

HB

184

Alaska State Legislature

Juneau

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Member

House Finance Committee

Representative Mike Kelly

House District 7

Sponsor Statement – HB 184

HB184 adjusts the current bond debt cap for the University of Alaska to reflect today's construction prices. Current Alaska Statute allows the University of Alaska to borrow money, issue debt or enter into long-term obligations for the purchase of facilities, goods or services without having to provide notice to the legislature as long as the annual debt service payment doesn't exceed \$1.0 million. HB184 bumps up the threshold to \$2.5 million.

The current bond debt cap limit of \$1.0 million was originally issued in 1990. At that time, \$1.0 million in annual debt service was the cost of financing a \$15.0 million capital project. Taking into account construction inflation in Alaska, a \$15.0 million capital project built in 1990 would cost about \$40.0 million today. Annual debt service on \$40.0 million is \$2.5 million assuming a 4.5% interest rate and a 25-year straight line amortization.

The University has operated a viable debt program over the last 18 years. It has issued 14 general revenue bonds plus other financing arrangements that have been critical in securing funding for capital projects. The University has never suffered a rating downgrade. In fact, in December 2007, Moody's Investor Service upgraded the University credit rating to Aa3. The University continues to monitor its debt capacity and compliance with tax exempt bond covenants. Currently, the amount of debt service outstanding is \$11.2 million. This is less than half the Board of Regents' policy limit of 5% of unrestricted revenues which is \$26.2 million for FY08. This equates to \$127 million in outstanding debt with the ability to issue a total of \$317 million in debt.

By increasing the bond debt cap approval level, the administrative burden of compliance with the statute for smaller bond issues would be reduced for both the legislature and the University. At the same time, legislative oversight would be retained for larger financings.

I would appreciate your support for HB184.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB184
 () Publish Date: _____

Identifier (file name): HB184-UA-Sysbra-03-23-09 Dept. Affected: University of Alaska
 Title An act relating to the debt authorization of the University of RDU University of Alaska
Alaska Component Sysbra
 Sponsor Representatives Kelly and Fairclough
 Requester Education Committee Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
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	0.0	0.0

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

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

HB184 increases the debt authorization level for the University of Alaska and is not anticipated to have a measurable fiscal impact on the University of Alaska.

Prepared by: Alesia Kruckenberg
 Division: University of Alaska
 Approved by: Michelle Rizk
University of Alaska

Phone 907-450-8426
 Date/Time 3/23/09 2:00PM
 Date 3/23/09 2:00PM

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 rposes. The regents shall
 as to the administration
 0 ACLA 1949; am § 2 ch
 ; am § 3 ch 71 SLA 2008)

For the purposes of this
 e University of Alaska is
 due. Upon default, the
 under AS 43.23.073.
 of the default and the
 mailing a notice to the

ing of the decision. The decision of the chief finance officer is a final decision that may
 appealed to the superior court under the Alaska Rules of Appellate Procedure. (§ 1 ch
 SLA 2004)

Sec. 14.40.253. Financing notice and approval. If the University of Alaska
 tends to enter into an obligation, except for refinancing obligations, under AS
 14.40.040(a)(5) with an annual payment by the university anticipated to exceed
 \$1,000,000, the university shall provide notice to the legislature. The notice must include
 the anticipated annual payment amount, the anticipated financing, and the total
 construction, acquisition, or other costs of the project. The university may not enter into
 an obligation requiring a financing notice under this section, other than a refinancing
 obligation, unless the project has been approved by the legislature by law. An appropri-
 ation for the project does not constitute approval of the project for the purpose of this
 section. (§ 2 ch 181 SLA 1990; am § 2 ch 90 SLA 1999) ←←←

Sec. 14.40.254. University revenue bonds. (a) Subject to AS 14.40.253, the board
 may issue revenue bonds to pay the cost of acquiring, constructing, or equipping a facility
 that the board determines is necessary.

(b) The board may enter into an agreement with a trustee or bond owner for the
 purpose of securing payment of revenue bonds issued by the University of Alaska to
 acquire, construct, or equip a facility that the board determines is necessary. The
 agreement may include the fixing and collection of fees, charges, or rentals pledged to
 secure payment of the revenue bonds and agreement regarding the use of the proceeds of
 the revenue bonds.

(c) The state pledges not to limit or alter rights vested under this section in the
 University of Alaska to fulfill the terms of a contract with revenue bond owners.

