

COMMITTEE REPORT
SENATE

4/20/82

FURTHER: Finance

Date: 3 May 1982

Mr. President:

The Committee on LABOR & COMMERCE has had CSHB 694(L&C)
Alaska Municipal Bond Bank Authority

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- ^{may} 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 recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

1 Ziel

1 Nels Anderson

1 Fahrenkamp

1 Bob Mulcahy

CHAIRMAN

Gov

Original sponsor: Rules/Governor

Offered: 3/17/82
Referred: Finance

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 694 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 39.25.120 is amended by adding a new paragraph to read:
10 (20) employees and agents, other than the executive secretary
11 and legal counsel, of the Alaska Municipal Bond Bank Authority.

12 * Sec. 2. AS 44.85.070 is amended to read:

13 Sec. 44.85.070. STAFF. The bond bank authority shall employ an
14 executive secretary who may with the approval of the bond bank authority
15 select and employ additional staff as necessary. Employees and agents of
16 the bond bank authority other than legal counsel and the executive sec-
17 retary are in the partially exempt [CLASSIFIED] service under AS 39.25.
18 In addition to its staff of regular employees, the bond bank authority
19 may contract for and engage the services of the bond counsel, consul-
20 tants, experts, and financial advisors the bond bank authority considers
21 necessary for the purpose of developing information, or conducting
22 studies, investigations, hearings or other proceedings.

23 * Sec. 3. AS 44.85.100(b) is amended to read:

24 (b) The bond bank authority shall include in the report required
25 by (a) of this section an estimate of the amount of revenue bonds of the
26 bond bank authority to be issued during the fiscal year following the
27 fiscal year in which the report is submitted [12-MONTH PERIOD]. The bond
28 bank authority may not issue revenue bonds, other than refunding bonds,
29 in excess of \$50,000,000 during any 12-month period beginning after

COMMITTEE COPY

FNate

1 June 30, 1981, unless the legislature, by law, approves the estimate
2 required by this subsection for that 12-month period.

3 * Sec. 4. AS 44.85 is amended by adding a new section to read:

4 Sec. 44.85.165. MUNICIPAL BOND BANK REVOLVING LOAN FUND ESTAB-
5 LISHED. There is established in the Department of Revenue a municipal
6 bond bank revolving loan fund. The municipal bond bank revolving loan
7 fund consists of money appropriated to it by the legislature. Principal
8 payments on a loan made under this section shall be returned to the bond
9 bank revolving loan fund. Interest payments on a loan made under this
10 section shall be transferred to the general fund as provided by AS 37.-
11 10.050 - 37.10.060. The bond bank authority may make loans to munici-
12 palities from the municipal bond bank revolving loan fund. A loan made
13 under this section

14 (1) may be used only for

15 (A) expenditures authorized to be paid from revenues of
16 a municipal bond issue if the bonds have been authorized as re-
17 quired by law but have not been sold;

18 (B) expenditures authorized under a grant from the state
19 or federal government made after the grant is authorized but before
20 it is received; or

21 (C) expenditures authorized by a municipal governing
22 body in anticipation of tax revenues expected to be received during
23 the period of the loan;

24 (2) shall be for a period of one year or less;

25 (3) may not exceed an amount that, when added to the bor-
26 rower's outstanding aggregate municipal bond bank revolving loan fund
27 balance, totals \$1,000,000; and

28 (4) shall bear interest at a rate that is approved by the
29 bond bank authority by resolution and that is not less than the market

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1 rate the authority would have to pay at the time of the loan for notes
2 issued for a similar purpose.

3 * Sec. 5. AS 44.85.180(c) is amended to read:

4 (c) Notwithstanding the provisions of (a) and (b) of this section,
5 the total amount of bond bank authority bonds and notes outstanding at
6 any one time, except bonds or notes issued to fund or refund bonds or
7 notes, may not exceed \$200,000,000 [\$150,000,000].

