

HB

381

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 MAY 06 2006
 SENATE FINANCE COMMITTEE

DATE: 5/4/06

FURTHER:

DATE TURNED IN TO OFFICE: 5/6/06

Finance Committee considered CS FOR HOUSE BILL NO. 381 (FIN)

HB 381 TOBACCO REV. FOR CAPITAL PROJECTS

"An Act relating to the financing of construction, major maintenance, and renovation of certain capital projects; authorizing the commissioner of revenue to sell the right to receive a portion of the anticipated revenue from a tobacco litigation settlement to the Northern Tobacco Securitization Corporation, and relating to that sale and the use of the revenue; authorizing the Northern Tobacco Securitization Corporation to issue bonds and use the proceeds to acquire the right to receive a portion of anticipated revenue from a tobacco litigation settlement and for other purposes, and relating to those bonds; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 381 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Admin	4/23/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓		✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 MAY 06 2006
 SENATE FINANCE COMMITTEE

DATE: 5/4/06

FURTHER:

DATE TURNED IN TO OFFICE: 5/6/06

Finance Committee considered CS FOR HOUSE BILL NO. 381(FIN)

HB 381 TOBACCO REV. FOR CAPITAL PROJECTS

"An Act relating to the financing of construction, major maintenance, and renovation of certain capital projects; authorizing the commissioner of revenue to sell the right to receive a portion of the anticipated revenue from a tobacco litigation settlement to the Northern Tobacco Securitization Corporation, and relating to that sale and the use of the revenue; authorizing the Northern Tobacco Securitization Corporation to issue bonds and use the proceeds to acquire the right to receive a portion of anticipated revenue from a tobacco litigation settlement and for other purposes, and relating to those bonds; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 381 (FIN)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Admin	4/23/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	—			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED OUT
MAY 06 2006
SENATE FINANCE COMMITTEE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 381
(H) Publish Date: 1/18/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: Tobacco Bonds RDU: Centralized Administrative Services
Component: Finance
Sponsor: _____ Component No: 59
Requester: _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
This fiscal note will have a zero impact upon the Division of Finance, as these activities fall within the scope of the division's current responsibilities.

Prepared by: Kim Garner, Director Phone: 465-3435
Division: Finance Date/Time: 12/23/05 2:00 PM
Approved by: Michael Tibbles, Deputy Commissioner Date: 12/23/2005
Agency: Administration

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 MAY 06 2006
 SENATE FINANCE COMMITTEE

DATE: 5/4/06

FURTHER:

DATE TURNED IN TO OFFICE: 5/6/06

Finance Committee considered CS FOR HOUSE BILL NO. 381(FIN)

HB 381 TOBACCO REV. FOR CAPITAL PROJECTS

"An Act relating to the financing of construction, major maintenance, and renovation of certain capital projects; authorizing the commissioner of revenue to sell the right to receive a portion of the anticipated revenue from a tobacco litigation settlement to the Northern Tobacco Securitization Corporation, and relating to that sale and the use of the revenue; authorizing the Northern Tobacco Securitization Corporation to issue bonds and use the proceeds to acquire the right to receive a portion of anticipated revenue from a tobacco litigation settlement and for other purposes, and relating to those bonds; and providing for an effective date."

and recommends:

- be replaced with S CS CS HB 381 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Admin	2/23/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓		✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

REPORTED OUT
MAY 06 2006
SENATE FINANCE COMMITTEE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 381
(H) Publish Date: 1/18/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title: Tobacco Bonds RDU: Centralized Administrative Services
Component: Finance
Sponsor: _____
Requester: _____ Component No. 59

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note will have a zero impact upon the Division of Finance, as these activities fall within the scope of the division's current responsibilities.

Prepared by: Kim Garnero, Director
Division: Finance
Approved by: Michael Tibbles, Deputy Commissioner
Agency: Administration

Phone: 465-3435
Date/Time: 12/23/05 2:00 PM
Date: 12/23/2005

1	Campus Center Renewal and Renovation	4,000,000
2	Museum Completion	1,000,000
3	Anchorage - Raspberry Road Extension	1,500,000
4	Glenn Bragaw Interchange, Phase II	8,500,000
5	Chugiak - Birchwood Eagle River, Rural Road Service	
6	Area: Road and Drainage System Rehabilitation	2,000,000
7	Nome - Nome Joint Utilities, Nome Power Plant	4,000,000
8	Bethel - Yukon-Kuskokwim Health Corporation: Prematernal	
9	Home Construction	2,000,000
10	Northwest Arctic Borough - Kivalina Shoreline Protection	1,650,000
11	Kenai - Kenai Peninsula Borough: Borough-wide Road Upgrades	1,800,000
12	Department of Transportation and Public Facilities: Wik	
13	Road Improvements	2,000,000
14	Wrangell - Heritage Harbor Float System	2,200,000
15	Ketchikan - Alaska Industrial Development and Export	
16	Authority: Ketchikan Shipyard Improvements	2,740,000
17	Juneau - Juneau Community Foundation: Recreation/Sports	4 4,000,000
18	Complex Design and Construction	2,000,000
19	Hoop Time Basketball: Multi-use Recreation Facility	2,000,000
20	Kodiak - City of Kodiak: Municipal Airport Improvements	700,000
21	City of Kodiak: Public Safety Building	1,000,000
22	City of Kodiak: Pier III Repairs	300,000
23	Kodiak Island Borough: Ouzinkie Dock Replacement	570,000
24	Kodiak Island Borough: Near Island Facility	500,000
25	Seward - City of Seward: Seward T Dock and Bulkhead Phase II	1,200,000
26	Homer - City of Homer: New City Hall	2,000,000
27	Valdez - Small Boat Harbor Improvements	1,000,000
28	Southeast Islands - City and Borough of Sitka: University of	
29	Alaska Benchland Subdivision Utilities, Water Tank,	
30	Sewer Infrastructure, and Related Road Improvements	5,000,000
31	City of Craig: Ward Cove Cannery Renovation and	



