

ALASKA LEGISLATURE

1676

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

**HB**

**234**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 30, 1997

FURTHER REFERRALS:

Date of Committee Action: 11/21/98

The FINANCE Committee considered:

HB 234

HOUSE BILL NO. 234

ABORTIONS UNDER GENERAL RELIEF PROGRAM

“An Act relating to assistance for abortions under the general relief program; and relating to financial responsibility for the costs of abortions.”

recommends it be replaced with the following committee substitute CS HB 234 (Fin)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) HFC for HSS  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Care Merrault</i>	Merrault	<input checked="" type="checkbox"/>			
<i>Larry Martin</i>	Martin	<input checked="" type="checkbox"/>			
<i>Walt Kelly</i>	Kelly	<input checked="" type="checkbox"/>			
<i>Walt Kohring</i>	Kohring	<input checked="" type="checkbox"/>			
<i>John Davis</i>	DAVIS			<input checked="" type="checkbox"/>	
<i>John Davies</i>	DAVIES		<input checked="" type="checkbox"/>		
<i>Ben Gussendorf</i>	Gussendorf		<input checked="" type="checkbox"/>		
<i>Mark Hanley</i>	Hanley	<input checked="" type="checkbox"/>			

CHAIR'S SIGNATURE *Care Merrault* *Mark Hanley*

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. HB 234

Revision Date: \_\_\_\_\_  
 Title: Relating to assistance for abortions under  
the general relief medical program.  
 Sponsor: Rep. Martin  
 Requestor: \_\_\_\_\_

Dept. Affected Health & Social Services  
 BRU: Medical Assistance  
 Components: Medicaid Non-Facility  
 Serial # 229

**EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)**

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims	1346.3	1777.4	2008.5	2271.1	2566.3	2899.9
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1346.3</b>	<b>1777.4</b>	<b>2008.5</b>	<b>2271.1</b>	<b>2566.3</b>	<b>2899.9</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (THOUSANDS OF DOLLARS)**

General Fund	538.5	711.0	803.4	908.4	1026.5	1160.0
Federal Fund	807.8	1066.4	1205.1	1362.6	1539.8	1739.9
Other						
<b>TOTAL</b>	<b>1346.3</b>	<b>1777.4</b>	<b>2008.5</b>	<b>2271.1</b>	<b>2566.3</b>	<b>2899.9</b>

**POSITIONS:**

Full-Time						
Part-Time						
Temporary						

**ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)**

This fiscal note assumes that 20 % of the pregnant women eligible for Medicaid would give birth and remain on Medicaid. This amount is based on statistics by the Alan Guttmacher Inst, 1993.

Prepared by: House Finance Committee  
Rep. Mark Hanley, Co-Chair  
Rep. Gene Therriault, Co-Chair

Date: 1/21/98  
 Phone: 465-4939  
 Phone: 465-4797

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. HB 234**

Revision Date: \_\_\_\_\_  
 Title: relating to assistance for abortions under the  
general relief medical program  
 Sponsor: Martin  
 Requestor: Finance

Dept. Affected: Health and Social Services  
 BRU: Medical Assistance  
 Component: Medicaid Non-Facility  
 COMPONENT SERIAL NO. 229  
 See also (SN#): \_\_\_\_\_

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	5,385.2	7,109.6	8,033.8	9,084.2	10,265.1	11,599.6
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>5,385.2</b>	<b>7,109.6</b>	<b>8,033.8</b>	<b>9,084.2</b>	<b>10,265.1</b>	<b>11,599.6</b>

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ( )						
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**FUND SOURCE**

(Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts	3,220.3	4,187.5	4,804.2	4,741.9	5,358.4	6,054.9
1003 GF Match	2,164.9	2,922.1	3,229.6	4,342.3	4,906.7	5,544.7
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please specify)						
<b>TOTAL</b>	<b>5,385.2</b>	<b>7,109.6</b>	<b>8,033.8</b>	<b>9,084.2</b>	<b>10,265.1</b>	<b>11,599.6</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

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

While this bill requires significant administrative action on the part of the division to recoup expenditures for abortions, it effectively eliminates funding for abortions under section 3, which places abortion procedures as number one on the priority list of services AS 47.25.205. All services numbered 1 through 7 have not been funded under General Relief Medical Assistance since 1986.

This fiscal note assumes that 80% of the pregnant women eligible for Medicaid would give birth and remain on Medicaid should abortion funding become available. This would account for 590 women, and their children, being added to the Medicaid Program annually (newborns receive automatic Medicaid coverage through their first year of life if the mother is receiving Medicaid at the time of birth). FY 99 assumes only partial funding for newborns, as their births will be scattered throughout the year, with some children born in the following year.

The federal match rate for Medicaid has been changed for a three year period, so this fiscal note assumes the higher match rate for FY 99-01, with a reduced federal match for following years.

Prepared by: Nancy Weller  
 Division: Medical Assistance  
 Approved by Commissioner: Karen Perdue, Commissioner  
 Agency: Department of Health & Social Services

Phone: 465-3355  
 Date: 01/16/98  
 Date: 1/20/98

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Adopted 11/21/98

CS FOR HOUSE BILL NO. 234( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsors: REPRESENTATIVES MARTIN, Green, Kohring, Kott, Dyson, Sanders, Kelly

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to assistance for abortions under the general relief program."