(d) The board may pledge revenue received by the University of Alaska as fees,
 charges, or rentals in order to secure payment of the revenue bonds. A pledge of revenue
 received by the University of Alaska is considered a perfected security interest and is
 valid and binding from the time the pledge is made. The pledge creates an immediate lien
 against property pledged without physical delivery or other act. (§ 1 ch 26 SLA 1991)

Sec. 14.40.255. Investment of surplus money. If the Board of Regents determines
 that there is a surplus of money, received in the form of state and federal appropriations,
 above the amount sufficient to meet current and projected cash expenditure needs of the
 university, the surplus must be invested as set out in AS 37.10.071. Income earned on
 investments made under this section may be retained by the university and expended in
 accordance with AS 37.07 (Executive Budget Act.) (§ 4 ch 143 SLA 1986; am § 5 ch 141
 SLA 1988)

Sec. 14.40.257. Reimbursement for costs of capital projects. (a) Subject to
 appropriations for the purpose, during each fiscal year, the legislature may appropriate
 an amount to reimburse the University of Alaska for the cost to be paid by the university
 during that same fiscal year for the principal and interest on outstanding debt for the
 projects listed in (b) of this section.



LAWS OF ALASKA

1990

Chapter No. 181

Source

HCS CSSB 108(Fin)

01.10.070(e).

AN ACT

Relating to public finance, including lease-financing, and to the disposal of certain property; repealing certain lease-purchasing approval; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1, LINE 11

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 21, 1990
Actual Effective Date: Section 11 takes effect June 22, 1990;
remainder of Act takes effect July 1, 1990

AN ACT

Relating to public finance, including lease-financing, and to the disposal of certain property; repealing certain lease-purchasing approval; and providing for an effective date.

* Section 1. AS 14.40.040 is amended to read:

Sec. 14.40.040. GENERAL POWERS OF THE UNIVERSITY. There is created and established a corporation to be called the University of Alaska. It may in that name

- (1) sue and be sued;
- (2) receive and hold real and personal property;
- (3) contract and be contracted with;
- (4) adopt, use, and alter a corporate seal;
- (5) borrow money, issue debt, or enter into loan obligations, for the purchase of facilities, goods, or services; obligations may secure, in whole or in part, debt issued by party;

(6) do and have done all matters necessary for the of any function set out [FORTH] in this chapter.

* Sec. 2. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.253. FINANCING NOTICE AND APPROVAL. If the University of Alaska intends to enter into an obligation, except for refinancing obligations, under AS 14.40.040(5) with an annual payment by the university anticipated to exceed \$1,000,000, the university shall

Chapter 181

1 provide notice to the legislature. The notice must include the antic-
2 ipated annual payment amount, the anticipated financing, and the total
3 construction, acquisition, or other costs of the project. The univer-
4 sity may not enter into an obligation requiring a financing notice
5 under this section, other than a refinancing obligation, unless the
6 project has been approved by the legislature by law. An appropriation
7 for the project does not constitute approval of the project for the
8 purpose of this section.

9 * Sec. 3. AS 18.55.255 is amended to read:

10 Sec. 18.55.255. DISPOSAL OF SURPLUS PROPERTY [PROCEDURE FOR SALE
11 OF LAND]. The authority may convey real or personal property that it
12 determines is in excess of its needs. Except as provided in (b) and
13 (c) of this section, the sale [SALE OF LAND] shall be by public auc-
14 tion or by sealed bids at a price not lower than the fair market value
15 determined by an appraisal made within 180 days before [OF] the sale
16 by a qualified appraiser. Public notice shall be given by publishing
17 notice of the sale at least once a week for two consecutive weeks in a
18 newspaper of general circulation within the area in which the property
19 to be sold is located and by posting notice of sale in at least two
20 public places in the area. In no event may [SHALL] the auction be
21 held less than 30 days after the last day of publication. If no
22 acceptable bids are received the authority may sell the property at
23 negotiated sale [,] within six months after [OF] the date of the
24 auction. A negotiated sale may not be made on an appraisal made more
25 than nine months before the date of sale. The price at a negotiated
26 sale may not be less than the appraised value.

27 * Sec. 4. AS 18.55.255 is amended by adding new subsections to read:

28 (b) Real or personal property of the authority may be conveyed
29 to a state or federal agency or political subdivision for less than

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(c) Propo
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(d) This
AS 18.55.320 or

* Sec. 5. AS 22.

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* Sec. 6. AS 36.