8 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
9 070(c).

JAY S. HAMMOND
GOVERNOR



HB694

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1982

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

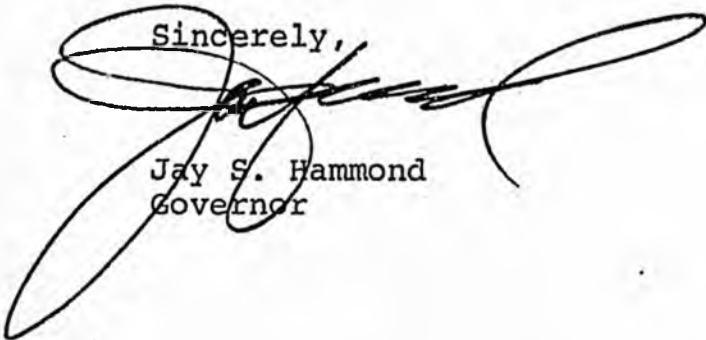
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Municipal Bond Bank Authority.

The bill amends AS 44.85 by placing the authority's employees, other than the executive secretary and legal counsel, in the partially exempt service (secs. 1 and 2 of the bill), allowing the authority to issue up to \$50,000,000 worth of revenue bonds during any fiscal year without specific legislative authorization (sec. 3 of the bill), and establishing a municipal bond bank revolving loan fund to make loans to municipalities in anticipation of the receipt of revenues from bond issues, state or federal grants, or taxes (sec. 4 of the bill).

The bill amends AS 44.85.100(b), which requires an estimate of the amount of bonds to be issued for the "following 12-month period." The amendment makes it clear that, the estimate required under AS 44.85.100(b) is for the fiscal year following the fiscal year in which the estimate is submitted and not for the 12-month period following the submission of the estimate (sec. 3 of the bill).

Section 4 of the bill adds AS 44.85.165, which establishes a municipal bond bank revolving loan fund. The authority may make a loan of up to \$1,000,000 to a municipality from the fund for expenditures which are authorized in anticipation of the receipt of revenue described in AS 44.85.165(1)(A) -- (C).

Sincerely,



Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: CS HB 694 (L&C)

Title: An act relating to the Alaska Municipal Bond Bank Authority

Requested by: Rules/Governor

Date: 3/17/82

II. FISCAL DETAIL

Agency Affected: Revenue

Program Category Affected:

BRU, Program, or Subprogram(s) Affected: Municipal Bond Bank Authority

(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)						
Program Receipts	-	1.14	-	-	-	-
from MBB	-	-	-	-	-	-

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

The Alaska Municipal Bond Bank has \$1.14 million in program receipts for FY 82. This amount would be used to fund the revolving fund set up in Section 4 of the bill. It is anticipated that a fund of \$3 million would eventually be set up and at that time program receipts would again be re-mitted to the General Fund on an annual basis.

DATE:

PREPARED BY: Denna & Prime for Dave Rose

AGENCY: Revenue

PHONE: 465-2301

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

ALASKA STATE LEGISLATURE

TWELFTH Legislature SECOND... Session

HOUSE BILL..... NO. 694...

By THE RULES COMMITTEE BY....
REQUEST OF THE GOVERNOR

"An Act relating to the Alaska
Municipal Bond Bank Authority."