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

3 \* Section 1. AS 47.25.205 is amended to read:

4 Sec. 47.25.205. Priority of general relief medical assistance. (a) Except  
5 as provided in (b) of this section, if [IF] the department finds that the cost of medical  
6 assistance for all persons eligible under AS 47.25.120 - 47.25.300 will exceed the  
7 amount allocated in the state budget for that assistance for the fiscal year, the  
8 department shall eliminate coverage for medical services in the following order:

- 9 (1) abortions and related services and supplies, such as medical
- 10 supplies and equipment, transportation, laboratory and x-ray services, physician
- 11 services, hospital services, and pharmaceuticals, used for an abortion;
- 12 (2) treatment of speech, hearing, and language disorders;
- 13 (3) [(2)] optometrists' services and eyeglasses;
- 14 (4) [(3)] occupational therapy;
- 15 (5) [(4)] emergency dental services for adults;

- 1 (6) [(5)] prosthetic devices not including dentures;
- 2 (7) [(6)] medical supplies and equipment other than those used to
- 3 perform an abortion;
- 4 (8) [(7)] physical therapy;
- 5 (9) [(3)] outpatient laboratory and outpatient x-ray services other than
- 6 those used for an abortion;
- 7 (10) [(9)] ambulatory surgical center services other than services to
- 8 perform an abortion;
- 9 (11) [(10)] nonemergency medical transportation other than
- 10 transportation to obtain an abortion;
- 11 (12) [(11)] outpatient physician services other than services to
- 12 perform an abortion;
- 13 (13) [(12)] outpatient hospital services other than services to perform
- 14 an abortion;
- 15 (14) [(13)] intermediate care facility services;
- 16 (15) [(14)] skilled nursing facility services;
- 17 (16) [(15)] emergency medical transportation other than
- 18 transportation for an abortion;
- 19 (17) [(16)] pharmaceuticals other than those used in an abortion;
- 20 (18) [(17)] inpatient physician services other than services to perform
- 21 an abortion;
- 22 (19) [(18)] inpatient hospital services other than services to perform
- 23 an abortion.

24 \* Sec. 2. AS 47.25.205 is amended by adding a new subsection to read:

25 (b) Notwithstanding (a) of this section, the department shall provide coverage

26 for abortions and related services and supplies in cases where a woman who is

27 otherwise eligible under AS 47.25.120 - 47.25.300 suffers from a physical disorder,

28 physical injury, or physical illness, including a life-endangering physical condition

29 caused by or arising from the pregnancy itself, that would, as certified by a physician

30 licensed under AS 08.64, place the woman in danger of death unless an abortion is

31 performed.

My name is Bill Elkinton. I support this bill. Many years ago a government leader of the Jews was told, "Get your house in order." I firmly believe that elected officials need to hear and heed that call. THIS IS SUCH A TIME!

Recent actions by legislative bodies across America to restore order and propriety has refreshed multitudes of our citizens. Welfare reform efforts are among those showing great promise of success in restoring a sense of worth to many as they learn the benefits of employment. That is more than money!

Over 25 years ago the US Supreme Court conveyed to women and girls the "right" to destroy their offspring before birth. That opened the door to a multitude of extensions due to judicial activism. Today I wish to address the issue of government funding of abortions. The notion that a class of people have been given a "right" DOES NOT convey an obligation of the public to fund the exercise thereof.

I have the "right" to travel. Does that necessitate public purchase of my airline tickets? Foolish, you say?! Tragically, in many cases during recent decades the answer has been YES on the sensitive issue before you now. The issue of legislative stewardship of public monies is lively and urgent. This proposal addresses the issue candidly. Government should NOT fund elective abortions.

The sponsors are to be commended for their courage in calling for this action. It is a logical component of fiscal responsibility as well as welfare reform. The morality factor also figures in my reasoning. It is not right to conscript monies from the public purse to provide goods and services contrary to the general welfare. WE SHOULD NOT PROVIDE needles to the druggies, alcohol to the drunkards, nor ABORTIONS to the demanding.

As a teacher and practitioner of CIVICS for nearly half a century, I promote the concept of "responsible citizenship." In closing, I call your attention to the Bill of Responsibilities developed and distributed by Freedoms Foundation at Valley Forge. Please let me share the Preamble and the first item.

I urge the speedy passage of <sup>CS/</sup>HB234.

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# Bill of Responsibilities

**Preamble.** Freedom and responsibility are mutual and inseparable; we can ensure enjoyment of the one only by exercising the other. Freedom for all of us depends on responsibility by each of us. To secure and expand our liberties, therefore, we accept these responsibilities as individual members of a free society:

**To be fully responsible for our own actions and for the consequences of those actions.** Freedom to choose carries with it the responsibility for our choices.

**To respect the rights and beliefs of others.** In a free society, diversity flourishes. Courtesy and consideration toward others are measures of a civilized society.

**To give sympathy, understanding and help to others.** As we hope others will help us when we are in need, we should help others when they are in need.

