

SB

218

<TARGET><BILL>SB 218</BILL><SUBJECT>SB
218</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT First Committee of Referral

DATE: 4/2/14

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 218

SB 218 AK MUNICIPAL BOND BANK AUTHORITY

"An Act relating to the Alaska Municipal Bond Bank Authority; and providing for an effective date."

and recommends:

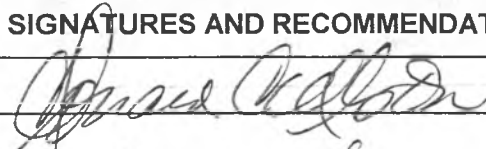
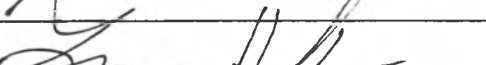
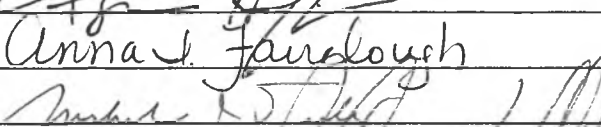
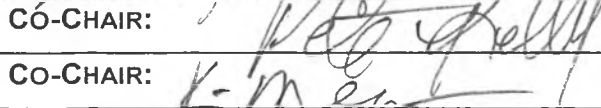
- be replaced with CS SB 218 (FIN) [] Same Title New Title
- [] adopt previous CS _____ (_____) [] Same Title [] New Title
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
VA	✓			
REV	✓			
REV	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Orson			✓	
	Hoffman			✓	
Anna J. Fairclough	FAIRCLOUGH				✓
	Kelly	✓			
CO-CHAIR: 	Meyer	✓			

FISCAL NOTE

STATE OF ALASKA
2014 LEGISLATIVE SESSION

Bill Version SB218
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) SB218-UA-SYSBRA-4-09-14 Dept. Affected University of Alaska
 Title Alaska Municipal Bond Bank Authority Appropriation University of Alaska
 Allocation Budget Reductions/Additions-Systemwide
 Sponsor Senate Finance
 Requester Senate Finance OMB Component Number 1296

Expenditures/Revenues (Thousands of Dollars)

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

	FY15 Appropriation Requested	Included in Governor's FY15 Request	Out-Year Cost Estimates					
			FY15	FY16	FY17	FY18	FY19	FY20
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous	7,000.0		7,000.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0
TOTAL OPERATING	7,000.0	0.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0
1048	Univ Rcpt (DGF)							
1007	I/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
		7,000.0	0.0	7,000.0	7,000.0	7,000.0	7,000.0	7,000.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES							

Estimated **SUPPLEMENTAL (FY14) operating costs** _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY15) costs** _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? _____
 If yes, by what date are the regulations to be adopted, amended, or repealed? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Michelle Rizk
 Division University of Alaska
 Approved by Michelle Rizk
 Division University of Alaska

Phone 907-450-8187
 Date/Time 4/9/2014 12:30pm
 Date 4/9/2014

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB218

Analysis

This bill provides authorization of debt for UA for the UAF heat and power plant boilers and plant construction and will result in debt service payments annually by UA to repay bonds issued by the Alaska Municipal Bond Bank Authority.

The debt service amount assumes 5%, 20 years, with semi-annual payments. If debt is not issued in FY15, the debt service operating increment will be used toward future debt service.

Absent an operating budget increment to cover debt service payment costs, UA could not make required bond payments authorized under SB218.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 218
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB218-DOR-AMBBA-04-03-14
Title: AK MUNICIPAL BOND BANK AUTHORITY
Sponsor: FINANCE
Requester: Senate Finance Committee

Department: Department of Revenue
Appropriation: Alaska Municipal Bond Bank Authority
Allocation: AMBBA Operations
OMB Component Number: 108

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services			2.0	4.0	6.0	8.0	10.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	2.0	4.0	6.0	8.0	10.0	

Fund Source (Operating Only)

1104 AMBB Rcpts			2.0	4.0	6.0	8.0	10.0
Total	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This version corrects the OMB component number.