Alk Municipal Bond Bank Auth

Introduced in the House 1/27., 19. 82

HISTORY IN THE HOUSE

19 82	Read first time and referred to Committee on
Jan 27	Labor & Commerce and Finance
Mar 17	Reported back with recommendation that <i>Labor Commerce, CS(LTC) 3dopau, To Finance</i>
Apr 14	<i>Finance - CS(Fin) 8dopau To Rule</i>
Apr 19	Read second time and <i>advanced</i>
Apr 19	Read third time and
Apr 19	PASS <i>ed</i> Effective Date Yeas 32 Yeas Nays 4 Nays Absent 4 Absent <i>Same</i> Excused 0 Excused
	Reconsideration PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
Apr 19	Reported correctly engrossed Signed by Speaker Sent to Senate <i>Emylow Lloyd</i> CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 82	Read first time and referred to Committee on
4 20	<i>L & C - Fin</i>
5 4	Reported back with <i>L & C</i> recommendation that <i>4 do pass</i> <i>to Fin.</i>
	Read second time and
	Read third time and
	PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
	Reconsideration PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
	Reported correctly engrossed Signed by President Returned to House
	SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor by Governor
	Filed with Lt. Governor
	Chapter No.

Original sponsor: Rules/Governor

Offered: 3/17/82
Referred: Finance

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

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Original sponsor: Rules/Governor

Offered: 3/17/82
Referred: Finance

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JAY S. HAMMOND
GOVERNOR



H13694

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1982

The Honorable Joe L. Hayes
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

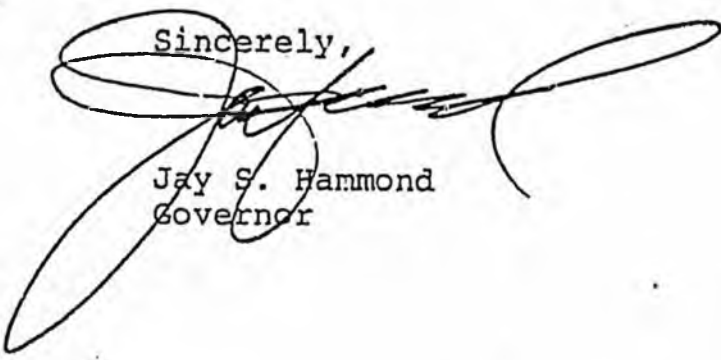
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Sincerely,


Jay S. Hammond
Governor

786

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: CS HB 694 (L&C)

Title: An act relating to the Alaska Municipal Bond Bank Authority

Requested by: Rules/Governor

Date: 3/17/82

II. FISCAL DETAIL

Agency Affected: Revenue

Program Category Affected:

BRU, Program, or Subprogram(s) Affected: Municipal Bond Bank Authority

(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)						
Program Receipts	-	1.14	-	-	-	-
from MBB	-	-	-	-	-	-

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

The Alaska Municipal Bond Bank has \$1.14 million in program receipts for FY 82. This amount would be used to fund the revolving fund set up in Section 4 of the bill. It is anticipated that a fund of \$3 million would eventually be set up and at that time program receipts would again be remitted to the General Fund on an annual basis.

DATE:

PREPARED BY: Denise W. Cline for Dave Rose

AGENCY: Revenue

PHONE: 465-2301

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

HB 694

HB 694

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 694 (1/27/82)
 Title Alaska Municipal Bond Bank Authority
 Requested by House Legislation & Commerce Committee Date 3/5/82

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected Alaska Municipal Bond Bank Authority
 (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) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) SEE ANALYSIS SECTION

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS SEE ANALYSIS SECTION

FULL TIME						
PART TIME						
TEMPORARY						

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

Municipal Bond Bank Revolving Loan Fund (RLF) established by Sec. 4 of the legislation would require an appropriation to the RLF in the future. More than likely this would be an appropriation of program receipts.

No additional administrative costs are anticipated.

Anselm C. Staack

IV. DATE March 5, 1982 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2350
 cc: Budget and Management
Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

COMMENTARY ON PROPOSED LEGISLATION

Sections 1 and 2 Classified vs. Partially Exempt Employees

Sections 1 and 2 of the proposed bill would make the employees of the Bond Bank (other than the legal counsel and executive secretary, which are already exempted from the classified service) partially exempt employees rather than classified ones. The Bond Bank is a quasi-independent entity, like AIDA, AHFC and the Alaska Power Authority. While the staff of the Power Authority is in the classified service, AIDA, AHFC, the Permanent Fund Corporation and other entities provide ample precedent for making the staff of the Bond Bank exempt or partially exempt employees (in fact, for all three examples given, the entire staffs are wholly exempt). This proposal has limited scope as it applies to only one employee, the secretary to the Executive Director.