**To do our best to meet our own and our families' needs.** There is no personal freedom without economic freedom. By helping ourselves and those closest to us to become productive members of society, we contribute to the strength of the nation.

**To respect and obey the laws.** Laws are mutually accepted rules by which, together, we maintain a free society. Liberty itself is built on a foundation of law. That foundation provides an orderly process for changing laws. It also depends on our obeying laws once they have been freely adopted.

**To respect the property of others, both private and public.** No one has a right to what is not his or hers. The right to enjoy what is ours depends on our respecting the right of others to enjoy what is theirs.

**To share with others our appreciation of the benefits and obligations of freedom.** Freedom shared is freedom strengthened.

**To participate constructively in the nation's political life.** Democracy depends on an active citizenry. It depends equally on an informed citizenry.

**To help freedom survive by assuming personal responsibility for its defense.** Our nation cannot survive unless we defend it. Its security rests on the individual determination of each of us to help preserve it.

**To respect the rights and to meet the responsibilities on which our liberty rests and our democracy depends.** This is the essence of freedom. Maintaining it requires our common effort, all together and each individually.



**NATIONAL ASSOCIATION OF SOCIAL WORKERS  
ALASKA CHAPTER**

318 4th Street, Juneau AK 99801  
586-4438 Fax: 586-4439  
naswak@alaska.net

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Testimony Regarding

HB 234 - FUNDING FOR ABORTION UNDER GENERAL RELIEF MEDICAL

Before the  
FINANCE COMMITTEE  
ALASKA HOUSE OF REPRESENTATIVES  
January 21, 1998

Presented by  
Angela M. Salerno, ACSW  
Executive Director,  
National Association of Social Workers Alaska Chapter

*copy on file*



## NATIONAL ASSOCIATION OF SOCIAL WORKERS ALASKA CHAPTER

318 4th Street, Juneau AK 99801  
586-4438 Fax: 586-4439  
naswak@alaska.net

*The National Association of Social Workers (NASW) is the world's largest organization of professional social workers. NASW's 155,000 members nationwide and 500 in Alaska work in a wide range of settings at all levels in the public and private sectors. Professional social workers focus on vulnerable populations and promote state and federal policies which enhance the lives of the people we serve.*

### **NASW opposes HB 234 and strongly recommends its defeat.**

**This bill will eliminate the only source of public funding for abortions for poor women. If passed, this policy will be costly and unconstitutional.**

- Research done in 1993 by the Alan Guttmacher Institute (AGI) showed that for every \$1 spent by government to pay for abortions for poor women, **about \$4 is saved in public medical and welfare expenditures** incurred as a result of the unintended birth.
- Research on "Pregnancy Planning and Wantedness" done by the Alaska Division of Public Health, Section of Maternal, Child and Family Health found that among low-income women (annual family income  $\leq$  \$10,000) 68% have unintended pregnancies and 17% have unwanted pregnancies. When public funds are unavailable, 20% of low-income women who want to have an abortion carry their pregnancy to term. **Unwanted childbearing has been linked with costly consequences for women, families, children and the state.**  
**Unwanted children:**
  - experience more mental handicaps and are twice as likely to receive psychiatric care at government expense;
  - are more than twice as likely as wanted children to have a record of juvenile delinquency;
  - are six times more likely to receive some form of welfare between the ages of 16 and 21;
  - are at increased risk of suffering abuse, neglect, abandonment and removal to foster homes or institutions.
- Research done in 1995 shows that women with unintended pregnancies are **four times more likely to experience physical violence** during pregnancy than women with intended pregnancies.
- **The Alaska Supreme Court has found that reproductive rights are fundamental**, and that they are encompassed in the right to privacy found in the Alaska Constitution. State restrictions on public funding for abortion make it difficult and often impossible for poor women to exercise their constitutional right to safe and legal abortion. Passage of this bill would most likely result in yet another costly legal battle in the Alaska courts.

Thank you for the opportunity to present this testimony to the committee.



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Finance  
Committee Name  
Committee on H. B. 234 Dated 1-21-98

Good afternoon Bill / Subject

I very much appreciate Rep. Jerry Martin for being the prime sponsor of H.B. 234 and thanks to our very own Rep. Kelly for co-sponsoring H.B. 234. Thanks also, to all our legislators who are concerned about Alaska's precious unborn babies. The unborn babies cannot speak for themselves nor defend themselves. In abortion, the baby has no choice nor any chance to live. The bottom line is, abortion is murder.

I agree wholeheartedly with H.B. 234 in the fact that no public funding should be used for abortions on demand.

Thank you, that you all value and appreciate the sanctity of the lives of our precious unborn babies.

Mother Teresa said (I'll paraphrase it) - that all life must be respected. In America, we are taught that life isn't important or valuable, because our own mothers murder their own babies in their own wombs. God alone creates life; life is beautiful, wonderful and precious. Life is a gift from God. Abortion should never be a medical procedure for the convenience of the mother and sure death for the baby. If every one of our mothers chose to murder us in their own womb then none of us would be here today, now, would we?!

Let's set precedence from the State of Alaska to the entire world saying "abortion is unacceptable + will not be legally funded in anyway." & keep up the good work!