Sec. 36.3
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Myron J. Dosch, CPA
Controller
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Fax: (907) 450-8071
myron.dosch@alaska.edu



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UNIVERSITY
of ALASKA

Many Traditions One Alaska

March 24, 2009

The Honorable Representative Mike Kelly
State Capitol, Room 513
Juneau, Alaska 99801-1182

Dear Representative Kelly:

On behalf of the University of Alaska and President Hamilton, I offer this letter of support for House Bill 184: "An Act relating to debt authorization of the University of Alaska". My position is Controller for the University of Alaska and I oversee its debt function.

AS14.40.253 requires that when the University anticipates a financing will exceed \$1.0 million in annual debt service, notice to and approval from the Legislature is required. This bill updates the statute for construction inflation by increasing that threshold to \$2.5 million. I believe this bill will reduce the administrative impact to the University and Legislature for approving smaller debt issuances. At the same time, Legislative oversight is retained for relatively large debt issuances.

AS14.40.253 was originally issued in 1990 and construction inflation in Alaska has been steady since. In 1990, \$1.0 million of annual debt service was about a \$15 million capital project financing. Now, that same project costs about \$40 million, or approximately \$2.5 million in annual debt service.

The University has solid credit ratings from Standard and Poor's at AA-, and Aa3 from Moody's Investors Services. With \$127 million in debt currently outstanding, the University is below half of the Board of Regents' debt policy limit of five percent of unrestricted revenues, or \$317 million. The University's track record shows that it has used debt prudently and responsibly to further its strategic mission in the state.

I appreciate your support of House Bill 184. If there are any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Myron J. Dosch".

Myron Dosch

Derek Miller

From: Myron J. Dosch [Myron.Dosch@alaska.edu]
Sent: Monday, March 23, 2009 9:46 AM
To: Derek Miller
Subject: Re: Heads up HB 184

Derek -

To follow up on this morning's House Education Committee hearing on HB184.

All UA capital projects need capital project receipt authority regardless of the source(s) of funding.

Under AS14.40.253, if the capital project anticipates annual debt service over \$1.0m, then notice and approval is needed. The approval referred to here is not receipt authority, rather it is specific approval language that would need to be written into a bill. (This is why the statute says "An appropriation for the project does not constitute approval of the project for the purpose of this section.")

If the project anticipates annual debt service under \$1.0m, AS14.40.253 does not apply. All that is needed is receipt authority. The university can issue debt without any special notice or approval.

Hope this helps,

Myron

Derek Miller wrote:

>
> Myron -
>
> A bill got added to the committee hearing today. They'll bring it up
> first according to the committee aide. I'd suggest dialing in from
> your office around 8:00AM and listen to the hearing until you hear HB
> 184 being brought up. That way you can still do work in your office as
> the hearing goes along.
>
> Call me if you have questions, I'll be here for another 45 minutes,
> then I'm going to shoot down to the committee room.
>
> 465-6879.
>
> -D
>
> Derek Miller / Legislative Aide
>
> Office of Representative Mike Kelly
>
> Fairbanks, District 7
>
> p: 907.465.6879/ c: 907.978.1360/ f: 907.465.3883
>
> <http://www.housemajority.org/kelly/index.php>
>

--
Myron J. Dosch
Controller
University of Alaska
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Fax: (907)450-8071



UNIVERSITY OF ALASKA
S O U T H E A S T

learn · engage · change

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Dr. Martin Laster
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mlaster@uas.alaska.edu

Louie Flora

From: Friedman_Jeff [Friedman_Jeff@asdk12.org]
Sent: Friday, March 20, 2009 6:41 PM
To: Rep. Paul Seaton; Rep. Cathy Munoz; Rep. Bryce Edgmon; Rep. Wes Keller; Rep. Peggy Wilson; Rep. Bob Buch; Rep. Berta Gardner
Cc: Comeau_Carol; Siegfried_Robin; David.Shutt@us.army.mil
Subject: HB 137 Compact: Education of Military Children

Follow Up Flag: Follow up
Flag Status: Blue

Chair Seaton and Members of the Education Committee,

I am writing to urge your support for this compact which will be heard by your committee Monday morning.

This compact will provide useful support to our military members and their families. Anchorage educates a large number of students of military families. Many of these families have major transitions during the year as parents are deployed or transferred to or from Anchorage. We work closely with Ft. Richardson and Elmendorf AFB to make these transitions easier, and this Compact will assist us in that process.

Jeff Friedman
Anchorage School Board
1534 D Street
Anchorage, AK 99501
907-742-4699 (Home)