

**SB**

**227**

SFIN

FILE

Revision Date: January 30, 1998 Dept. Affected: Revenue  
 Title: Public Facilities Financing Corp BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Rules  
 Requestor: (S) STA COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	37.2	63.8	63.8	63.8	63.8	63.8
TRAVEL	5.8	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	43.7	75.0	75.0	75.0	75.0	75.0
SUPPLIES	0.6	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	6.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
DEBT SERVICE		14,825.0	41,922.0	66,563.0	91,207.0	113,376.0
<b>TOTAL OPERATING</b>	<b>93.3</b>	<b>14,974.8</b>	<b>42,071.8</b>	<b>66,712.8</b>	<b>91,356.8</b>	<b>113,525.8</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES BAF</b>	<b>-62,650.0</b>	<b>-107,400.0</b>	<b>-107,400.0</b>	<b>-107,400.0</b>	<b>-107,400.0</b>	<b>-107,400.0</b>
<b>CHANGE IN REVENUES GF</b>	<b>62,650.0</b>	<b>107,400.0</b>	<b>107,400.0</b>	<b>107,400.0</b>	<b>107,400.0</b>	<b>107,400.0</b>

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF		14,825.0	41,922.0	66,563.0	91,207.0	113,376.0
1001 CBRF						
1048 University of AK receipts						
PFFC/BAF *	93.3	149.8	149.8	149.8	149.8	149.8
<b>TOTAL</b>	<b>93.3</b>	<b>14,974.8</b>	<b>42,071.8</b>	<b>66,712.8</b>	<b>91,356.8</b>	<b>113,525.8</b>

\* A technical amendment is required in SB 227 to pay DOR-Treasury's investment management and debt management expenses.

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Establishes the Public Facilities Finance Corporation (PFFC) and the Build Alaska Fund (BAF) and authorizes an advisory vote on whether to appropriate \$1.5 billion from the Constitutional Budget Reserve Fund (CBRF) to the BAF. It is assumed that these become effective December 1, 1998.

(See attached analysis and summary mechanics of operation and the fiscal note regarding the \$1.5 billion appropriation to the BAF.)

Prepared by: Forrest Browne Phone: 465-3750  
 Division: Treasury Date: January 30, 1998  
 Approved by Commissioner: Wilson L. Condon *Paul A. Konney* Date: January 30, 1998  
 Agency: Revenue

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**DEPARTMENT OF REVENUE'S FISCAL NOTE**  
**PUBLIC FACILITIES FINANCING CORPORATION**  
**January 30, 1998**

**PURPOSE OF THE CORPORATION**

The purpose of the corporation is to serve as a conduit for financing the state's share of capital expenditures approved by the legislature. These capital expenditures include acquisition, construction, repair, major maintenance and renovation of public facilities or school facilities.

**MECHANICS OF OPERATION**

1. The build Alaska fund ("BAF") is established within the corporation through a \$1.5 billion appropriation from the constitutional budget reserve fund. The BAF is invested by the Department of Revenue, with all income deposited into the state's general fund. Principal of the BAF may be appropriated for cost of issuance of the corporation's bonds or for capital expenditures approved by the legislature.
2. The legislature authorizes capital expenditures to be funded by conduit financing to be arranged by the state bond committee ("SBC") and issued by the corporation. The debt service on this financing will be subject to annual appropriation from the state's general fund and/or from the school fund.
3. The SBC will structure financing agreements between the state and the corporation. These financing agreements will create a stream of revenue between the state and the corporation sufficient to pay debt service on the corporation's bonds. The payments required in these financing agreements are subject to annual appropriation from the state's General Fund.
4. Upon the sale of the corporation's bonds, the bond proceeds will be deposited with a Trustee, will be invested in short-term Treasury securities and will be disbursed as required for the approved capital expenditures.
5. Annually, the SBC will request an appropriation from the state's General Fund and/or from the school fund, to the debt retirement fund, and an appropriation from the debt retirement fund to the SBC for debt service payments to the Public Facilities Financing Corporation.
6. The SBC will continuously review interest rates and will refinance the state's loan agreements with the corporation when it is possible to reduce interest expense.

**PROJECTED OPERATING EXPENDITURES / FUND SOURCES**

Projected operating expenditures, funded from the corporation, are based on the following assumptions:

- The corporation and the \$1.5 billion Build Alaska Fund are established December 1, 1998.

- The Deferred Task Force's recommended six-year, \$1.42 billion plan of financing is approved and implemented, with the first bond sale occurring on July 1, 1999, and annually thereafter.
- Staff support for the corporation is provided by the Department of Revenue – Treasury Division (“DOR-Treasury”).

Projected debt issuance and debt service is as follow:

\$(Millions)

	FY 00	F/Y 01	F/Y 02	F/Y 03	FY 04	F/Y 05
<b>New Debt Issued</b>	300.0	250.0	250.0	250.0	200.0	170.0
<b>Total Debt Issued</b>	300.0	550.0	800.0	1,050.0	1,250.0	1,420.0
<b>New Debt Service**</b>						
FY 00	14.825	29.569	29.570	29.572	29.574	29.573
FY 01		12.353	24.640	24.642	24.638	24.639
FY 02			12.353	24.640	24.642	24.638
FY 03				12.353	24.640	24.642
FY 04					9.882	19.711
FY 05						8.402
<b>Total Debt Service</b>	<b>14.825</b>	<b>41.922</b>	<b>66.563</b>	<b>91.207</b>	<b>113.376</b>	<b>131.605</b>

\*\* (New Debt Service assumes 5% interest, with a 15 year term.)

**INVESTMENT MANAGEMENT EXPENDITURES** – There will be a reduction of expenses for managing the Constitutional Budget Reserve Fund (“CBRF”) and a corresponding increase in expenses for managing the Build Alaska Fund. It is assumed that the FY 99 budget for managing the CBRF is \$600 thousand and that 50% of that amount, or \$300 thousand per year, will be required for investment management of the Build Alaska Fund. Additional expenses (principally debt management and bond issuance costs) of the PFFC are summarized below.

**PERSONAL SERVICES** – Starting in FY 00, an assistant investment officer position (Range 19, Exempt) will be required for DOR-Treasury, to be funded by the corporation. This new position will assist the state debt manager in providing staff support to the Public Facilities Financing Corporation. Specific duties will include preparation of financing documents; contact with bond rating services, underwriters, bond counsel, financial advisor, trustee and other professionals involved in the sale of the corporation’s bonds; accounting for the investment and disbursement of bond proceeds, and preparation of data for the corporation’s board, independent auditors and legislative appropriation of debt service.

Revision Date: January 30, 1998 Dept. Affected: Revenue  
 Title: Approp: Build Alaska Fund BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Rules  
 Requestor: (S) STA COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
DEBT SERVICE						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES CBRF	-62,650.0	-107,400.0	-107,400.0	-107,400.0	-107,400.0	-107,400.0
CHANGE IN REVENUES BAF	62,650.0	107,400.0	107,400.0	107,400.0	107,400.0	107,400.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF	-175.0	-300.0	-300.0	-300.0	-300.0	-300.0
1048 University of AK receipts						
PFFC/BAF *	175.0	300.0	300.0	300.0	300.0	300.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

\* A technical amendment in SB 227 is required to pay investment management expenses for the BAF.

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Appropriates \$1.5 billion from the Constitutional Budget Reserve Fund (CBRF) to the Build Alaska Fund (BAF), which is established in the Public Facilities Financing Corporation (PFFC). It is assumed that the funds' transfer will occur December 1, 1998. The income from investments of the BAF will be deposited to the General Fund. Assuming a 7.16% return on such investments, this will reduce income in the CBRF by \$107.4 million per year and increase General Fund revenues by \$107.4 million per year. Investment management expenses will be reduced by \$300 thousand annually in the CBRF and increased by an equal amount in the BAF.

(See attached fiscal note regarding the PFFC.)

Prepared by: Forrest Browne  
 Division: Treasury  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-3750  
 Date: January 30, 1998  
 Date: January 30, 1998

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# FISCAL NOTE

**STATE OF ALASKA  
1998 LEGISLATIVE SESSION**

**BILL NO. SB227** | \_\_\_\_\_

Revision Date (Note if correction) _____	Dept. Affected _____	Office of the Governor _____
Title <u>An Act relating to the Public Facilities</u>	BRU _____	Elective Operations _____
Financing Corporation; authorizing an advisory vote _____	Component <u>General and Primary</u>	_____
Sponsor <u>Senator Rules</u>	_____	_____
Requester <u>Senate State Affairs</u>	Component Serial No. <u>#21</u>	_____

**Expenditures/Revenues (Thousands of Dollars)**

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual	3.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF	3.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58, and the programming costs for counting votes cast on the measure. However, only four measures can be printed on a single ballot card. If this measure requires printing an additional ballot card, the costs will increase by \$56.0.

Prepared by <u>Dana LaTour</u> <i>D. La Tour</i>	Phone <u>465-5347</u>
Division <u>Division of Elections</u>	Date <u>1/28/98</u>
Approved by <u>C. Lt. Governor Fran Ulmer</u> <i>Fran Ulmer</i>	Date <u>1/29/98</u>
Agency <u>Office of the Lieutenant Governor</u>	

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SB 227  
STAFF

The state debt manager in DOR-Treasury is staff to the state bond committee and also is staff (executive director) of the Alaska Municipal Bond Bank Authority. It is anticipated that the state debt manager will also serve as staff to the corporation.

To summarize, it is projected that an assistant investment officer position will be added to DOR-Treasury and will be funded by corporate receipts of the Public Facilities Finance Corporation. Estimated annual expense for personal services is \$63,800. The corporation will have no employees.

**TRAVEL** – Annual travel expense of \$10,000 is projected for bond closings, bond rating presentations, trustee performance review meetings and board meetings.

**CONTRACTUAL** – A financial advisor and bond counsel will be retained to structure financing agreements in preparation for bond sales, estimated at \$60,000 per year. Additional audit and custody fees will be required, estimated at \$15,000 per year. These expenses are estimated to be \$75,000 annually.

**COSTS OF ISSUING FINANCING** – These include underwriter, credit enhancement, printing, trustee, bond counsel, financial advisor and related costs of issuance. As these costs will be funded from bond proceeds and are directly related to the size and timing of bond sales, they will not be included in this fiscal note.

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. CSSB227(STA)

Revision Date (Note if correction) \_\_\_\_\_ Dept. Affected Office of the Governor  
 Title An Act relating to the Public Facilities BRU Elective Operations  
 Financing Corporation; authorizing an advisory vote Component General and Primary  
 Sponsor Senate Rules  
 Requester (S) FIN Component Serial No. #21

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual	3.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	3.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58, and the programming costs for counting votes cast on the measure. However, only four measures can be printed on a single ballot card. If this measure requires printing an additional ballot card, the costs will increase by \$56.0.

Prepared by Dana LaTour Phone 465-5347  
 Division Division of Elections Date 2/11/98  
 Approved by C Lt. Governor Fran Ulmer Date 2/11/98  
 Agency Office of the Lieutenant Governor

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Revision Date: February 11, 1998 Dept. Affected: Revenue  
 Title: Public Facilities Financing Corp. BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: Rules  
 Requeslor: (S) FIN COMPONENT SERIAL NO. 121