Section 3 Annual Approval of Revenue Debt

Each year the Bond Bank is required to seek approval...by Law...for the level of revenue bonds it may issue in the coming year. This legislation waves that requirement if the total amount of revenue bonds to be issued is less than \$50,000,000. Thus, it retains legislative oversight for "big-ticket" bonding (over \$50,000,000) but passes at the low level. Oversight is still retained in that a total bonding level is established by Law which cannot be exceeded regardless of the annual approval level.

Section 4 Short-Term Revolving Loan Fund

The Bond Bank makes money for the State. Each year the surplus of its operating revenues over its operating costs is transferred to the State's General Fund. The contemplated source of money for the revolving loan fund is this surplus. It is not counted among the revenue sources of the General Fund since there is nothing a priori that says there will be such a surplus in any given year to be turned over. Thus, it should be rather painless for the Legislature since it takes no money out of the pool of spendable funds that the Legislature is looking at for the operating and capital budgets.

The reason for establishing such a fund in the Bond Bank is that it takes time to put together a large enough bond issue by the Bank so that the costs of issuance are not prohibitive for the municipalities being served. This is especially the case for small municipal borrowings. For instance, suppose a municipality wants to finance an expansion of its water system for \$750,000. This is too small for the Bond Bank to take all by itself to the bond market...the costs of issuance would more than offset the advantage of lower, tax-exempt interest rates. So this financing will have to wait until other municipalities wanting to finance their own projects have also come to the Bond Bank and there is a large enough volume of Bond Bank bonds to be issued so that the costs of issuance do not eat up the tax-exempt advantages. What is this hypothetical municipality going to do during the time the Bond Bank is waiting for other

municipalities to come in and build up to this efficient bonding level? It could simply postpone the project until the Bond Bank is ready to go, but that water improvement might be badly needed by the residents in the affected area. So the municipality might decide to go ahead right away with the project and get interim funding from its friendly bank, but probably that will be at a disadvantageous interest rate compared to that if bonds could be sold right away.

To avoid such choices for the municipalities, the loan fund would allow the Bond Bank to be the source of interim financing, which in turn would permit the local projects to go forward even though there isn't yet enough volume for the Bank to issue bonds efficiently at that time. The figure of \$3,000,000 for such a loan fund is envisioned because it represents a threshold level at which the advantages of tax-exempt bonds clearly outweigh the issuance costs. Thus, while bond issues by the Bank which are larger than \$3,000,000 would be even more efficient in securing tax-exempt advantages for the municipalities, a bond issue of that size would still be worth doing. If the endowment of the fund is less than \$3,000,000 then there would be the risk that small municipalities would be harmed because they can't get acceptable interim financing and the Bond Bank doesn't have a large enough volume to justify going to the bond market at that time.

Section 5 Increase in Authorization

The Bond Bank is currently authorized to incur bonded indebtedness up to \$150,000,000. In almost seven years of operation it has issued bonds and met Alaskan city needs up to \$130,000,000. It is now reasonable to boost the Bank's borrowing authority to \$200,000,000. This action, taken by the House Labor and Commerce Committee, is concurred in by the Bond Bank management and Board of Directors.

Fiscal Note For Proposed Legislation

Appropriation of Program Receipts annually until a fund of \$3,000,000 is created.

RECAP OF SURPLUS RETURNED TO STATE

FY 77	\$ 45,872	remitted
FY 78	143,933	remitted
FY 79	140,759	remitted
FY 80	460,649	remitted
FY 81	1,140,697	*

* Will be used for revolving fund if appropriated. If not appropriated will be remitted prior to June 30, 1982.