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Shelf
Kelly
done

FAX COV

DATE: 6 May 2006 TIME: 9:35 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Exchange please
SCS CS HB 381 (FIN)
2A-GH2071\L
plus 1 amendment - attached
Thanks
Mindy

Tam Cook

ginger #: 2138

for final on the floor @ 1:00pm

AMENDMENT

To: CS HB 381(FIN) Version 24-GH2071NL

BY: Senator Green

This amendment is ~~technical~~ in nature.

Amend Page 3, following Line 31

INSERT Tanana Valley Campus:

Amend Page 4, Line 18

DELETE 2,000,000
INSERT 4,000,000

Amend Page 4, Line 19

DELETE entire line and dollar amount

Amend Page 4, Line 28

DELETE "Southeast Islands -"
INSERT "Sitka -"

Amend Page 4, Line 31

INSERT "Southeast Islands -"

Ginger attempted to insert this into the Final CS.

Committee did not see or adopt this amendment

Not incorporated into version "5"

Post-it* Fax Note	7671	Date	# of pages ▶
To	Mindy	From	Lynn
Co./Dept.		Co.	
Phone #		Phone #	(606) 51
Fax #	2187	Fax #	

SENATE FINANCE
COMMITTEE
Amendment # _____
To Bill Number: _____
Sponsor: _____
Date: _____ Logged by: _____

A M E N D E N T

To: CS JIB 381(FIN) Version 24-GH2071M.

BY: Senator Green

This amendment is technical in nature.

Amend Page 3, following Line 31

INSERT Tanana Valley Campus:

Amend Page 4, Line 28

DELETE "Southeast Islands - "
INSERT "Sitka -"

Amend Page 4, Line 31

INSERT "Southeast Islands -"

*per Ginger - amendment
to be offered
on the floor*

General guidance on using Tobacco Bonds as a Fund Source for Capital Projects

Provided by OMB- 4/27/2006

Overview

- Tobacco bonds are tax-exempt securities. To achieve that status, projects must accrue benefit to the general government. If an entity other than government accrues benefits from the bond proceeds then the use of this funding stream comes in to question.
- To insure funded projects meet the requirements for tax-exempt status, they are reviewed by bond counsel.
- The projected life of the funded project must be comparable to the life of the bond.
- To provide specific examples, the Department of Revenue reviewed the municipal grant section of the FY 06 capital budget for Commerce and Economic Development. Projects were flagged that were potentially problematic for using Tobacco Bond proceeds as the funding source.

Summary of Findings from Department of Revenue Project Review

- Most of the projects listed were eligible for Tobacco Bonds funding.
- Projects flagged by Revenue as having potential issues with using tobacco bonds had a recurring theme or question: To what extent are nongovernment entities involved?

Examples of projects that were problems:

- Assistance with debt retirement on a private nonprofit corporations facility
- Funding for a facility that is going to be run by a private entity
- Subdivision improvements such as roads or drainage that would benefit a private developer

Examples of projects that may be problems depending upon circumstances:

- Airport terminal improvements
- Dock improvements
- Equipment purchases

Questions or concerns about specific projects can be directed either to the Department of Revenue or OMB. Some of these may in turn need to be reviewed by bond counsel for more definitive guidance. Ultimately all of the projects using this funding stream would need review by bond counsel.

A detailed list of the FY06 projects flagged by Revenue is attached.
Capital projects from FY 06 DCCED municipal grants that may be problematic to fund with tobacco refinance proceeds

