

S B

297

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

BILL NUMBER SB297
Waved 3/20/81

IDENTIFICATION:

BILL NAME: *Special appropriation for capital projects for which general obligation bonds have been authorized but not issued and for defeasance of outstanding general obligation bonds*

SPONSOR(S):
State Affairs Committee

RELATED BILLS PENDING:
DATE INTRODUCED: *3/17/81*
REFERRALS *Re., Transportation Finance*

INITIAL RESEARCH:

INITIAL BILL SUMMARY COMPLETED

SUMMARY BY LEGAL DIVISION:
DEPT. OF LAW SUMMARY:

SPONSOR CONTACTED FOR BACKUP MATERIALS:

FISCAL NOTE: *4/6*
FY 82 - 8.9 85 - 28.0
FY 83 16.4 86 - 32.7
FY 84 22.5

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPRATION:

Waved Ruffell 3/26/81

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE

BACKGROUND MATERIAL DISTRIBUTED

PSA/PRESS RELEASE

LIST OF WITNESSES:

Dept. of Revenue

SUGGESTED AMENDMENTS/CS DRAFTED:

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

APR 6 1981

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 2, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 296 and Senate Bill No. 297

Senate Bill No. 296, an Act prohibiting the sale of certain general obligation bonds, was introduced in the Senate on March 17, 1981 and was referred to the Senate State Affairs; Senate Transportation and Finance Committees.

Senate Bill No. 297, 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, was introduced in the Senate on March 17, 1981 and was referred to the Senate Resources; Transportation and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Controller, Department of Revenue concerning both bills.

Sincerely,

R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Bill Ray
Chairman
State Transportation Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Anselm Staack
Treasury Comptroller
Department of Revenue

The Honorable Bettye Fahrenkamp
Chairperson
Senate Resources Committee

4/28

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

4/6

FISCAL NOTE

SB 296, 297

I. REQUEST

Bill/Resolution No. SENATE BILL NO. 296 & 297

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

Requested by for GO bonds that have been authorized but not Date 3/17/81

issued and for defeasance of outstanding GO bonds.

Requested by Senate State Affairs & Resources Committees

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) ALL FIGURES IN MILLIONS OF DOLLARS

	← MILLIONS →					
(1) GENERAL FUND	1,036.9					
(2) Debt Service Cost Reduction	(97.8)	(94.6)	(91.7)	(88.3)	(86.3)	
(3) Defeasance Savings	(155.7)					
(4) Opp. Cost Post 5/78 Issued	8.4	9.6	11.0	12.1	13.4	
(5) Opp. Cost New Debt Not Issued	8.0	17.6	23.4	27.2	30.9	
(6) PV Opp. Cost of Defeasance	8.9	16.4	22.0	28.0	32.7	

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

(1) Appropriated funds to "cash-out" all remaining authorized but unissued bonds, defeasance of all outstanding/issued GO bonds. Defeasance portion based on interest rates in effect second week of March, 1981.

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

- (2) This is the annual debt service related to the \$718.2 (6/1/81) in bonds that would be due in the years indicated. The cash flow of the escrow set aside makes these payments when they become due.
- (3) The savings in principal due to investments allowed on escrow set aside as part of defeasance.
- (4) Opportunity cost related to the post-May 1978 outstanding debt as this debt is subject to defeasance at a restricted yield basically equal to the rate paid on the bonds.
- (5) Opportunity cost of not using the favorable low interest rate obtainable on issuing GO bonds for new projects; rather, using all cash up front.
- (6) Because debt service payments can be made later with "cheaper dollars" this is the Present Value difference due to early payment of annual debt service.

THE AMOUNT REQUIRED FOR DEFEASANCE IS BASED UPON INTEREST RATES AVAILABLE AT THE TIME THE TRANSACTION TAKES PLACE. ACCORDINGLY, FOR EACH 10% DROP IN INTEREST RATES, THE AMOUNT NECESSARY FOR DEFEASANCE GOES UP APPROX. 6.7%.

IV. DATE March 30, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
 Original: Legislative Finance AGENCY Dept. of Revenue/Treasury Division
 cc: Budget and Management PHONE 465-2351
 Prime Sponsor (First Legislator Named)

Anselm C. Staack