

SB

269

<target><bill>SB 269</bill><subject>SB
269</subject><comm>HFIN26</comm></target>

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 269
(S) Publish Date: 2/10/10

Identifier (file name): 0880-CED-AIDEA-1-12-10 Dept. Affected: DCCED
Title: Municipal Bond Bank and Recovery Zone Bonds RDU: AIDEA (125)
Component: AIDEA operations
Sponsor: _____
Requester: _____ Component Number: 1234

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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

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							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1102 AIDEA Rcpt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill proposes to authorize the Alaska Industrial Development and Export Authority (AIDEA) to use or reallocate waived recovery zone facility bond volume cap originally allocated under 26U.S.C. 1400U-1-1400U-3, as amended. AIDEA shall use or allocate the waived volume cap for the most efficient job creation and economic recovery in areas of the state particularly affected by employment declines. AIDEA shall give priority to projects within a borough or census area that received an allocation of volume cap under 26U.S.C. 1400U-1-1400U-3, as amended. AIDEA shall charge and collect a fee for reallocating waived recovery zone facility bond volume cap to reimburse AIDEA for administrative and contract expenses associated with the reallocation not to exceed 1% of the reallocation.

(Continued on Page 2)

Prepared by: Sara Fisher-Goad
Division: AIDEA
Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development

Phone 771-3012
Date/Time 1/12/10 12:00 AM
Date 1/12/2010

FISCAL NOTE # 1

BILL NO: SB 269

The potential fee amount to be collected is indeterminate; however, Alaska's total recovery zone facility bonds volume cap allocation is \$135,000,000, with \$87,930,000 allocated to boroughs and \$47,070,000 allocated to census areas. AIDEA's normal bond fees would apply for any bonds issued under AS 44.88 as recovery zone facility bonds.

No additional operating costs are anticipated with this legislation.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 269
(S) Publish Date: 2/10/10

Identifier (file name): LL 0880-REV-MBBA-2-9-10 Dept. Affected: Revenue
Title: Recovery Zone Volume Cap RDU: Taxation and Treasury
Component: Alaska Municipal Bond Bank Auth
Sponsor: Rules by request of the Governor
Requester: _____ Component Number: 44

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel	20.0							
Contractual	60.0							
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	80.0	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 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Bond Bank retained earnings	80.0						
TOTAL	80.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: 15.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*
The Bill authorizes the Alaska Municipal Bond Bank Authority to reallocate waived recovery zone economic development bond volume cap. The allocations provide issuers a 45% subsidy from the US Treasury on qualified taxable debt of the issuer. In some markets this structure results in a 1.5% reduction in the cost of capital, and up to .5% more reduction than the Build America Bond structure with its 35% subsidy.
The allocation process would be conducted within the normal course of business of the Bond Bank. There will be legal counsel and financial advisory service costs to prepare the legal documents required to allocate the economic development bond volume cap. Travel costs will be incurred providing training and advice to municipalities as well as for additional board meetings of the five member Bond Bank board that will be required to ensure timely delivery of the allocations.

Prepared by: Deven Mitchell, Executive Director
Division: Alaska Municipal Bond Bank
Approved by: Ginger Blaisdell, Director
Administrative Services Division

Phone 465-3750
Date/Time 12/28/09 12:00 AM
Date 2-9-10; 4:52pm

HOUSE FINANCE COMMITTEE
SB 269-ECON. STIMULUS BONDS:
REALLOCATION/WAIVER
SIGN-IN

NAME: Mark Davis
Dept./Company: AIDEA Title: _____
Email: Mdavis@aidea.org Phone: 771-3008
Do you wish to testify? Yes No Respond To Questions

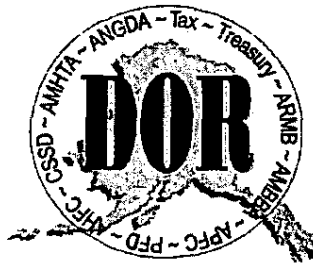
NAME: Deven Mitchell
Dept./Company: AK Bond Bank Title: Executive Director
Email: _____ Phone: 465-3250
Do you wish to testify? Yes No Respond To Questions

NAME: _____
Dept./Company: _____ Title: _____
Email: _____ Phone: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____
Dept./Company: _____ Title: _____
Email: _____ Phone: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____
Dept./Company: _____ Title: _____
Email: _____ Phone: _____
Do you wish to testify? Yes No Respond To Questions

State of Alaska
Department of Revenue
Administrative Services Division



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March 16, 2010

Sponsor Statement
HB 338 / SB 269
Recovery Zone Bonds and Alaska Municipal Bond Bank Authority

Recovery Zone Bonds:

The bill provides for Reallocation of volume cap of recovery zone economic development bonds and recovery zone facility bonds. When Congress passed the American Recovery and Reinvestment Act of 2009 (the Act), the bill authorized the issuance of certain tax advantaged bonds for local government projects called Recovery Zone Economic Development Bonds (RZEDBs) and for economic development projects called Recovery Zone Facility Bonds (RZFBs). These allocations are available for projects that are financed in 2009 or 2010. The benefit can be interest rate reduction of up to 2% versus conventional financing. The Alaska allocations are \$90 million of RZEDB and \$135 million of RZFBs.