Project	Revenue comment
Cold Bay Airport Terminal Project	Potential problem if any private firm such as airline, restaurants, etc, are involved
City of Bristol Bay Port & Dock Improvement	<u>Public Use</u> docks are generally OK- private docks problematic
City of Adak- Adak Small Boat Harbor Construction Phase II	<u>Public Use</u> docks are generally OK- private docks problematic
City of Anderson Subdivision Rd	OK unless a private developer is involved
City of Angoon Search & Rescue Vessel	OK provided no private firm to use vessel, for example as the operator
City of Bethel -Bethel prematernal Home Replacement, design & planning	OK unless private firm is operator (of home itself). Usually designs and plans are OK.
City of Bethel-Emergency Dock repairs	<u>Public Use</u> docks are generally OK- private docks problematic
City of Coffman Cove- Garbage Truck	OK unless a this is for a private operator
City of Cordova- Cordova AWARE shelter	OK unless a this is for a private operator
City of Cordova- Cordova Center	OK unless a this is for a private operator
City of Craig- Fish Processing/Cold Storage	Probably a private operator, if so, not OK
City of Eek- New Landfill Replacement, Design, Planning and Construction	OK unless a this is for a private operator
City of Emmonak- Emmonak Heavy Equipment, Purchase and repair and Congressional Earmark Match	OK if the equipment is for public uses
City of Galena - Expert Legal and Technical Analysis for Proposed Mini-Nuclear Power plant	Probably OK, depends upon the nature of the utility, This would probably need to be reviewed by State's Bond Counsel
City of Gambell- Gambell Landfill Relocation Study	OK if the landfill is publicly operated. Not OK if for a private operator
City of Houston- Mid Valley Senior Center	OK unless a this is for a private operator
City of Ketchikan- Design and Construction of Waterfront Promenade	May be private firms involved in this one
City of Ketchikan- Gravina Electric/Telecommunication Line	May be problematic depending on the nature of the utility
City of King Cove- Harbor Complex Power Upgrade	May be problematic depending on the nature of the utility
City of Klawock Small Boat Harbor Float Construction	<u>Public Use</u> docks are generally OK- private docks problematic
City of Kodiak- Marine Travel Lift	See comment on public use docks
City of Nenana - Nenana Boarding Schools Construction and Maintenance	OK unless a this is for a private operator
City of Saint Mary's - St Mary's Landfill	OK so long as public & not private

Road	operator
Project	Revenue Comment
City of Thorne Bay- Harbor Shack Improvement	See comment on public use docks
City of Wasilla – Sports Complex Emergency Generators and Kitchen	OK unless a this is for a private operator
City of Wrangell- Regional Cold Storage	Probably a private operator, if so, not OK
Fairbanks North Star Borough – Carlson Center Scoreboard	Probably OK unless private lessee using the improvements
Kenai Peninsula Borough- Arctic Winter Games Hosting	Likely OK
Kenai Peninsula Borough- Cooper Landing Senior Citizen's Corp., Inc.	This would probably need to be reviewed by State's Bond Counsel
Road Access and Utilities to Senior Housing Site.	OK so long as public & not private operator
Kodiak Island Borough – Near Island Research and Administration	OK so long as entirely public use (or private use doesn't exceed various limits in Internal Revenue Code)
Municipality of Anchorage Family resource Center (Campfire) Lease and Building/Land Purchase	Lease might not be OK; Would need bond counsel to review. The purchase of the building and land OK if for a public project.
Municipality of Anchorage Foxhall Subdivision Area Drainage	If private developer, this could be a problem. Bond counsel would likely need to review.

FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465 3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 17, 2006

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the financing of construction, major maintenance, and renovation of facilities for the University of Alaska; relating to the financing of construction of a correctional facility; authorizing the commissioner of revenue to sell the right to receive a portion of the anticipated revenue from a tobacco litigation settlement to the Northern Tobacco Securitization Corporation, with the proceeds of that sale to finance construction, major maintenance, and renovation of facilities for the University of Alaska and to finance the construction of a correctional facility; providing for the establishment of funds for deposit of those proceeds; and authorizing the issuance of bonds by the Northern Tobacco Securitization Corporation for the purpose of acquiring the right to receive a portion of anticipated revenue from a tobacco litigation settlement.

This bill is quite similar to previous measures that securitized a total of 80 percent of the tobacco Master Settlement Agreement revenue stream. See secs. 9 and 10, ch. 130, SLA 2000 and secs. 3 and 4, ch. 96, SLA 2001. This bill would securitize the residual revenue stream that reverts back to the general fund once the outstanding tobacco bonds authorized by the previous legislation are repaid. In other words, that 80 percent of the revenue stream from the settlement of *State of Alaska v. Philip Morris, Incorporated, et al*, No. 1JU-97-915 CI (Alaska Super. 1997) will remain securitized for a longer period. The bill anticipates that the state will realize at least \$89,250,000 in proceeds, with a possibility that additional amounts would be raised. The bill authorizes the proceeds to be spent on certain University of Alaska capital projects, and

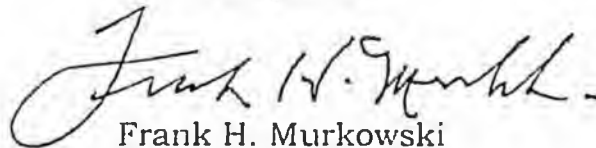
HB 381

The Honorable John Harris
January 17, 2006
Page 2

on a prison in the Matanuska-Susitna Borough, subject to appropriation for those purposes.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is written in a cursive style with a large initial "F" and a long horizontal stroke at the end.

Frank H. Murkowski
Governor