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Alaska State Legislature

House of Representatives

Committee on
Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3870

TO: Community and Regional Affairs Committee

FROM: Community and Regional Affairs Staff

DATE: 3/7/84

SUBJ: HB679 - Municipal Bond Bank Authority

Staff contacted Lee Sharp of the Juneau City and Borough government and Daniel Cowden, Anchorage Municipality (OMB).

Mr. Sharp stated that the Juneau Assembly had not addressed this bill. However, in the past, the City and Borough have always supported increases in the total amount of bonded indebtedness.

Mr. Cowden passed on my request for information to the proper departments in the Anchorage Municipality. When no information was forthcoming, staff made a follow up call. Mr. Cowden reiterated that if the department involved does not advise him negatively or if the bill is not listed on the Muni's concern list, he has no alternative but to come to the conclusion that the Muni is not overly concerned by the intent of a bill.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: HB 679
 Title: Relating to the Municipal Bond Bank Authority
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Municipal Bond Bank Authority

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	*	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	*	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	*	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

*The passage of this legislation will ultimately require full funding of \$10 million. At this time, it is difficult to determine if the Bank will have requests to bond into this limit in FY 85.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Marcy Rehfeld
 Division: Revenue

Phone: 465-2300
 Date: 02/10/84

Approved by Commissioner: *Paul O'Leary*
 Agency: DOR

Date: 2/10/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

IV. Analysis for Municipal Bond Bank Authority

Additional increase in bonding authority from \$200 million to \$300 million will require an appropriation for funds leveraging of \$10.0 million. Ten percent of the FY 85 borrowing must be backed up by leveraging reserves. As an example, a \$50.0 million bond sale program will require \$5.0 million in appropriation.

Net earnings on the appropriated reserves to the Bond Bank are returned to the General Fund on an annual basis. Attached are the annual amounts returned to date.

Financial Information

Operating Appropriations

Operations of the Bank are not funded by State of Alaska General Fund appropriation. Operational funds are provided by fees and charges and interest earned on investments. The Legislature, however, does review and approve the operational budget. Surpluses earned over and above the budgeted expenditure level are donated to the general fund. A history of operational appropriations is provided below.

General Fund Appropriations to Fund Operations and Surpluses Earned and Refunded to the State

FY-1976 Original General Fund appropriation	(S 24,000)
FY-1977 General Fund appropriation	(60,000)
FY-1978 General Fund appropriation	--0--
FY-1979 General Fund appropriation	--0--
FY-1980 General Fund appropriation	--0--
FY-1981 General Fund appropriation	--0--
FY-1982 General Fund appropriation	<u>--0--</u>
TOTAL operating appropriations to date	(\$4,000)
FY-1977 Surplus refunded to State	\$ 15,872
FY-1978 Surplus refunded to State	143,953
FY-1979 Surplus refunded to State	110,759
FY-1980 Surplus refunded to State	160,649
FY-1981 Surplus refunded to State	1,110,697
FY-1982 Surplus refunded to State	1,111,785
FY-1983 Surplus refunded to State	<u>1,207,617</u>
Net surplus to State since inception	4,467,510

Capital Appropriations

The capital appropriation is utilized to establish a reserve fund which remains intact; not depleted or consumed in any way. The reserve fund is normally used to leverage debt in a ten to one ratio. For every \$1.0 million placed in the reserve fund, \$10 million of outside capital is attracted to the State. While no capital appropriations were received in fiscal year 1982, an additional \$1.8 million was received for fiscal year 1984.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 679

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

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. Present law limits the debt capacity of the authority to \$200,000,000. To enable the authority to continue to assist municipalities to meet their financing needs, this bill increases the statutory debt capacity to \$300,000,000.

While the level of public debt in the state poses a matter of increasing concern, the authorization provided for in this bill is necessary if municipalities without direct access to the capital markets are to meet their financing needs at the lowest available cost. I urge your prompt consideration of this bill.

Sincerely,


A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
(907) 586-6526

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: House CRA Committee
From: Scott A. Burgess, Executive Director 
Date: February 29, 1984
Re: HB 679 - Municipal Bond Bank

The League adopted the following policy statement November 5, 1983 at its 33rd annual conference in Juneau:

"The League supports the adoption of legislation which would raise the level of bonded indebtedness for the Alaska Municipal Bond Bank to \$300 million and approve a suitable level of bonded indebtedness for revenue bonds."

HB 679 increases the total amount of bonded indebtedness from \$200 million to \$300 million; therefore, the League supports quick and favorable action by the committee and the bill's adoption.

The continued authority to sell, and the ability to market low interest bonds to finance municipal capital projects is a major concern of the League and its member municipalities. As the state continues to grow and develop, its municipalities are facing increasing needs and complex problems with decreasing financial assistance from the state, e.g. shortfalls in the Municipal Assistance and State Revenue Sharing Programs and decreasing state assumption of debt for schools. Many of our municipalities are also facing hard economic times, especially the coastal communities which rely on the fishing industry.

Municipal bonding is an important mechanism to provide necessary community facilities such as schools, libraries, etc. Public capital facilities are necessary not only to provide for the needs of our current residents, but also to attract new business and industry to the state and its communities.

Again, the League supports HB 679.