SIGNED:

Mrs. Sharon J. Smith

Testifier

Parent, mother + home educator

Representing

1017 Kodiak St. Fairbanks, AK 99709

Address / Phone Number

(907) 474-9457



# ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Finance  
 Committee on HB 234 Dated 1-21-98  
 Bill / Subject Committee Name

- I fully support the discouragement & hopefully total elimination of the state paying for abortions. My understanding is that this bill would eliminate the destruction of almost 600 babies each year using government money. I am now aware that state monies are used to buy airline tickets and room & board in Seattle for the distressed mother and a friend in addition to the actual abortion costs.

- On the pro-life side we individually/personally support and finance the many crisis pregnancy centers. We volunteer our time, and we do not use state or any government money. This is a good thing for us and adds to our commitment to apply our efforts to help the distressed mother, and her

SIGNED: Ruth Emig  
 Testifier

Alaska Right to Life - Interior  
 Representing

2325 - 30th Avenue Fairbanks, AK  
 Address / Phone Number 99701  
452-5538

1-21-98

HO 234 (cont.) R. Ewig 2

unborn baby. We are interested in both <sup>precious</sup> ~~pluses~~ and we want and will adopt those babies as a better solution. My husband and I personally will adopt at least three.

→ On the pro-choice/pro-death side, those who are so concerned about "poor women" and whether or not their abortions are state-funded need to invest their own personal money, not government money to pay for abortions, just as we are doing with CPC's. This will be a clear indicator of just how much abortion interest there is. Private investment/individual investment - ~~leads~~ <sup>gives</sup> to us the incentive to work at keeping the Crisis Pregnancy Centers funded and manned.

- Eliminate the state funding of abortions and allow the pro-choice/pro-death side to show how they care about "poor women" by personally-financially supporting those poor women.

- One other point in rebuttal to the pro-choice/pro-death argument of "what the courts have established." The ~~Courts~~ have varied in opinions over the years, but, <sup>our</sup>

U.S. CONSTITUTION guarantees "life"

# Alaska State Legislature

REPRESENTATIVE  
PETER KELLY

Mailing Address:  
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Fairbanks, Alaska 99701  
(907) 456-8161



Write in Juneau  
State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-2327


House District 31

## House Of Representatives

### MEMORANDUM

January 20, 1998

To: House Finance  
Committee Members

From: Rep. Pete Kelly, Chair   
HB 234 subcommittee

Subject: Revisions made in draft CS for HB 234

We have addressed the multitude of concerns raised during the Finance Committee hearing on HB 234 last May, as well as amendments proposed during previous committee hearings on the bill. There are principally three changes made to HB 234, as follows:

- The financial responsibility provisions have been deleted; therefore, sections 1, 2, 4, 5, and 6 have been removed.
- The definition of "abortion" contained in section 7 has been deleted, because a definition was included in the final version of SB 24, which became law last year.
- An exception for the life of the mother has been added, in new section 2.

## Abortion: Male coercion and irresponsibility

Consider this: By vesting all reproductive responsibility in the woman, a pro-choice male creates a situation in which men can easily rationalize their irresponsibility toward women who choose not to abort. Plausible? Read on.

As Daniel Callahan puts it, "If legal abortion has given women more choice, it has also given men more choice as well. They now have a potent new weapon in the old business of manipulating and abandoning women." Given that 80 percent of all abortions are sought by single women (according to the Alan Guttmacher Institute) the advent of reproductive rights has created a situation in which a man can coerce a woman to have an abortion by denying his responsibility towards her, or even abandoning her when she gets pregnant and "chooses" to carry the pregnancy to term.

According to feminist legal scholar Catharine MacKinnon, "Sexual liberation in this sense does not free women, it frees male sexual aggression. The availability of abortion thus removes the one remaining legitimized reason that women had for refusing sex besides the headache."

The anecdotal evidence for this interpretation is compelling.

Empirical studies have also demonstrated that male coercion and pressure play a sizable role in many women's abortion decisions. A survey from the Medical College of Ohio, for example, examined 150 women who "identified themselves as having poorly assimilated the abortion experience." Of the 81 women who responded, more than one-third felt they had been coerced into having an abortion. Fewer than one-third initially considered the abortion themselves.

In cases where women initially chose to bear the child, their male partners were opposed to the decision by a margin of eight to one. In all of these cases, the man withdrew his support for his partner "thereby eliminating that alternative."

Even in Carol Gilligan's famous study In a Different Voice, not all of the women's abortion decisions she recounts were independent. Male

coercion played an important role in about one-third of the cases cited. The men in the women's lives were unwilling to provide their partners with the moral and material support for pregnancy, childbirth, and child rearing. As one of Gilligan's respondents noted, "He made me feel I had one choice to make and that it was to have an abortion and I could always have children another time, and he made me feel if I didn't it would drive us apart."

In all these cases, the logic goes something like this: since the man was willing to pay for an abortion, and since the woman had a constitutional right to get one even if he wished to prevent it, by her failure to obtain an abortion she took sole responsibility for the child. Therefore, the reasoning concludes, the man should not be liable for any child support.

