

SB

341

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

March 24, 1988

MAR 24 1988

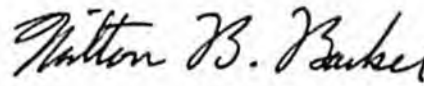
The Honorable Mitch Abood
Chairman
Senate State Affairs Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Abood:

The enclosed letter from Standard & Poor's may be of interest to the Senate State Affairs Committee in any deliberations on SB 341. SB 341 would centralize all lease-financings of the state in the Alaska State Building Authority.

Government Finance Associates, Inc., to which the S & P letter is address, is the financial advisor to the State Bond Committee.

Sincerely,



Milton B. Barker
Deputy Commissioner

MBB/gb
88-86

Enclosure

cc: Royce Weller, Special Assistant
Department of Revenue

Bob Evans, Legislative Liaison
Office of the Governor

Standard & Poor's Corporation

25 Broadway, New York, New York 10004



Vladimir Y. Stadnyk
Senior Vice President
Municipal Finance Department
212/208-1780

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MAR 23 1988

ALASKA DEPARTMENT OF REVENUE
TREASURY DIVISION
JUNEAU

March 18, 1988

Mr. J. Chester Johnson
President
Government Finance Associates, Inc.
742 Alexander Road
Princeton, New Jersey 08540

Dear Chester:

I take this opportunity to respond to your inquiry regarding centralization of lease financing into the Alaska State Building Authority.

In general, any mechanism that allows an issuer to consolidate its debt planning and management into a central function is viewed quite positively. From an analytical standpoint such a structure reflects on the control an entity has in managing its current and future debt burden.

As you know, a fundamental element in the evaluation of credit risk is the impressions one gets from the administrative factors of each entity. Therefore, good centralized debt management controls lend themselves to favorable evaluations of the administrative factors. However, you are also aware that the credit evaluation process looks to a plethora of factors and that organizational and management techniques are only a small part of the total process. Consequently, your proposed centralization may or may not affect specific credit ratings.

I hope this short response addresses your needs, but if not feel free to call on me at any time.

Sincerely,

VYS/cr

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 14, 1988

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating, for the most part, to lease-purchasing under the new Procurement Code.

The main purpose of the bill, embodied in sec. 8, is to centralize all lease-financings for public buildings in the Alaska State Building Authority (ASBA). Section 7 of the bill requires the legislative and judicial branches to notify the legislature of leases and lease-purchases, including lease-financings, if the cost is expected to exceed \$1,000,000 annually. Currently, only the executive branch, through the Department of Administration, and the University of Alaska are subject to this requirement.

"Lease-purchase agreement" and "public building" are defined in sec. 9 of the bill. "Lease-finance agreement" is also defined in that section as a type of lease-purchase agreement.

Section 6 of the bill statutorily authorizes the legislative and judicial branches to enter into lease-purchase agreements. Other amendments, relating to the new definitions added by sec. 9 of the bill, are also made in sec. 6.

Existing AS 36.30.005(c)(5) defines "department," for the purposes of AS 36.30.005(c) which transfers procurement and construction authority to the Board of Regents, as meaning the University of Alaska. Thus, wherever "department" is used in AS 36.30, the Procurement Code, with regard to university procurement, etc., the university is covered by the provision. It is therefore unnecessary to refer expressly to the university in secs. 6, 7, and 8 of the bill.

Sections 4 and 5 of the bill make amendments to reflect the amendments made by secs. 6, 7, and 8 of the bill.

The amendments made by sec. 1 of the bill, and the new statute proposed by sec. 2, relate to the University of Alaska's financing authority in general.

Section 3 of the bill allows ASBA to transfer land or public buildings to a governmental agency for less than appraised value. (In the next-to-last sentence of what will become AS 18.55.255(a), incidentally, a publication error that first appeared in the 1986 AS 18 pamphlet is corrected without amendment; see sec. 1, ch. 91, SLA 1976.)