Prepared By:	Pam Leary, Director	Phone:	(907)465-3751
Division:	Treasury	Date:	04/03/2014 11:30 AM
Approved By:	Angela Rodell, Commissioner	Date:	04/03/14
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB218

Analysis

The bill has three primary components comprised of increasing the bonding limit of the Bond Bank by \$500 million, allowing the Bond Bank to make loans of up to \$150 million to the University for heating or energy projects, and allowing any earnings of the Bond Bank to be retained by the Bond Bank. The fiscal impact included in this note are due to the potential increased trustee and paying agent costs from a larger bond portfolio in the forecast period.

The Bill increases the Bond Bank's borrowing limit from \$1 billion to \$1.5 billion. Following the last Bond Bank bond sale there was \$908 million of bonds outstanding, leaving a remaining authority of \$92 million for additional community loans. Current applications of the Bond Bank exceed \$80 million and it is anticipated that the \$1 billion cap would be reached in the next 12-18 months. The increased cap will allow the Bond Bank to continue to operate and save the communities and state interest expense with no change in current operating cost.

The Bill allows a loan of up to \$150 million to the University. The University is a political subdivision of the State of Alaska that will benefit from the higher credit ratings and security structuring flexibility that the Bond Bank offers. The additional borrowing will be integrated into the bond issues that the Bond Bank otherwise would undertake in the normal course of business.

The Bill provides for the Bond Bank's retention of any investment earnings in excess of operating costs. The Bond Bank must currently account for two categories of assets in determining what amounts must be annually remitted to the State. This accounting has become relatively complex over the years. Over the course of the last 7 years the Bond Bank has received an annual appropriation of any investment earnings in excess of operating costs. Over the last three years there were no excess investment earnings. Given the continued low interest rate environment at the short end of the yield curve here are no anticipated earnings over the forecast period at this time. This change will diminish the Bond Bank's cost of compiling our financial statements.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 218
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB218-DOR-AMBBA-04-02-14
Title: AK MUNICIPAL BOND BANK AUTHORITY
Sponsor: FINANCE
Requester: Senate Finace Committee

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services			2.0	4.0	6.0	8.0	10.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Fund Source (Operating Only)

1104 AMBB Rcpts			2.0	4.0	6.0	8.0	10.0
Total	0.0	0.0	2.0	4.0	6.0	8.0	10.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version

Prepared By:	<u>Pam Leary, Director</u>	Phone:	<u>(907)465-3751</u>
Division:	<u>Treasury</u>	Date:	<u>04/02/2014 11:40 AM</u>
Approved By:	<u>Angela Rodell, Commissioner</u>	Date:	<u>04/02/14</u>
Agency:	<u>Department of Revenue</u>		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SB218

Analysis

The bill has three primary components comprised of increasing the bonding limit of the Bond Bank by \$500 million, allowing the Bond Bank to make loans of up to \$150 million to the University for heating or energy projects, and allowing any earnings of the Bond Bank to be retained by the Bond Bank. The fiscal impact included in this note are due to the potential increased trustee and paying agent costs from a larger bond portfolio in the forecast period.

The Bill increases the Bond Bank's borrowing limit from \$1 billion to \$1.5 billion. Following the last Bond Bank bond sale there was \$908 million of bonds outstanding, leaving a remaining authority of \$92 million for additional community loans. Current applications of the Bond Bank exceed \$80 million and it is anticipated that the \$1 billion cap would be reached in the next 12-18 months. The increased cap will allow the Bond Bank to continue to operate and save the communities and state interest expense with no change in current operating cost.

The Bill allows a loan of up to \$150 million to the University. The University is a political subdivision of the State of Alaska that will benefit from the higher credit ratings and security structuring flexibility that the Bond Bank offers. The additional borrowing will be integrated into the bond issues that the Bond Bank otherwise would undertake in the normal course of business.

The Bill provides for the Bond Bank's retention of any investment earnings in excess of operating costs. The Bond Bank must currently account for two categories of assets in determining what amounts must be annually remitted to the State. This accounting has become relatively complex over the years. Over the course of the last 7 years the Bond Bank has received an annual appropriation of any investment earnings in excess of operating costs. Over the last three years there were no excess investment earnings. Given the continued low interest rate environment at the short end of the yield curve here are no anticipated earnings over the forecast period at this time. This change will diminish the Bond Bank's cost of compiling our financial statements.