Permissive abortion policy has created a climate where men can enjoy sexual relations with little or no concern for their consequences. Abortion is often misrepresented as solely a women's issue; clearly, however, it is a men's issue as well as long as men are interested in protecting their sexual liberty.

Women and Children First - a different kind of pro-life newsletter

<http://www.prolife.org/ultimate/wcfpromo.html>

REPRESENTATIVE  
**TERRY MARTIN**  
VICE-CHAIRMAN  
BUDGET & AUDIT COMMITTEE  
MEMBER  
HOUSE FINANCE COMMITTEE

# Alaska State Legislature

MAY 15 - JAN 15 258-8169  
716 W. 4TH, SUITE 650  
ANCHORAGE, AK 99504

JAN 15 - MAY 15 465-3783  
STATE CAPITOL  
JUNEAU, AK 99801-1182



## MEMORANDUM

April 18, 1997

To: Representative Joe Green, Chairman  
House Judiciary Committee

From: Representative Terry Martin *T.M.*

Subject: HB 234 - To be heard in committee Wednesday, April 23

HB 234 was introduced on April 4 and referred to the Judiciary committee. This bill proposes to make elective abortions the lowest priority on the list of general relief medical services paid for by the state, and would allow the state to recover the cost of an abortion from both responsible parties -- the pregnant woman and the man who got her that way.

I believe this bill simply makes good sense and was, in fact, inspired by the comments of Governor Knowles, who has pointed out how unfair it is that we in the legislature don't appropriate enough funding under the general relief medical program for eyeglasses for the poor and emergency dental care for the elderly. I would hope he would agree it is even more unfair that those services are bumped because the state is paying for an elective procedure, instead.

Attached to this memo are background materials you as a committee member will find useful in considering this bill. If you have questions about the bill or any of the materials, please contact either myself or John Manly of my staff at 465-3783. Thank you for your consideration of HB 234.



## Sectional Analysis

### HB 234

"Relating to assistance for abortions under the general relief program; and relating to financial responsibility for the costs of abortions."

Sec. 1 establishes the financial responsibility of both parents for the costs of an abortion.

Sec. 2 would require a pregnant woman who is seeking an abortion under the general relief program to assign to DHSS the right to recover the costs of the abortion from the other parent and to cooperate in establishing who and where the other parent is.

Sec. 3 revises the priority list to give abortion services the lowest priority when funding is insufficient for the general relief program.

Sec. 4 clarifies that the state has a claim against the pregnant woman for abortion costs and that the permanent fund dividend of the woman is a resource the state can pursue.

Sec. 5 amends the current statute that already allows the state to pursue third parties to recover the cost of general relief cash assistance so that the statute also includes recovery of abortion costs from third parties, including the other parent.

Sec. 6 adds an authorization for the state to take a permanent fund dividend to recover the costs of an abortion from a third party.

Sec. 7 contains a revised definition of "abortion."

HB 234 has no effective date clause and would, therefore, become effective 90 days after it is signed or allowed to become law.

REPRESENTATIVE  
**TERRY MARTIN**  
VICE-CHAIRMAN  
BUDGET & AUDIT COMMITTEE  
MEMBER  
HOUSE FINANCE COMMITTEE

# Alaska State Legislature

MAY 15 - JAN 15 258-8169  
716 W. 4TH, SUITE 650  
ANCHORAGE, AK 99504  
JAN 15 - MAY 15 465-3783  
STATE CAPITOL  
JUNEAU, AK 99801-1182



## Sponsor Statement

### HB 234

"Relating to assistance for abortions under the general relief program; and relating to financial responsibility for the costs of abortions."

House Bill 234 provides a new measure of logic and consistency to the state's abortion law in two areas -- first, in establishing the procedure's priority on the official list of medical procedures the state will pay for under the general relief medical program; and second, by creating a mechanism by which the state can identify and hold financially responsible the would-be father.

The Governor has complained that the Legislature has not appropriated adequate funding in the general relief medical program to provide for the lowest priority items on the list. These include such necessities as eyeglasses and emergency dental care for the poor and elderly. Obviously, the Legislature agrees that these items should continue to be on the priority list. However, it is not logical that an elective procedure, such as abortion, should continue to hold a higher priority. HB 234 would eliminate the priority status that abortions have enjoyed at the expense of other, more essential demands.

HB 234 also allows the state to require payment from the pregnant woman, either partially or in full, for an elective abortion it has paid for under the general relief medical program.

And consistent with other provisions of state law, HB 234 would require that the male responsible for the pregnancy be identified and held financially responsible for an abortion sought under the general relief medical program. Currently, under Title 47, the state requires a woman seeking financial assistance from the state to identify the father of her dependent children. The state then recovers any costs it can from the father through the Child Support Enforcement Division. It is logical that if a father of a born child should be made to reimburse the state for state-funded services, so should the father of an unborn one that is aborted.

House Bill 234 represents a new benchmark in requiring accountable parties to accept the full responsibility for their actions. For too long, women have been able to obtain free abortions, courtesy of the state and at the expense of others who have medical needs that go unmet. At the same time, their male partners have had little more burden than to drive the woman to the abortion clinic, if that; often they simply abandon the woman.