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PERSONAL SERVICES	37.2	63.8	63.8	63.8	63.8	63.8
TRAVEL	5.8	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL	43.7	75.0	75.0	75.0	75.0	75.0
SUPPLIES	0.6	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	6.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
DEBT SERVICE		14,825.0	41,922.0	66,563.0	91,207.0	113,376.0
<b>TOTAL OPERATING</b>	<b>93.3</b>	<b>14,974.8</b>	<b>42,071.8</b>	<b>66,712.8</b>	<b>91,356.8</b>	<b>113,525.8</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES BAF	-62,650.0	-107,400.0	-107,400.0	-107,400.0	-107,400.0	-107,400.0
CHANGE IN REVENUES GF	62,650.0	107,400.0	107,400.0	107,400.0	107,400.0	107,400.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
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<b>TOTAL</b>	<b>93.3</b>	<b>14,974.8</b>	<b>42,071.8</b>	<b>66,712.8</b>	<b>91,356.8</b>	<b>113,525.8</b>

\* A technical amendment is required in SB 227 to pay DOR-Treasury's investment management and debt management expenses.

Estimate of any current year cost \$ 0.0

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Establishes the Public Facilities Finance Corporation (PFFC) and the Build Alaska Fund (BAF) and authorizes an advisory vote on whether to appropriate \$1.5 billion from the Constitutional Budget Reserve Fund (CBRF) to the BAF. It is assumed that these become effective December 1, 1998.

(See attached analysis and summary mechanics of operation and the fiscal note regarding the \$1.5 billion appropriation to the BAF.)

Prepared by: Forrest Browne  
 Division: Treasury  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-3750  
 Date: February 11, 1998  
 Date: February 11, 1998

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**DEPARTMENT OF REVENUE'S FISCAL NOTE**  
**PUBLIC FACILITIES FINANCING CORPORATION**  
**January 30, 1998**

**PURPOSE OF THE CORPORATION**

The purpose of the corporation is to serve as a conduit for financing the state's share of capital expenditures approved by the legislature. These capital expenditures include acquisition, construction, repair, major maintenance and renovation of public facilities or school facilities.

**MECHANICS OF OPERATION**

1. The build Alaska fund ("BAF") is established within the corporation through a \$1.5 billion appropriation from the constitutional budget reserve fund. The BAF is invested by the Department of Revenue, with all income deposited into the state's general fund. Principal of the BAF may be appropriated for cost of issuance of the corporation's bonds or for capital expenditures approved by the legislature.
2. The legislature authorizes capital expenditures to be funded by conduit financing to be arranged by the state bond committee ("SBC") and issued by the corporation. The debt service on this financing will be subject to annual appropriation from the state's general fund and/or from the school fund.
3. The SBC will structure financing agreements between the state and the corporation. These financing agreements will create a stream of revenue between the state and the corporation sufficient to pay debt service on the corporation's bonds. The payments required in these financing agreements are subject to annual appropriation from the state's General Fund.
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5. Annually, the SBC will request an appropriation from the state's General Fund and/or from the school fund, to the debt retirement fund, and an appropriation from the debt retirement fund to the SBC for debt service payments to the Public Facilities Financing Corporation.
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**PROJECTED OPERATING EXPENDITURES / FUND SOURCES**

Projected operating expenditures, funded from the corporation, are based on the following assumptions:

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The state debt manager in DOR-Treasury is staff to the state bond committee and also is staff (executive director) of the Alaska Municipal Bond Bank Authority. It is anticipated that the state debt manager will also serve as staff to the corporation.

To summarize, it is projected that an assistant investment officer position will be added to DOR-Treasury and will be funded by corporate receipts of the Public Facilities Finance Corporation. Estimated annual expense for personal services is \$63,800. The corporation will have no employees.

**TRAVEL** – Annual travel expense of \$10,000 is projected for bond closings, bond rating presentations, trustee performance review meetings and board meetings.

**CONTRACTUAL** – A financial advisor and bond counsel will be retained to structure financing agreements in preparation for bond sales, estimated at \$60,000 per year. Additional audit and custody fees will be required, estimated at \$15,000 per year. These expenses are estimated to be \$75,000 annually.

**COSTS OF ISSUING FINANCING** – These include underwriter, credit enhancement, printing, trustee, bond counsel, financial advisor and related costs of issuance. As these costs will be funded from bond proceeds and are directly related to the size and timing of bond sales, they will not be included in this fiscal note.