Under sec. 10 of the bill, university projects, and lease-purchase agreements entered into by the university, the legislature, or the court system, will not be subject to proposed AS 14.40.253 (university), and amended AS 36.30.080(c) (legislature and court system) as it is amended by sec. 7 of the bill, if the project is authorized by law before July 1, 1988, regardless of whether arrangements for the project or agreement are made final by that date.

Section 11 of the bill exempts projects authorized by law before July 1, 1984 from the requirement that a lease-financing agreement for such a project may be entered into only with ASBA. (This provides a type of "grandfather clause" exception for the Anchorage court facility, authorized by sec. 2, ch. 78, SLA 1984.) Projects authorized by law after July 1, 1984, for which a lease-financing agreement is not signed before July 1, 1988 (the effective date of this Act), will be subject to AS 36.30.080(d); however, those for which a lease-financing agreement is signed before July 1, 1988 will not, of course, be subject to that subsection.

As mentioned earlier in this letter, sec. 8 of the bill centralizes all lease-financings for public buildings in ASBA. There are at least four reasons for consolidating lease-financing in ASBA: efficiency, accountability, market acceptance, and state control.

Using one issuer/lessor for state lease-financing will build expertise in both ASBA staff and retained professionals, such as bond counsel, about the legal and financial requirements and procedures of both the credit markets and the state. This will create greater efficiency not only in processing such transactions, but in structuring them as well. An example of this effect is the innovative and low-cost financing obtained by the Alaska Housing Finance Corporation (AHFC) for mortgage loans in Alaska. It is improbable that the overseas and other creative financing AHFC employs would

have been possible if housing financing in this state had been splintered among many municipal or regional housing authorities.

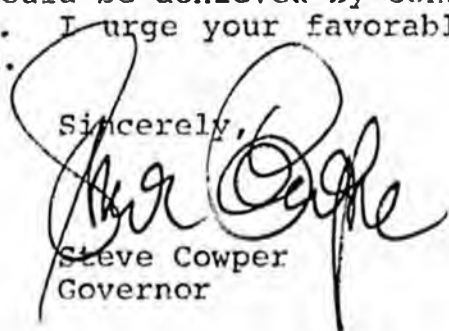
One issuer/lessor for lease-financing would also provide clearer accountability and a central, uniform source of reporting. This would enable the state to provide timely, accurate responses to inquiries about or reviews of lease-financing from auditors, legislative committees, or national credit rating agencies.

The credit markets should also respond favorably to a single issuer for state lease-financing. The more regular issuance from one issuer should lead to greater market recognition and confidence, and a broader base of bond holders and lower interest rates as a result.

Another, and possibly the most important, reason for consistently using ASBA for state lease-financing is to facilitate state control of lease-financing. This type of financing is paid entirely from the state's general fund. Its rate is based on the state's credit rating, and is normally one notch below the state's general obligation bond rating because lease payments are subject to appropriation. Lease-financing is counted as part of the state's debt burden by Moody's and Standard & Poor's credit rating services. In the event of default, it is the state's rating that would suffer. Attempts at state control of this type of financing would be frustrated by a multiplicity of issuers.

State lease-financing capacity is not unlimited. It is limited by the ability to appropriate lease payments from the general fund and by the credit rating of the state. The best use of that capacity would be achieved by consolidation of lease-financing in ASBA. I urge your favorable consideration of this legislation.

Sincerely,



Steve Cowper
Governor

STATE OF ALASKA 1988 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: _____
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: Relating to Public Finance

Agency Affected: State Bond Committee
BRU: _____

Sponsor: Rules by Request of Governor
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
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: December 4, 1987

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

Date: 12/6/87

Distribution (by preparer):

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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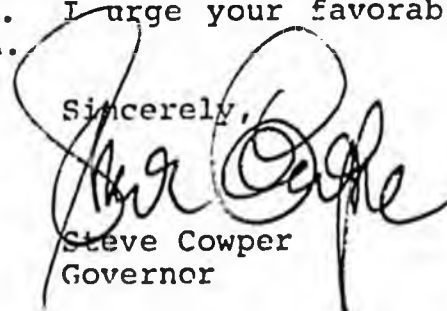
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