

HB

123

# HOUSE COMMITTEE REPORT

(11)

Date referred: 4/24/87

FURTHER REFERRALS:

DATE: 5/9/87

The Finance Committee has considered HB 123

"An Act relating to the issuance of international airport revenue bonds; and providing for an effective date."

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published 4/24/87
- zero with analysis

**SIGNING DO PASS:**

ADAMS [Signature]

POURCELOT [Signature]

LARSON [Signature]

SWACK [Signature]

HAMMER [Signature]

ROKER [Signature]

RIEGER [Signature]

FRANK [Signature]

WALLIS [Signature]

ROSEN [Signature]

**SIGNING OTHER RECOMMENDATIONS:**

GOLL [Signature]

DAVIS [Signature]

[Signature]  
Chairman's signature

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HB 123  
Publish Date: HOUSE 4/24/87

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Issuance of International  
Airport Revenue Bonds  
Sponsor: Rules by Request of Governor  
Requestor: House Transportation

Agency Affected: Department of Revenue  
BRU: Treasury

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB  
Division: Treasury

Phone: 465-2350  
Date: April 17, 1987

Approved by Commissioner: [Signature]  
Agency: Department of Revenue

Date: 4/19/87

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)  
Senate Secretary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 123

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the issuance of international  
airport revenue bonds; and providing for an effective  
date."

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8

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

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\* Section 1. AS 37.15.450(a) is amended to read:

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(a) The bonds may [SHALL] be sold at public or private sale in

12

the manner, in such amounts or series, and at such time or times as

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[DETERMINED BY] the committee determines. [BEFORE SELLING A SERIES OF

14

BONDS, THE COMMITTEE SHALL GIVE NOTICE INVITING SEALED BIDS IN SUCH

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MANNER AS IT MAY PRESCRIBE. IF SATISFACTORY BIDS ARE RECEIVED, THE

16

BONDS OFFERED FOR SALE SHALL BE AWARDED TO THE HIGHEST RESPONSIBLE

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BIDDER. IF THE COMMITTEE DETERMINES THAT THE BIDS RECEIVED ARE NOT

18

SATISFACTORY AS TO PRICE OR RESPONSIBILITY OF THE BIDDERS, IT MAY

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REJECT ALL BIDS RECEIVED. THE] However, the bonds, or each series of

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them, shall be sold at such a price so that the effective interest

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rate over the life of the bonds does not exceed 11 percent per year or

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that rate of interest which is 125 percent of the rate of the Bond

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Buyer Index of 20 Municipal Bond Average Yields for the week previous

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to the date of sale of the bonds, whichever is higher. Interest shall

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be payable annually or semiannually.

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\* Sec. 2. This Act takes effect immediately in accordance with AS 01.-

27

10.070(c).

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill version: HB 123  
Publish date: 2/11/87

REQUEST

Bill/Resolution No.: \_\_\_\_\_  
Title: Relating to International Airport Revenue Bonds

Sponsor: Governor  
Requestor: House Rules Committee  
Date of Request: 12/9/86

FISCAL DETAIL

Agency Affected: DOT&PF  
BRU: Anchorage International Airport

Components: Commissioner's Office

EXPENDITURES/REVENUES: (Thousands of Dollars)

<u>OPERATING</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<u>CAPITAL</u>						
<u>REVENUE</u>						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: There is no identifiable fiscal impact for this bill. A private sale of International Airport Revenue Bonds may enable the State to move quickly to take advantage of favorable market conditions.

Prepared By: William R. Snell  
Division: Central Region Deputy Commissioner  
Approved by Commissioner: Rocky Gutierrez  
Agency: Department of Transportation & Public Facilities

Phone: 266-1440  
Date: 12/9/86  
Date: 12/12/86

Distribution (by Agency preparing fiscal note):

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

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March 4, 1986

The Honorable Milton B. Barker  
Deputy Commissioner  
Department of Revenue  
State of Alaska  
333 Willoughby Avenue  
Pouch SB  
Juneau, AK 99811

Dear Milt:

This letter has been drafted to set forth the reasons legislation should be enacted by the Alaska legislature to allow the securities issued by the Anchorage International Airport to be sold on a negotiated basis. It should be immediately emphasized, however, that as a matter of public policy, competitive sales should be encouraged and utilized to the maximum extent possible. Nevertheless, as described below, a series of reasons exist to authorize negotiated sales for these securities.

As a matter of practice, negotiated sales are appropriate when they can save interest expense or market cost for the issuer. Under the following conditions, negotiated sales can be cost-effective.

1. New Security. If the borrower sells a security with characteristics unlike those employed for other securities previously sold by the borrower, then the issue is a candidate for being sold on a negotiated basis.
2. Volatile Market. During periods in the recent past, the tax-exempt market has experienced substantial volatility in interest rates. In such periods, the timing flexibility that is available from negotiated sales can result in lower interest expense and a more stable borrowing.
3. Uncertainty In The Market Place. Since January 1, 1986, the tax-exempt market has been particularly unsettled, responding to the Tax Reform Act passed

## Government Finance Associates, Inc.

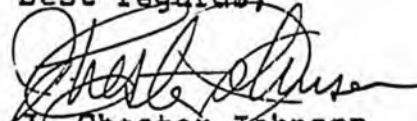
by the House of Representatives at the end of 1985. Frequently, unanticipated events create uncertainty, and in these circumstances, the ability of a borrower to negotiate can prove beneficial. For example, the City of Phoenix, a highly rated city, offered a bond issue in early January on a competitive basis. Because of the unsettled conditions, Phoenix received only one bid, with interest rates which were comparatively very high. The City decided to reject the bid, but it subsequently sold the issue on a negotiated basis with more favorable results.

4. Credit Concerns. If the market needs to be "sold" on the creditworthiness of a particular security issue, a negotiated sale is a much more effective way of doing it. The underwriting group is responsible for educating the market about the credit. It is unlikely that a competitive sale can adequately accomplish this education process.

As you know, as a result of many of the ideas presented above (i.e., the expanded use of new debt instruments, the general volatility in the market, and increased credit problems), an increasing number of negotiated issues have come to market. While Airport securities may continue to be sold competitively, we believe it wise to provide the Airport the additional flexibility to sell debt on a negotiated basis.

If you have further questions, please do not hesitate to contact us.

Best regards,



J. Chester Johnson

jm

STEVE COWPER  
GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 10, 1987

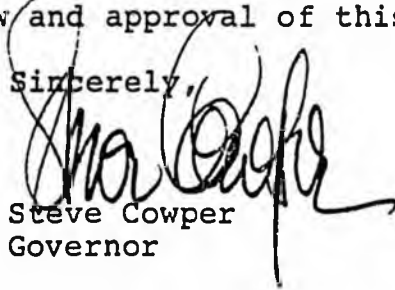
The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that relates to the manner by which international airport revenue bonds may be sold. The principal purpose of this bill is to authorize the sale of international airport revenue bonds by either private or public sale (similar, for example, to the Alaska Industrial Development Authority's authority under AS 44.88.090(d)). Present law requires that airport revenue bonds be sold by public sale. While a public sale is often desirable, it is at times in the best interests of the state to sell bonds by private or negotiated sale. For example, a private sale may enable the state to move quickly to take advantage of favorable market conditions. The bill provides this desirable flexibility.

I urge your prompt review and approval of this legislation.

Sincerely,

  
Steve Cowper  
Governor