ADOPTED 9/9/14

WORK DRAFT

WORK DRAFT

WORK DRAFT

28-LS1567N
Wallace
4/9/14

CS FOR SENATE BILL NO. 218(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to financing; relating to the Alaska Municipal Bond Bank Authority;**
2 **authorizing the University of Alaska to issue bonds to finance the design, construction,**
3 **acquisition, and equipping costs of the University of Alaska Fairbanks Heat and Power**
4 **Plant; authorizing the University of Alaska to borrow money from the Alaska Municipal**
5 **Bond Bank Authority to finance the design, construction, acquisition, and equipping**
6 **costs of the University of Alaska Fairbanks Heat and Power Plant; and providing for an**
7 **effective date."**

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

9 *** Section 1. AS 44.85.005 is amended to read:**

10 **Sec. 44.85.005. Legislative findings. The legislature finds that**

11 **(1) the rapid growth of municipalities in the state and the incorporation**
12 **of new municipalities has created a demand for capital improvements that can only be**
13 **met by these municipalities borrowing money through the issuance of bonds or notes;**

1 (2) many of these municipalities, although creditworthy, either have
2 not issued bonds or notes or have little outstanding debt;

3 (3) the cost of borrowed money to these municipalities is or may be
4 unnecessarily high due to lack of investor familiarity with the municipalities;

5 (4) other municipalities in the state pay unnecessarily high borrowing
6 costs because of the distance of the state from capital markets or may find borrowing
7 difficult or impossible because of temporary economic dislocation due to loss of
8 employment or prospective loss of employment;

9 **(5) the University of Alaska has limited debt capacity and may pay**
10 **higher interest rates because of lower credit ratings.**

11 * Sec. 2. AS 44.85.010(a) is amended to read:

12 (a) It is the policy of the state to

13 (1) foster and promote by all reasonable means the provision of
14 adequate capital markets and facilities for borrowing money by municipalities in the
15 state to finance capital improvements or for other authorized purposes, to assist these
16 municipalities in fulfilling their capital needs and requirements by use of borrowed
17 money within statutory interest rate or cost of borrowing limitations, to the greatest
18 extent possible to reduce costs of borrowed money to taxpayers and residents of the
19 state, and equally to encourage continued investor interest in the purchase of bonds or
20 notes of municipalities as sound and preferred securities for investment;

21 (2) encourage municipalities to continue their independent
22 undertakings and financing of capital improvements and other authorized purposes
23 and to assist them by making capital funds available at reduced interest costs for
24 orderly financing of capital improvements and other purposes especially during
25 periods of restricted credit or money supply, particularly for those municipalities not
26 otherwise able to borrow for capital needs;

27 (3) assist municipalities to provide for adequate insurance coverage by
28 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
29 nonnegotiable revenue bonds, notes, or certificates of participation either directly or
30 through an entity it may create for the purpose of providing a self-insurance program
31 for municipalities or municipal joint insurance arrangements organized under

1 AS 21.76;

2 (4) assist governmental employers to prepay all or a portion of their
3 share of unfunded accrued actuarial liabilities of retirement systems in an effort to
4 reduce their costs of satisfying their contractual obligations to provide retirement and
5 other benefits to public employees through the issuance of bonds, notes, commercial
6 paper, or other obligations by the bond bank authority or by a subsidiary corporation
7 created by the bond bank authority under AS 44.85.085, but only if the state bond
8 rating is the equivalent of AA- or better; this assistance is limited as provided in
9 AS 37.15.903;

10 (5) assist the University of Alaska to provide heating or energy
11 projects by providing capital funds through loans that minimize costs and the
12 effects on the debt capacity of the University of Alaska.

13 * Sec. 3. AS 44.85.090 is amended to read:

14 Sec. 44.85.090. **Limitations.** Under this chapter the bond bank authority may
15 not

16 (1) make loans of money to a person, firm, or corporation other than a
17 municipality or the University of Alaska or purchase securities issued by a person,
18 other than a municipality except for investment as provided in this chapter;

19 (2) emit bills of credit, accept deposits of money for time or demand
20 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a
21 private or commercial banking business, or act as a savings bank or savings and loan
22 association;

23 (3) be or constitute a bank or trust company within the jurisdiction or
24 under the control of a regulatory or supervisory board or department of the state, or the
25 Comptroller of the Currency of the United States, or the Department of the Treasury,
26 or Federal Reserve Board of the United States; or

27 (4) be or constitute a bank, banker, or dealer in securities within the
28 meaning of or subject to the provisions of securities, securities exchange, or securities
29 dealers law, of the United States or of this state or of another state.

30 * Sec. 4. AS 44.85.100(b) is amended to read:

31 (b) The bond bank authority shall include in the report required by (a) of this

1 section an estimate of the amount of revenue bonds of the bond bank authority to be
2 issued during the fiscal year following the fiscal year in which the report is submitted.
3 Other than refunding bonds and other than bonds, notes, commercial paper, or other
4 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), and 44.85.180(e), the
5 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any
6 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the
7 estimate required by this subsection for that fiscal year.

8 * Sec. 5. AS 44.85.180(c) is amended to read:

9 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
10 amount of bond bank authority bonds and notes outstanding at any one time may not
11 exceed \$1,500,000,000 [\$1,000,000,000]. This subsection does not apply to

12 (1) bonds or notes issued to fund or refund bonds or notes;

13 (2) bonds, notes, commercial paper, and other obligations issued under
14 AS 44.85.086 or (a)(5) of this section.

15 * Sec. 6. AS 44.85.180 is amended by adding a new subsection to read:

16 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
17 may issue its bonds or notes in principle amounts not to exceed \$150,000,000 for the
18 purpose of making loans to the University of Alaska.

19 * Sec. 7. AS 44.85.410(4) is amended to read:

20 (4) "municipal bond" means a bond or note or evidence of debt that
21 constitutes

22 (A) a general obligation bond that is a direct and general
23 obligation of a political subdivision of the state, all the taxable property within
24 which is subject to taxation to pay the bond, note, or evidence of debt, and the
25 interest without limitation, as to rate or amount generally to the extent
26 permitted by law or to avoid a default as provided for second class cities under
27 AS 29.45.590;

28 (B) a revenue bond issued by a municipality, the University of
29 Alaska, a solid waste management authority, or a port authority that pledges
30 the revenue of a revenue-producing capital improvement and that is payable
31 solely from the revenue of the revenue-producing capital improvement;

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(C) a general obligation bond or revenue bond combined or additionally secured;

(D) a bond of a borough issued as a general obligation of a service area under AS 29.47.440 or former AS 29.58.340; or

(E) an obligation of a municipality secured only by

(i) special assessments on benefited property;

(ii) tax increments and a letter of credit or equal security; or

(iii) a lease;

* Sec. 8. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL; BOND AUTHORIZATION FOR UNIVERSITY OF ALASKA FAIRBANKS HEAT AND POWER PLANT. (a) The University of Alaska may issue revenue bonds under AS 14.40.254 and use the proceeds of the revenue bonds to pay for the design, construction, acquisition, and equipping, including reserves for debt service and capitalized interest and costs of issuance, of a new heat and power plant facility in Fairbanks.

(b) Regarding the project described in (a) of this section, notice is given under AS 14.40.253 that

(1) the anticipated annual payment amount is \$5,600,000;

(2) the anticipated financing is \$70,000,000;

(3) the total construction, acquisition, and other costs of the project are \$245,000,000.

(c) This section grants the legislative approval of the project required by AS 14.40.253.

* Sec. 9. The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE APPROVAL; LOAN AUTHORIZATION FOR UNIVERSITY OF ALASKA FAIRBANKS HEAT AND POWER PLANT. (a) The University of Alaska may borrow money, not to exceed \$150,000,000, under AS 14.40.040(a)(5) by entering into a loan agreement with the Alaska Municipal Bond Bank Authority to pay for the design, construction, acquisition, and equipping of a new heat and power plant facility in Fairbanks.

→
"issuing revenue bonds and"

1 (b) Regarding the project described in (a) of this section, notice is given under
2 AS 14.40.253 that

3 (1) the anticipated annual payment amount is \$7,000,000;

4 (2) the anticipated financing is \$87,500,000;

5 (3) the total construction, acquisition, and other costs of the project are
6 \$245,000,000.

