

HB

428

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FILE

FISCAL NOTE

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Bill Version: CSHB 428 (FIN)

(H) Publish Date: 2/29/96

STATE OF ALASKA
1996 LEGISLATIVE SESSION

Title: An Act giving notice of and approving a
lease-purchase agreement for construction & operations...

Sponsor: House Finance

Requestor: _____

Dept. Affected Corrections

BRU: All

Components: _____

Serial # #0694

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	300.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	300.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	0.0	0.0	0.0	0.0	0.0	0.0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	300.0	0.0	0.0	0.0	0.0	0.0
Federal Fund	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	300.0	0.0	0.0	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 IF NECESSARY)

\$100.0 thousand dollars for RSA to the Dept. of Transportation & Public Facilities initial design specification work for Request for Proposal;
\$100.0 thousand dollars RSA to DOA to work on site selection & issue RFP; and
\$100.0 thousand dollars for DOC to contract for identifying population to be served in contract prison, and prepare requirements for contract prison.
Balance of needs identified will be included in financing package as capitalized costs.


Prepared by:

House Finance Committee

Date: 2/28/96

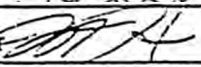
Rep. Mark Hanley, Co-Chair 


Phone: 465-4939

Rep. Richard Foster 

Phone: 465-3789

COMMITTEE COPY

Co-Chair 

; Co-Chair 

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OF

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Revision Date: _____ Dept. Affected: Revenue
 Title: Lease Purchase Correctional Facility BRU: Revenue Operations
 Component: Treasury Management
 Sponsor: House Finance Committee
 Requestor: (H) JUD COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Forrest Browne, Debt Manager
 Division: Treasury
 Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Phone: 465-3750
 Date: 1/25/96
 Date: 1/25/96

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House Bill No. 428 approves a lease-purchase agreement for the financing, construction, and operation of a correctional facility.

Operating Budget

The legislation would have no impact on the Treasury Division's operating budget.

Debt Financing Issues

Our comments are based on several assumptions. First, the lease will be long-term. Second, the lease-purchase agreement terms will be in part based on the contractor borrowing up to \$100,000,000 for designing, constructing, and equipping the facility. And finally, the financing, construction, and operation of the facility will be bundled into a single contract.

If the assumptions are correct, several issues come to mind that may need to be considered.

- 1) This lease-purchase will be considered debt from a bond rating perspective and will be recorded as such in the State's financial statements.
- 2) The contractor may want to securitize the State's lease and offer this debt in the domestic or international financial markets in order to obtain the funds necessary for construction. This process raises several more questions.
- 3) Securitizing the lease over a period of time beyond the expected Prudhoe Bay Curve may have an affect on the State's current bond rating. We are working with our financial advisor to convince the market that the State is working on a plan to fill the fiscal gap and reduce our dependence on oil revenues.
- 4) Consideration should be given to an overall strategy dealing with infrastructure and capital needs of the State. Agreements as outlined in HB No. 428 are only a portion of the total picture. This agreement will reduce the State's debt capacity as we offer our credit to a private contractor and at the same time give up the right to have any control over the debt issuing process.

Can a private contractor issue securitized state leases cheaper than the State? The answer is probably not. We can access tax exempt markets using our existing contracts with our own financial advisor and bond counsel and borrow money at very competitive rates.

Advantages of securing our own financing include the ability to refinance at any time favorable market conditions provide savings. Also, we eliminate the need to unbundle the lease-purchase from the construction and operating contracts should problems arise due to non-performance or default on the part of the contractor.

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 3/20/96

FURTHER: Finance

DATE TURNED INTO OFFICE: 4/24/96

The Labor and Commerce Committee considered CS FOR HOUSE BILL NO. 428(FIN) am

Relating to the authority of the Department of Corrections to contract for facilities for the confinement and care of prisoners.

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and recommends:

- be replaced with Sen CS HRB 428 (L.C.)
- adopt previous _____ CS _____ ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR* _____

SIGNING DO/PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Miles Hill</i>	✓	<i>Tom Duca</i>		✓	
<i>Ann Longum</i>	✓				
		<i>J. S. Saw</i>		✓	
CHAIR:		CHAIR: <i>Tom Kelly</i>	✓		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>House Finance Comm.</i>	<i>2/28/96</i>	✓	
<i>Dept. of Rev.</i>	<i>1/15/96</i>	✓	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill