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SENATE COMMITTEE REPORT

FURTHER

2/2/89

DATE TURNED INTO OFFICE

2/11/89

Mr. President:

FINANCE

Committee considered

SB 85

issuance of private activity bonds; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)

letter of intent adopted

Majors

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

Review of FRI

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

[Handwritten signatures]

[Handwritten signature]
Chairman signature and recommendation

Committee Backup attached

FISCAL NOTE

REQUEST:

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

Agency Affected: Community & Regional Affairs
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)

STATE OF ALASKA
1988 LEGISLATIVE SESSION

Bill Version: SB 85 (b)
Publish Date: 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Issuance of Private Activity
Bonds _____
Sponsor: Rules
Requestor: Governor

Agency Affected: Department of Revenue
BRU: Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
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
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

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
TOTAL	0	0	0	0	0	0

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)

Fiscal Note - DOR

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:

10

ARTICLE 5. PRIVATE ACTIVITY BONDS

11

Sec. 37.15.800. 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 munic-
16 ipalities will not be used by any municipality during that year, the
17 committee may reallocate that portion.

18

(b) The committee may make a carry-forward 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 carry-forward
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. This Act takes effect January 1, 1990.

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

The Honorable Tim Kelly

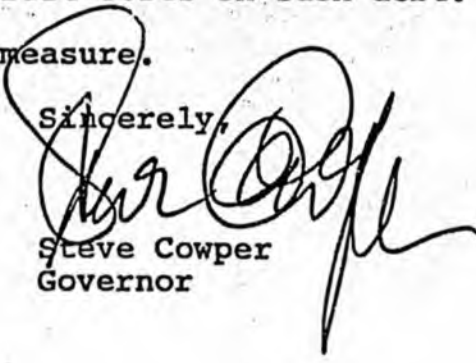
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federal law. Federal law mandates a fixed percentage allocation to municipalities. It is unlikely that municipalities would use all or even a significant portion of their limit. They have used none of the limit so far. Thus, an absence of legislation 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

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	\$185,590,000 TO AHFC 2. \$64,410,000 TO APA FOR POWER PROJECTS
1988	\$150,000,000	\$0	\$0	\$80,000,000 TO APA FOR SNETTISHAM FOR STUDENT LOAN BONDS
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	(FOR SPECIFICALLY NAMED PROJECTS)
APA	\$144,410,000	
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

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