7 (c) This section grants the legislative approval of the project required by
8 AS 14.40.253.

9 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).

BILL ANALYSIS

Analysis of Bill/Program Effects/Anticipated Impact to the Public, Including Private Sector:

The Bill allows for the continued operation of the Alaska Municipal Bond Bank by increasing the borrowing limit of the Bond Bank from \$1 billion to \$1.5 billion. The Bond Bank has saved an estimated \$67 million in borrowing costs over the last five years through the issuance of \$578 million of bonds. Following the most recent bond issue of the Bond Bank there were bonds outstanding in the amount of \$908 million leaving a remaining capacity of \$92 million. Bond issues currently underway are anticipated to exceed \$80 million and will use most of the remaining cap.

The Bond Bank is a public corporation of the State of Alaska that borrows money primarily by issuing tax exempt bonds and lends it to political subdivisions of the state. The Bond Bank is able to use State of Alaska credit support in the form of a moral obligation pledge backed with an annual appropriation to achieve AA+ credit ratings and leverage those ratings into lower interest rates than municipalities would be able to borrow at independently. In this case the moral obligation has been costless to the State of Alaska as every loan that the Bond Bank has entered into over the past 39 years has been repaid. The State has benefited from the Bond Bank programs as the savings through lower interest rate are passed back to the State through reduced payment requirement in reimbursement programs like the School Debt Reimbursement Program and the Department of Transportation reimbursement program as well as through reduced capital costs reimbursements for medicare eligible facilities.

SECTIONAL ANALYSIS

Detailed Section Analysis:

Section 1 – identifies the financing need of the University of Alaska

Section 2 – identifies assisting the University of Alaska with financing a heating or energy capital project is a policy of the state

Section 3 – Adds the University of Alaska to the allowed list of Bond Bank activity.

Section 4 – Adds reference to the special limitation on University bonds.

Section 5 - increases the borrowing limit of the Bond Bank from \$1 billion to \$1.5 billion. This will allow the Bond Bank to have up to \$500 million of additional bonds outstanding. Without this increase in borrowing limit it is likely that over the next 12-18 months the Bond Bank will have fully utilized the current borrowing limit and municipalities will have to borrow funds at higher rates. The State has chosen to increase the borrowing limit for the bond bank most recently in 2010 from \$750 million to \$1 billion, and prior to that from \$500 million to \$750 million in 2006.

Section 6 – limits the University participation to \$150 million

Section 7 – allows for earnings of the reserve fund to be retained as part of the reserve fund rather than transmitted to the General Fund. The State has appropriated these amounts back to the Bond Bank for the last 7 years, and for the last two years the excess earnings have been zero. The Bond Bank holds both appropriated and non-appropriated funds and the need to track earnings on just a portion of those funds has created administrative burden. The statute change will allow for a streamlining of

tracking assets and earnings as well as simplify annual administration process for relatively small amounts of funding. Whether the statute is changed or not the entire unobligated balance of net position of the Bond Bank may be appropriated for other purpose by the Legislature. The change provides for administrative streamlining and efficiency.

Section 8 adds University of Alaska to the defined issuers of municipal bonds that the Bond Bank can participate in the purchase of.

Language for Transmittal Letter:

The bill would increase the Alaska Municipal Bond Bank Authority's total outstanding bond limit by \$500,000,000, from \$1,000,000,000 to \$1,500,000,000. Because the Alaska Municipal Bond Bank's current outstanding bonds and notes are close to reaching the current statutory cap of \$1,000,000,000, to continue helping Alaska communities borrow with low interest rates, the Alaska Municipal Bond Bank's statutory cap needs to be increased. The estimated cost to the State from the increase in the bond limit is zero, but the benefit to Alaska's municipalities and, in part, the State from lower interest rates is projected in the tens of millions. The bill also would allow the Alaska Municipal Bond Bank to retain in the Alaska municipal bond bank authority reserve fund the investment income earned on funds appropriated to the reserve fund. This will allow for a reduction of annual administrative and accounting effort and correlated increase in operational efficiency with the retention of ultimate financial control at the State level.