The legislation provides a formal mechanism to allow the reallocation of the recovery zone economic development bond authorization to local governments by the Alaska Municipal Bond Bank and the recovery zone facility bond authorization to the Alaska Industrial Development and Export Authority. The legislation is written to ensure the allocations made to census areas will be made available first to those governments within the census area, and then more globally for statewide project financings. Further, the allocations to those communities that don't have project financings underway will be available to reallocate to those communities with financings by mid 2010. This reallocation framework is essential to allow the benefits of the RZEDB and RZFB programs to be realized.

Alaska Municipal Bond Bank Authority:

The Alaska Municipal Bond Bank was statutorily created to offer Alaskan communities more efficient and cost effective bonds. By pooling communities together in packaged bond sales, the Bond Bank realizes savings for communities by reducing the cost of issuance and enhancing investor interest. Thirty-seven communities representing every region of the state use the Bond Bank. Over the last three years alone, the Bond Bank has issued over \$282 million in bonds to fund 32 loans to Alaskan communities and saved Alaskans almost \$25 million.

The Bond Bank results in real financial benefits to municipalities and the state by lowering the overhead costs of bond issuances:

(1) Fixed costs are reduced. For example, when three communities combine their bond issuance into one combined Bond Bank issue, fixed costs are paid once as opposed to each community paying them individually;

(2) Investor interest is increased. Bond sales of less than \$5 million tend to receive less interest from institutional investors. The Bond Bank combines communities into larger transactions resulting in more investor interest;

(3) Credit rating is improved. The Bond Bank also maintains a credit rating that is better than almost all the communities in Alaska. A better credit rating means less risk to investors correlating to less interest expense to municipalities; and

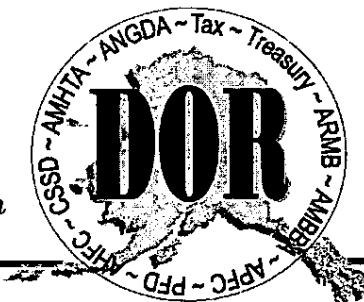
(4) Lower Cost to the State. The state benefits from the lower cost of borrowing through savings in reimbursement costs for its share of bonded debt service for authorized school and other infrastructure projects.

The Bond Bank bonding authority has been increased several times in the last thirty years. In 2003 the limit increased from \$300 million to \$500 million, and in 2006 the limit increased from \$500 to \$750 million. As of December 2009 the Bond Bank had \$623,090,878 in outstanding bonds. This leaves \$126,909,122 available for additional loans to communities. Applications to the Bond Bank over the next six months are expected to total approximately \$150 million. This increase is a natural progression for the program, and fits with the historically conservative increases in the borrowing cap. The underlying loan portfolio of the Bond Bank is strong and has fully supported all loans for 35 years. Without passage of legislation it is likely that municipalities will not be able to take advantage of the program.

The Bond Bank is currently restricted from participating in municipal revenue bonds that fund electrical generation projects other than diesel-powered generation. With today's focus on alternative and green power generation this is an outdated exclusion that is unclear in its origins. Bond Bank participation in an existing proposal to increase the hydro electric generation capacity of the City and Borough of Sitka will save millions in interest expense versus existing financing alternatives. There is additional savings potential for all Alaska's municipally owned electrical utilities that are considering investing in non-diesel fueled electricity generation.

The Bond Bank is currently able to fund lease backed transactions to provide for the improvement of a building, but not where the state is a lessee. This has created limitations on several municipal projects where a state agency is interested in partnering with a local community to provide for quality space. It has also restricted the ability to participate in acquisitions or construction of new facilities secured by leases. The change in this statute will result in a more efficient means of municipal building finance.

State of Alaska
Department of Revenue
Administrative Services Division



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Sectional Analysis
CS SB 269 (FIN)
Recovery Zone Bonds and Alaska Municipal Bond Bank Authority

Section 1. Findings and intent.

Section 2. Gives the authority to reallocate tax credit and tax exempt bond limitations to the State Bond Committee

Section 3. Increases the total bond authority for the Alaska Municipal Bond Bank Authority from \$750 million to \$1 billion.

Section 4. Removes limitations on the Alaska Municipal Bond Bank Authority related to financing certain power projects and equipment and buildings that are leased to the state.

Section 5. Waiver and allocation of volume cap for Recovery Zone Economic Development Bonds which allow local governments to issue bonds for a government capital projects and receive a 45% interest subsidy from the U.S. government. This will provide a significant cost savings for local governments and taxpayers. Reallocated by the Alaska Municipal Bond Bank Authority.

Section 6. Waiver and allocation of volume cap for Recovery Zone Facility Bonds which allow for private sector projects to be financed with tax exempt bonds. Reallocated by Alaska Industrial Development and Export Authority.

Section 7. Revisor's instructions for technical title changes.

Section 8. Immediate effective date.

RECEIVED

MAR 31 2010
Office of the Mayor



Fairbanks North Star Borough

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Fairbanks, Alaska 99707-1267

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Email mayor@co.fairbanks.ak.us

ECONOMIC DEVELOPMENT COMMISSION RESOLUTION NO. 2010-002

A RESOLUTION OF THE FAIRBANKS NORTH STAR BOROUGH ECONOMIC DEVELOPMENT COMMISSION SUPPORTING AMENDMENT OF SENATE BILL 269 TO ALLOW MUNICIPALITIES TO WAIVE THEIR ALLOCATION OF RECOVERY ZONE BONDS TO ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) OR ALASKA MUNICIPAL BOND BANK (AMBB) AND DIRECT THEM TO RE-ALLOCATE THEM TO A PROJECT OUTSIDE THE BOROUGH BOUNDARIES THAT BENEFITS THE BOROUGH AND ITS CITIZENS.

WHEREAS, the Fairbanks North Star Borough (FNSB) Economic Development Commission's (EDC) role is to advise the Mayor and Assembly on economic development policy issues; and

WHEREAS, the FNSB EDC is responsible for implementing a regional Comprehensive Economic Development Strategy (CEDS); and

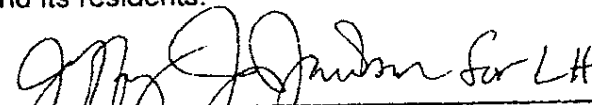
WHEREAS, the FNSB CEDS encourages stabilizing and reducing energy costs in the interior; and

WHEREAS, passage of Senate Bill 269, as amended, allows the Borough to waive its allocation of Recovery Zone Private Facility Bonds to Alaska Industrial Development and Export Authority (AIDEA) and direct the AIDEA to reallocate the bond cap allocation to a project outside the borough's boundaries that benefits the borough and its residents; and

WHEREAS, re-allocating the balance of the Recovery Zone Facility Bonds to the Port Authority (Authority) for use in the Authority's project to own and operate a natural gas facility the borough will result in reduced energy costs to the borough and its residents, a clear benefit.

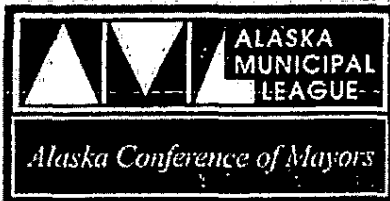
NOW THEREFORE BE IT RESOLVED that the Fairbanks North Star Borough Economic Development Commission supports passage of Senate Bill 269, as amended to allow municipalities to waive their Recovery Zone Bonds to AIDEA and direct them to reallocate those bonds to a project outside of the borough boundaries that benefits the borough and its residents.

Approved



Luke Hopkins, Borough Mayor

March 23, 2010



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Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

RECEIVED
MAR 26 2010

March 3, 2010

TO: Senate Finance

RE: Alaska Municipal League Support for SB 269 and HB 338.

As the ARRA created differing finance options for communities across the U.S. to include Recovery Zone Facility Bonds (RZFB) and Recovery Zone Economic Development Bonds (RZEDB), communities are now able to offer businesses in distressed areas, tax-exempt funding for capital projects. The amounts of bonds available to Alaska are \$135 million for RZFB, and \$90 million for RZEDB.

Recovery zones are created by resolution and bonds from that area must be issued no later than January 1, 2011 or the funds go back to the federal government.

As bond allocations were based on relative declines in employment in 2008, Anchorage and the Mat-Su Borough received no allocation. Large allocations, however, were given to more than a few census areas in Alaska, such as the Wade Hampton area. Census areas, however, do not have bonding authority. That leaves municipalities such as Bethel and the surrounding communities, unable to utilize the allocation.

SB 269 and HB 338 will allow communities within the state to effectively receive and utilize bonds by providing the Alaska Municipal Bond Bank (AMBB) and the Alaska Industrial Development and Export Authority (AIDEA), the ability to reallocate these funds to communities that can utilize them. It would be a shame to see these allocations lapse, when they could be otherwise put to such good use.

Some communities which received allocations may not have enough allocation or not have viable projects; while other communities may have many projects, but receive no allocation.

In summary, this bill would allow boroughs to waive all or part of their allocation. It would allow the waiver of unused allocations to be provided by June 30, 2010. It would lapse all waived RSFBs to AIDEA and all waived RZEDBs to AMBB. It would allow the AMBB and AIDEA to designate Recovery Zones and then, reallocate funds. It would provide for the adoption of regulations to the AMBB and AIDEA to use or to reallocate. It would, also, prioritize the reallocation of Recovery Zone Bonds to projects within a borough or census area that had already received an allocation.

We would highly recommend passing these two worthwhile bills.

Sincerely,

Kathie Wasserman
Executive Director
Alaska Municipal League

Member of the National League of Cities and the National Association of Counties