If we are to continue to have a policy in Alaska of publicly-funded abortion, the state should do all it can to collect from the responsible persons.



Amendment #1  
Conceptual amendments  
to HB 234 to provide an  
exception for the life of the  
mother.

If you agree conceptually that this change should be made, it seems there are two ways to address the issue:

- 1) First, exception language could be added at the end of each of the following sections or subsections: Sec. 25.20.035, Sec. 47.25.150(b), Sec. 47.25.205, Sec. 47.25.220, Sec. 47.25.240, & Sec. 47.25.240(b).

"This section may not be construed to [alternately: deny funding / assign recovery rights to the state / establish cost liability for parents / etc.] for an abortion necessary to save the life of a mother whose life is endangered by a physical disorder, illness, or injury and no other medical procedure would suffice for that purpose."

- 2) A less wordy but more controversial way to establish a "life of the mother" exception would be as follows:

Everywhere the word "abortion" appears in HB 234, insert before it the term "elective" (there are three applicable references to abortion on p. 1, eight on p. 2, thirteen on p. 3, & two on p. 4).

Then, add a new definition of the term "elective abortion":

"elective abortion" means an abortion performed for reasons other than to save the life of a mother whose life is endangered by a physical disorder, illness, or injury and no other medical procedure would suffice for that purpose."

**HB**

**234**

**SFIN**

**FILE**

# FISCAL NOTE

No: 2

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

Bill Version: CSHB 234 (FIN)

(H) Publish Date: 1/23/98

Revision Date:

Title: Relating to assistance for abortions under the general relief medical program.

Sponsor: Rep. Martin

Requestor: \_\_\_\_\_

Dept. Affected Health & Social Services

BRU: Medical Assistance

Components: Medicaid Non-Facility

Serial # 229

**EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)**

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims	1346.3	1777.4	2008.5	2271.1	2566.3	2899.9
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1346.3</b>	<b>1777.4</b>	<b>2008.5</b>	<b>2271.1</b>	<b>2566.3</b>	<b>2899.9</b>

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (THOUSANDS OF DOLLARS)**

General Fund	538.5	711.0	803.4	908.4	1026.5	1160.0
Federal Fund	807.8	1066.4	1205.1	1362.6	1539.8	1739.9
Other						
<b>TOTAL</b>	<b>1346.3</b>	<b>1777.4</b>	<b>2008.5</b>	<b>2271.1</b>	<b>2566.3</b>	<b>2899.9</b>

**POSITIONS:**

Full-Time						
Part-Time						
Temporary						

**ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)**

This fiscal note assumes that 20 % of the pregnant women eligible for Medicaid would give birth and remain on Medicaid. This amount is based on statistics by the Alan Guttmacher Inst, 1993.

Prepared by:

House Finance Committee

Rep. Mark Hanley, Co-Chair

Rep. Gene Therriault, Co-Chair

Date: 1/21/98

Phone: 465-4939

Phone: 465-4797



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
 committee on HB 234, dated 4-15-98.  
 bill/ subject committee name

I would like to go on record stating that I would vote on and promote HB 234 to pass.

Not only am I against abortion, but I am emphatically also against tax dollars aiding such an event.

Generally speaking - I believe not only is it wrong - but it contributes to the problem of promiscuity among our youth.

There has to be a better way to handle this situation beside putting to death so many innocent lives.

Signed: Joe G. McBride  
 Testifier myself

Representing (Optional)

Address P.O. Box 779 Delta, AK

Phone No. (907) 895-4009



# Alaska State Legislature

Please enter into the record my testimony to the Senate Finance  
committee name  
 committee on HB234, dated 4-15-98.  
bill/ subject

Please pass this Bill. I am against the State paying for abortions. In this time of belt tightening and shrinking funds it makes no sense for the state to pay for a procedure that many people feel is morally wrong and anyone who has intelligently investigated the matter knows ends a human life.

The Republican Party of Alaska Platform (drafted by over 500 people) takes a stand against State funding for abortion.

I came to my LIO to testify this morning but was told the ~~Bill~~ committee would not be hearing testimony.

Signed:

Delrad Justice  
Testifier  
Republican Party of Alaska  
Representing (Optional)  
PO Box 377, Delta Jet, AK 99737  
Address  
(907) 895-4565  
Phone No.

**HB**

**236**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 7, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/23/97

The FINANCE Committee considered:

HB 236

HOUSE BILL NO. 236

ANCHORAGE OFFICE BUILDING

"An Act giving notice of and approving a lease-purchase agreement by the Department of Administration for an office building in Anchorage; relating to the financing of the lease-purchase agreement; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 236 (FIN)  the same title  a new title

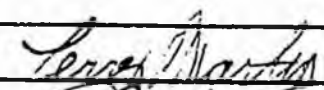
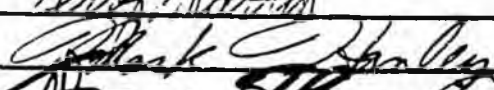

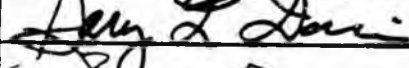
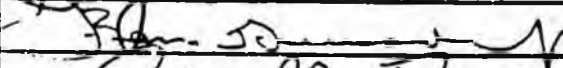
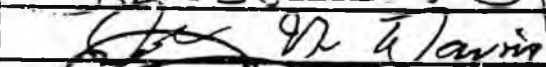

