN

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOUD, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

March 17, 1981

The Honorable Mike Miller
Chairman
House State Affairs Committee
Room 102 - Capitol Building
Juneau, Alaska

Dear Mr. Miller:

Re: House Bills No. 315 and 316

House Bill No. 315, an Act prohibiting the sale of certain general obligation bonds, was introduced in the House on March 11, 1981 and was referred to the House State Affairs and Finance Committees.

House Bill No. 316, an Act making special appropriations for capital projects for which general obligations bonds have been authorized but not issued and for defeasance of outstanding general obligation bonds, was introduced in the House on March 11, 1981 and was referred to the House State Affairs and Finance Committees.

For the consideration of the House State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Samuel R. Cotten
Chairman
House Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

HB 315, 316

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 315 & 316

Title Prohibiting the sale of certain general obligation (GO) bonds, special appropriation

~~Requested by~~ for GO bonds that have been authorized but not Date 3/11/81

issued and for defeasance of outstanding GO bonds.

Requested by House State Affairs Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue, State Bond Committee

Program Category Affected General Fund

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

	MILLIONS					
(1) GENERAL FUND	← 818.3					
(2) Debt Service Cost Reduction		(63.9)	(63.3)	(60.8)	(58.6)	(57.9)
(3) Defeasance Savings		(155.7)				
(4) Opportunity Cost New Debt		8.0	17.6	23.4	27.2	30.9
Not Issued						
(5) PV Opp. Cost of Defeasance		5.8	11.0	15.1	18.6	22.0

FULL TIME
PART TIME
TEMPORARY

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

- Appropriated funds to "cash-out" all remaining authorized but unissued bonds, defeasance of all pre-May, 1978 issued GO bonds. Defeasance portion based on interest rate yields of third week in February, 1981. There would remain \$211 million in bonds issued after May, 1978.
- This is the annual debt service related to the \$507.2 million in bonds that would be subject to defeasance that would be due in the years indicated, would no longer be part of the operating budget as defeasance takes care of these costs; the cash flow of the escrow set aside makes these payments when they become due.
- The savings in principal due to investments allowed on escrow set-aside as part of defeasance.
- Opportunity cost of not using the favorable low interest rate obtainable on issuing GO bonds for new projects, rather using all cash up front.
- Because debt can be paid later with "cheaper dollars" this is the additional cost due to early payment of annual debt service.

IV. DATE March 16, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue/Treasury Division
PHONE 465-2351
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)