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**FINANCE COMMITTEE REPORT**

(11)

Date Referred: March 31, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/13/89

The FINANCE Committee considered:

SB 85

SENATE BILL NO. 85 [PRIVATE ACTIVITY BONDS]

"An Act relating to the issuance of private activity bonds; and providing for an effective date."

RECOMMENDATIONS:

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] have 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):  
(Dept)

APPROVES PREVIOUS: (Date/Dept)

- [ ] fiscal impact \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_

- [ ] fiscal note(s) \_\_\_\_\_
- [  ] zero fiscal note(s) Rev 1/9/89 C.L. RA: 4/19
- [ ] zero fn/analysis \_\_\_\_\_

SIGNING DO PASS:

SIGNING:  
(Check approp. column)

Do Not Pass No Rec Amend

[Signature] Hoffman

[Signature] Larson

[Signature] Koponen

[Signature] Barnes

[Signature] Phillips

[Signature] Rieger

[Signature] Wallis

	Do Not Pass	No Rec	Amend
<u>[Signature]</u> Brown		X	
<u>[Signature]</u> Ulmer		✓	

co- [Signature]  
Chairman's Signature

co- [Signature]

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Department of Revenue  
 Title: Issuance of Private Activity BRU: Treasury  
 Bonds \_\_\_\_\_ Components: \_\_\_\_\_  
 Sponsor: Rules  
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB  
 Division: Treasury

Phone: 465-2350  
 Date: November 1, 1988

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

Date: 11/7/88

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

No: 3

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: "An act..issuance of private activity bonds.."  
Sponsor: Rules Committee  
Requestor: Governor

Agency Affected: Community & Regional Affa:  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: Jim Plasman Deputy Director Phone: 465-4750  
Division: Municipal & Regional Assistance Date: 11-15-88  
Approved by Commissioner: [Signature] Date: 15 NOV 88  
Agency: Community & Regional Affairs

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

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 85

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH 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 new sections to read:

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ARTICLE 5. PRIVATE ACTIVITY BONDS

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Sec. 37.15.800. PRIVATE ACTIVITY BONDS. (a) As authorized

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under 26 U.S.C. 146(e), the state bond committee shall allocate the

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private activity bond volume limit for Alaska. Each year at least 25

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percent of the limit shall be allocated to municipalities. If the

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committee determines that a portion of the limit allocated to munic-

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ipalities will not be used by any municipality during that year, the

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committee may reallocate that portion.

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(b) The committee may make a carry-forward election under 26

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U.S.C. 146(f) with respect to all or any portion of the private activ-

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ity bond volume limit, including allocations that lapse under (c) or

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(d) of this section.

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(c) An amount allocated under (a) of this section lapses on

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December 30 of the year in which the allocation was made unless

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(1) the entity that received the allocation uses it before

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that date; or

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(2) the amount allocated is the subject of a carry-forward

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election under 26 U.S.C. 146(f).

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(d) The committee may adopt regulations relating to the lapsing

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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. This Act takes effect January 1, 1990.

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ALASKA PRIVATE ACTIVITY BOND VOLUME CAP  
ALLOCATIONS, USE AND CARRYFORWARDS FROM INCEPTION

CALENDAR YEAR	TOTAL CAP	ALLOCATION	USE	CARRYFORWARD 1.
1986	\$250,000,000	\$125,000,000 TO AHFC \$125,000,000 TO ALL OTHER USERS	\$14,780,000 BY AIDEA	\$125,000,000 FOR AHFC 2. \$110,220,000 FOR STUDENT LOAN BONDS
1987	\$250,000,000	\$0	\$50,000,000 BY AHFC	\$125,590,000 TO AHFC 2. \$64,410,000 TO APA FOR POWER PROJECTS
1988	\$150,000,000	\$0	\$0	\$80,000,000 TO APA FOR SNETTISHAM
1989 (to date)	\$150,000,000	\$0	\$83,795,000 BY ASLC	\$70,000,000 FOR STUDENT LOAN BONDS
TOTAL	\$800,000,000	\$250,000,000	\$148,575,000	\$635,220,000

UNUSED CARRYFORWARDS

AHFC	\$260,590,000	
APA	\$144,410,000	(FOR SPECIFICALLY NAMED PROJECTS)
ASLC	\$96,425,000	
TOTAL	\$501,425,000	

SPECIAL NOTE

An IRS ruling concerning of the 1986 carryforward for student loan bonds is pending. An unfavorable ruling could cause the 1986 carryforward to become unuseable. In that case a 1988 bond issue of the Alaska Student Loan Corporation ("ASLC") would use \$83,795,000 of the 1988 cap, leaving \$66,205,000 to carry forward for APA to purchase Snettisham. A ruling which did that would reduce unused carryforwards to the following amounts:

AHFC	\$260,590,000
APA	\$130,615,000
ASLC	\$0
TOTAL	\$391,205,000

NOTES

1. Carryforwards expire after three calendar years.
2. Under current Federal law AHFC will not be able to issue tax-exempt bonds for first time home-buyers after December 31, 1989.
3. No entity other than those identified in the tables has ever applied for an allocation of the private activity bond cap.