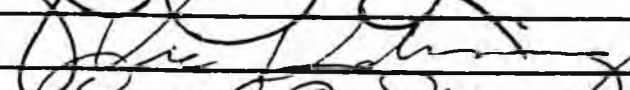

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

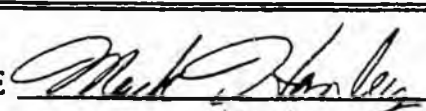
ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date)


fiscal note(s) (2) DOA \_\_\_\_\_  fiscal note(s) \_\_\_\_\_  
REV \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Martin	<input checked="" type="checkbox"/>			
	Hanley	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
	Thernault			<input checked="" type="checkbox"/>	
	G. Davis			<input checked="" type="checkbox"/>	
	Grussendorf	<input checked="" type="checkbox"/>			
	J. Davies	<input checked="" type="checkbox"/>			
	FOSTER		<input checked="" type="checkbox"/>		
	Kohring		<input checked="" type="checkbox"/>		
	Moses			<input checked="" type="checkbox"/>	

CO-CHAIR'S SIGNATURE

  
 Hanley

  
 Thernault

## FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO.

HB 236

Revision Date: \_\_\_\_\_  
 Title: "An Act giving notice of and approving . . . a lease purchase agreement for an Anchorage office building."  
 Sponsor: (H) Finance Committee  
 Requestor: \_\_\_\_\_

Department Affected: Administration  
 BRU: General Services  
 Component: Leasing  
 COMPONENT SERIAL NO. 81

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match				-		
1004 GF	(668.6)	(937.0)	(2,042.9)	(4,471.7)	(5,263.4)	(5,349.6)
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER (Inter Agency Receipts)	(245.9)	(245.9)	(376.9)	(841.7)	(896.0)	(898.0)
<b>TOTAL</b>	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)

Estimate of any current year (FY 97) cost: \$ 0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:**

This bill would authorize the lease purchase of the Bank of America building in Anchorage. The total project cost shall be less than \$38,950,000, the annual cost shall be less than \$4,070,000 and the total lease payments shall be less than \$81,400,000. Lease payments are shown in the Department of Revenue fiscal note. Costs and revenues for the maintenance and operation of the building are shown in the fiscal note for a new budget component created specifically for that purpose.

(see continuation page)

Prepared by: Dugan Petty, Director  
 Division: General Services

Phone: 465-2250  
 Date: \_\_\_\_\_

Approved by Commissioner: Mark Bover  
 Agency: Department of Administration

Date: 4/22/97

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**FISCAL NOTE  
STATE OF ALASKA  
1997 LEGISLATIVE SESSION**

**BILL NO. HB 236**

**ANALYSIS: (continued)**

<u>Leasing Component</u>		<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
A Baseline (continue leasing assumption)							
GF		5,045.6	5,304.0	5,390.8	5,478.8	5,568.1	5,658.6
I/A		898.0	898.0	898.0	698.0	898.0	898.0
		<u>5,943.6</u>	<u>6,201.9</u>	<u>6,288.8</u>	<u>6,376.8</u>	<u>6,466.1</u>	<u>6,556.6</u>
B Lease cost under purchase							
GF		4,298.4	4,367	3,044	535	305	309
I/A		652.0	652.0	521.1	56.3	0.0	0.0
		<u>4,950.4</u>	<u>5,019.0</u>	<u>3,564.7</u>	<u>591.8</u>	<u>304.8</u>	<u>309.0</u>
C Change in annual lease costs (A-B)							
GF		(747.3)	(937.0)	(2,347.2)	(4,943.4)	(5,263.4)	(5,349.6)
I/A		(245.9)	(245.9)	(376.9)	(841.7)	(898.0)	(898.0)
		<u>(993.2)</u>	<u>(1,182.9)</u>	<u>(2,724.1)</u>	<u>(5,785.0)</u>	<u>(6,161.3)</u>	<u>(6,247.6)</u>
D Leasing budget transfers to agencies for building operation costs							
		78.6	0.0	304.3	471.6	0.0	0.0
E Net change in annual leasing cost (C less D)							
GF		(668.6)	(937.0)	(2,042.9)	(4,471.7)	(5,263.4)	(5,349.6)
I/A		(245.9)	(245.9)	(376.9)	(841.7)	(898.0)	(898.0)
		<u>(914.6)</u>	<u>(1,182.9)</u>	<u>(2,419.7)</u>	<u>(5,313.4)</u>	<u>(6,161.3)</u>	<u>(6,247.6)</u>
F Net change in current year							
GF		(668.6)	(268.4)	(1,787.1)	(1,747.7)	(791.6)	(86.3)
I/A		(245.9)	0.0	(131.0)	(464.8)	(56.3)	0.0
		<u>(914.6)</u>	<u>(268.4)</u>	<u>(1,918.0)</u>	<u>(2,212.4)</u>	<u>(847.9)</u>	<u>(86.3)</u>

**Assumptions:**

1. Future lease costs will increase based upon the standard lease language which applies a CPI adjustment to 35% of the lease cost (base lease cost x 35% x CPI).
2. CPI is assumed to be 4% per year.
3. Tenant agency's will pay a proportionate share of the BofA building operating costs. These "rents" will go to a separate budget component. The leasing budget will pay any difference between the BofA rent and the current tenant agency RSA for their current lease in the year that the tenant agency moves in to the BofA building. This amount will be transferred to the tenant agency in the subsequent year. The tenant agency will be responsible for all future year rent payments to the BofA building component.

