

**HB**

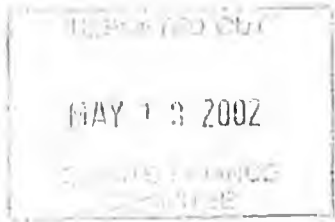
**525**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/6/02



FURTHER:

DATE TURNED IN TO OFFICE: 13 May 2002

Finance Committee considered CS FOR HOUSE BILL NO. 525(FIN) am  
HB 525 GO BONDS: MAINTENANCE OF PUBLIC FACILITIES

"An Act relating to the issuance of general obligation bonds for the purpose of paying the cost of deferred maintenance of public facilities; and providing for an effective date."

and recommends:

- be replaced with 5 CS CS HB 525 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	7/3/02	16037.8		#7

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Ledy Green</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Willie Gustaff</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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<i>[Signature]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COCHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# FISCAL NOTE

MAY 13 2002

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 525(FIN)  
 (H) Publish Date: 5/3/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: General Obligation Bonds: BRU Revenue Operations  
Maintenance of Public Facilities Component Treasury Division  
 Sponsor: House Finance Committee  
 Requester: House Finance Committee Component No. 121

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel		15.0				
Contractual		687.6	20.0	20.0	20.0	20.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		15,335.2	15,357.1	15,357.0	15,356.5	15,355.7
<b>TOTAL OPERATING</b>		<b>16,037.8</b>	<b>15,377.1</b>	<b>15,377.0</b>	<b>15,376.5</b>	<b>15,375.7</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF		15,340.2	15,377.1	15,377.0	15,376.5	15,375.7
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds		697.6				
<b>TOTAL</b>		<b>16,037.8</b>	<b>15,377.1</b>	<b>15,377.0</b>	<b>15,376.5</b>	<b>15,375.7</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation authorizes the issuance of \$199,317,717 in general obligation bonds to pay for the cost of deferred maintenance of public facilities.

If the legislature approves this measure this session, the bond issue would be placed before voters in the November 2002 general election. Assuming voter approval, the intent is to issue the \$199,317,717 of bonds in the spring of 2003. However, the State Bond Committee would determine the actual timing, amount and term of the bond sales based on project demand and market conditions. As much as \$697,612 of the bond issue would be used to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial adviser and bond counsel fees.

Prepared by: Deven Mitchell, State Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time 5/3/02 8 32 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 05/03/2002  
 Agency: Department of Revenue

**FISCAL NOTE #1**

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

**BILL NO. CSHB 525(FIN)**

**ANALYSIS CONTINUATION**

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at \$997,000.

Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately \$15.4 million per year beginning in FY2004. If the interest rate increases by 1% prior to selling bonds, the annual debt service cost would increase to \$16.9 million.