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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).

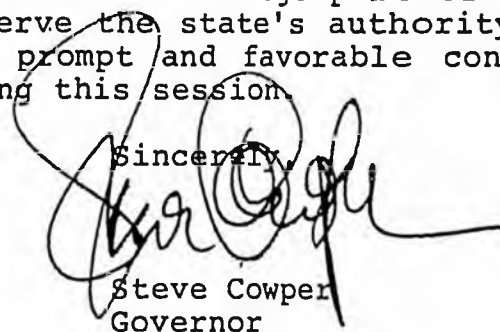
In sec. 1 of the attached bill, proposed AS 37.15.600 gives the state bond committee the authority to allocate the \$200,000,000 cap among eligible entities in Alaska, including municipalities. This changes the practice established by Governor Sheffield's November 24, 1986 executive proclamation, which 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AS 18.56.104 is repealed by sec. 2 of the bill.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

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.

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Phone: 465-2350  
Date: April 16, 1987

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

Date: 4/19/87

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