

CSHB

285

SENATE COMMITTEE REPORT

FURTHER:

5/15/87

DATE TURNED INTO OFFICE 5/17/87

Mr. President:

FINANCE Committee considered CSHB 285(Fin)

issuance of private activity bonds; efd.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

Paul Fink

OTHER RECOMMENDATIONS

John H. ... No Rec
J. ... No Rec

AS No Rec
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 285 (Fin)
Publish Date: HOUSE 5/11/87

REQUEST: _____

Revision Date: _____

Title: Issuance of Private Activity

Bonds _____

Sponsor: Rules by Request of Governor

Requestor: _____

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
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

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 16, 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

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 285 (Finance)
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 private activity
7 bonds; and providing for an effective date."
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 37.15 is amended by adding a new section to read:
10 ARTICLE 4. PRIVATE ACTIVITY BONDS.
11 Sec. 37.15.600. PRIVATE ACTIVITY BONDS. (a) As authorized
12 under 26 U.S.C. 146(e), the state bond committee shall allocate the
13 private activity bond volume limit for Alaska. Each year at least 25
14 percent of the limit shall be allocated to municipalities. If the
15 committee determines that a portion of the limit allocated to munici-
16 palities will not be used by any municipality during that year, the
17 committee may reallocate that portion.
18 (b) The committee may make a carryforward election under 26
19 U.S.C. 146(f) with respect to all or any portion of the private activ-
20 ity bond volume limit, including allocations that lapse under (c) or
21 (d) of this section.
22 (c) An amount allocated under (a) of this section lapses on
23 December 30 of the year in which the allocation was made unless
24 (1) the entity that received the allocation uses it before
25 that date; or
26 (2) the amount allocated is the subject of a carryforward
27 election under 26 U.S.C. 146(f).
28 (d) The committee may adopt regulations relating to the lapsing
29 of amounts under (c) of this section. Regulations adopted under this

1 subsection may establish times when allocated amounts will lapse in
2 addition to the time provided in (c) of this section.

3 (e) In this section,

4 (1) "private activity bond" means a bond described in 26
5 U.S.C. 141;

6 (2) "private activity bond volume limit" means the maximum
7 amount of private activity bonds that may be issued under 26 U.S.C.
8 146 during a calendar year in Alaska by all issuers, including the
9 state, municipalities in the state, and public corporations that are
10 agencies of either the state or a municipality in the state.

11 * Sec. 2. AS 18.56.104 is repealed.

12 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

Offered in the SENATE

By the Judiciary Committee

TO: CSHB 285(Finance)

Page 1, lines 9 - 10:

Delete all material

Page 1, line 11:

Delete "Sec. 37.15.600."

Insert "* Section 1."

Page 2, after line 11:

Insert a new bill section to read:

"* Sec. 3. Section 1 of this Act is repealed January 1, 1990."

Renumber the following bill section accordingly.

SENATE COMMITTEE REPORT

FURTHER: FINANCE

5/13/87

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JUDICIARY

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and recommended:

[] replace with CS FOR _____) [] same title
[] or adopt _____ CS FOR _____) [] new title

[X] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[X] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

Rick Halford - with amendment
Fred Josephson
Curtis Sturgulinski

OTHER RECOMMENDATIONS

Keith Goley No Rec

Chairman signature and recommendation

[] Committee Backup Attached

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 19, 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 will permit the state bond committee to allocate the federal volume limitation for the issuance of tax-exempt private activity bonds in Alaska.

Before passage of the Tax Reform Act of 1986 (P.L. 99-514) by Congress last year, there was a \$200,000,000 limit on the amount of tax-exempt industrial development bonds that could be issued in Alaska each year (26 U.S.C. 103(n)(4)) and a separate \$200,000,000 limit on the amount of tax-exempt mortgage subsidy bonds (not including veterans' mortgage bonds) that could be issued in Alaska each year (26 U.S.C. 103A(g)(4)). The Tax Reform Act of 1986 combined those two amounts into a single limit which for 1987 and 1988 will be \$200,000,000 and for subsequent years will decline below that amount. 26 U.S.C. 146(d).

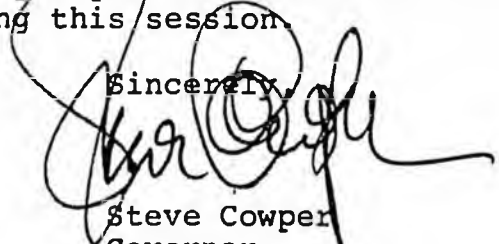
In sec. 1 of the attached bill, proposed AS 37.15.600 gives the state bond committee the authority to allocate the \$200,000,000 cap among eligible entities in Alaska, including municipalities. This changes the practice established by Governor Sheffield's November 24, 1986 executive proclamation, which allocated the cap equally between the Alaska Industrial Development Authority (AIDA) and the Alaska Housing Finance Corporation (AHFC). The amount of tax-exempt bonds actually issued each year by each of the eligible entities could be greater than that allocated by the bond committee because of various exemptions permitted by federal tax law. For example, under 26 U.S.C. 143(1), AHFC may issue \$302,500,000 of tax-exempt veterans' mortgage bonds per year, which, as mentioned earlier, are not included in the \$200,000,000 cap, and, under 26 U.S.C. 142, AIDA may issue unlimited amounts of tax-exempt bonds, not included in the cap, for certain types of "exempt facilities" -- subject, of course, to the limitations of state law.

AS 18.56.104 is repealed by sec. 2 of the bill. That statute allocates to AHFC, under 26 U.S.C. 103A, the amount of tax-exempt mortgage revenue bonds that may be issued in the state. Because that allocation is inconsistent with proposed AS 37.15.600 (sec. 1 of the bill), and because 26 U.S.C. 103A itself was repealed by the Tax Reform Act of 1986, AS 18.56.104 should be repealed.

Passage of this legislation during this legislative session is necessary to preserve the state's authority under 26 U.S.C. 146(e) over bond activity allocations. Under 26 U.S.C. 146(e)(2), the governor's authority to "proclaim" a bond activity allocation different from the one set under 26 U.S.C. 146(b) and (c) terminates on December 31, 1987. In the absence of enactment of a law this year, the allocation formula, by default, will revert to the federal formula, which allocates one-half of the total volume cap to the state and one-half, on a per capita basis, to other issuers in the state, including municipalities. 26 U.S.C. 146(b) and (c).

Under the federal formula, therefore, \$125,000,000 would, for the most part, be scattered among the 150 or so municipal entities of Alaska. Because of the small population of most of those entities, very little could be accomplished. The federally allocated caps for the 113 second class cities would, for example, range from \$113.89 for Kupreanof to \$10,225 for Bethel. The result of falling under the federal formula would be simply to waste a large part of the volume cap in Alaska. To preserve the state's authority over the allocation, I urge your prompt and favorable consideration of this legislation during this session.

Sincerely,



Steve Cowper
Governor

Original sponsor: Rules/Governor

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10 agencies of either the state or a municipality in the state.

11 * Sec. 2. AS 18.56.104 is repealed.

12 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).