From DOR 2-1-89

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 9, 1989

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

Dear Senator Kelly:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the issuance of private activity bonds.

The bill provides permanent authority for the state bond committee to allocate the private activity bond volume limit for Alaska. The bond committee was assigned this responsibility by ch. 81, SLA 1987. However, sec. 3 of ch. 81 repeals the committee's authority as of January 1, 1990. The attached bill would place, in statute, the temporary language that was enacted in sec. 1, ch. 81, SLA 1987.

The private activity bond limit for Alaska under current federal law is \$150,000,000 each year. This limit on the amount of certain types of debt that can be issued as tax-exempt applies to Alaska Student Loan Corporation bonds, Alaska Housing Finance Corporation's first-time home buyer bonds, bonds for most Alaska Power Authority projects, and possibly certain bonds that would be issued by the Alaska Industrial Development and Export Authority or municipalities.

Legislation needs to be enacted in 1989 to avoid any hiatus in the authority of the State to allocate the volume limit. Failure to do so would cause the allocation to revert to

*Letter from the Governor*

Item #3

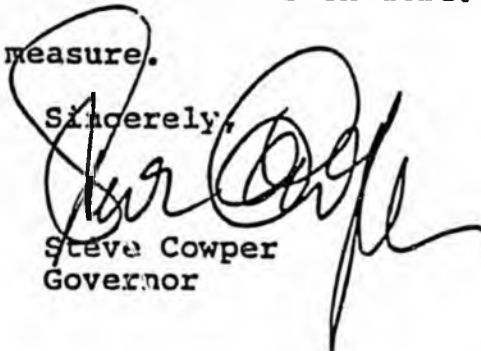
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federal law. Federal law mandates a fixed percentage allocation to municipalities. It is unlikely that municipalities would use all or even a significant portion of their limit. They have used none of the limit so far. Thus, an absence of legislation could cause significant amounts of state debt to be issued without tax exemption. This would increase needlessly the interest costs on such debt.

I urge your support of this measure.

Sincerely,

  
Steve Cowper  
Governor

SB 85, AN ACT RELATING TO THE ISSUANCE OF PRIVATE ACTIVITY BONDS; AND PROVIDING FOR AN EFFECTIVE DATE, IS SPONSORED BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR.

SB 85 PROVIDES PERMANENT AUTHORITY FOR THE ~~STATE BOND COMMITTEE~~ TO ~~ALLOCATE THE PRIVATE ACTIVITY BOND VOLUME LIMIT FOR ALASKA~~. THE BOND COMMITTEE WAS ASSIGNED THIS RESPONSIBILITY BY CH. 81, SLA 1987, HOWEVER, SECTION 3 OF CH 81 REPEALS THE COMMITTEE'S AUTHORITY AS OF JANUARY 1, 1990.

THE PRIVATE ACTIVITY BOND LIMIT FOR ALASKA UNDER CURRENT FEDERAL LAW IS ~~\$150,000,000~~ EACH YEAR. THIS LIMIT ON THE AMOUNT OF CERTAIN TYPES OF DEBT THAT CAN BE ISSUED AS ~~TAX EXEMPT~~ APPLIES TO ~~ALASKA STUDENT LOAN CORPORATION BONDS~~, BONDS FOR MOST ~~ALASKA POWER AUTHORITY PROJECTS~~, ~~ALASKA HOUSING FINANCE CORPORATION'S FIRST TIME HOME BUYER BONDS~~, AND POSSIBLY CERTAIN BONDS THAT WOULD BE ISSUED BY THE ~~ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY OR MUNICIPALITIES~~.

~~FAILURE TO ENACT THIS LEGISLATION WOULD CAUSE THE ALLOCATION TO REVERT TO FEDERAL LAW. FEDERAL LAW MANDATES A FIXED PERCENTAGE ALLOCATION TO MUNICIPALITIES.~~ AN ABSENCE OF LEGISLATION COULD CAUSE SIGNIFICANT AMOUNTS OF STATE DEBT TO BE ISSUED WITHOUT TAX EXEMPTION AS IT IS UNLIKELY THAT

MUNICIPALIES WOULD USE ALL OR EVEN A SIGNIFICANT PORTION OF  
THEIR LIMIT.

INCLUDED IN YOUR FILE IS A ~~PERMISSIVE~~ BY THE DEPT. OF  
REVENUE.

MR. MILT BARKER IS HERE TO DISCUSS SB 85.