**Attachments:**

- 1) BofA Fiscal Note Narrative - 6 pages
- 2) Kincaid & Riley April 10, 1997 report
- 3) BofA Spreadsheet (BofA15.xls)

## B OF A FISCAL NOTE NARRATIVE

### FY98

#### **1 Lease Costs**

Lease #2012, Dept. of Revenue (DOR) is located in BofA building. Rent for this lease would not be due under state ownership of the building thus eliminating the projected FY98 payment of \$933,190. That cost is paid from two sources as follows:

\$747,264 GF in the Leasing Budget  
\$245,925 I/A receipts from the Dept. of Revenue  
\$993,189 Total FY98 lease cost

#### **2 BofA Operating Costs**

Dept. of Revenue will be charged their proportionate share of BofA operating cost based on their Useable Square Foot (USF) of occupancy as follows:

53,255 usf @ \$0.51 /usf / month (\$1,735,000 total building operating cost / 251,786 total building usf) = \$324,550

	Sq. Ft.	\$/ SqFt / month	# of months	Total this year
Lease 2012 Rent	53,255	0.51	12	324,550

The current Dept. of Revenue RSA for Lease #2012 is \$245,925, this amount will be applied to their share of the operating cost, the balance, \$78,625 will be paid from the leasing budget (and transferred to DOR in the following fiscal year).

Leasing budget transfer	78,625
Agency budget payment	<u>245,925</u>
	<u>324,550</u>

#### **3 Net Leasing Budget Reduction**

The GF savings to the leasing budget will be the current GF lease amount less the amount used to pay the balance of the DOR operating cost (rent):

The total reduction to the Leasing Component will be the GF savings plus the current RSA amount which the DOR will instead pay to the new building component for a total reduction of:

	Total Funds	GF	I/A
Lease savings	993,190	747,264	245,925
Leasing transfer	78,625	78,625	0
Net savings	<u>914,565</u>	<u>668,640</u>	<u>245,925</u>

## B OF A FISCAL NOTE NARRATIVE

### FY 99

#### **1 Lease Costs**

No existing leases move into the BofA Building during this year. The net lease savings for this year are due to the prior elimination of Lease #2012 in FY98. Savings this year are based on the assumption in the "continued leasing" scenario, that without a building purchase Lease #2012 would have been replaced upon its expiration (9/30/98) at a market rate of \$1.98 / sq.ft. / month. Under the baseline "continued leasing" assumption, all leases increase in cost due to CPI adjustments.

a) The continued cost of leasing without a building purchase is as follows:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,606,568	3,292,248	314,320
Lease 2096 Rent	1,004,009	666,013	337,723
Lease 2012 Rent	1,182,923	936,997	245,925
Other Lease	408,443	408,443	0
Total Cost	<u>6,201,943</u>	<u>5,303,701</u>	<u>897,969</u>

b) The cost of leasing with a building purchase would be as follows:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	3,606,568	3,292,248	314,320
Continued Lease 2096	1,004,009	666,013	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	408,443	408,443	0
Total Cost	<u>5,019,020</u>	<u>4,366,704</u>	<u>652,043</u>

c) The lease savings in FY99 is therefore:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
a) minus b)	1,182,923	936,997	245,925

#### **2 BofA Operating Costs**

DOR's share of BofA operating cost is entirely in DOR's budget. No additional leasing budget transfers take place in this year.

#### **3 Net Leasing Budget Reduction**

The net leasing budget reduction is the savings calculated in #1 above.

## B OF A FISCAL NOTE NARRATIVE

### FY00

#### 1 Lease Costs

Lease #2011 expires on 1/31/2000 and is assumed to move into the BofA Building thereafter.

a) The cost of leasing without a building purchase includes the following:

	Total Funds	GF	I/A
Lease 2011 Rent	3,606,568	3,292,248	314,320
Lease 2096 Rent	1,004,009	666,013	337,723
Lease 2012 Rent	1,182,923	936,997	245,925
Other Lease	408,443	408,443	0
<b>Total Cost</b>	<b>6,201,943</b>	<b>5,303,701</b>	<b>897,969</b>

b) The cost of leasing with a building purchase includes the following:

	Total Funds	GF	I/A
Continued Lease 2011	3,606,568	3,292,248	314,320
Continued Lease 2096	1,004,009	666,013	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	408,443	408,443	0
<b>Total Cost</b>	<b>5,019,020</b>	<b>4,366,704</b>	<b>652,043</b>
a) minus b)	1,182,923	936,997	245,925

#### 2 BofA Operating Costs

Lease #2011 will pay 5 months of their proportionate cost of the BofA operating expense. That lease is 135,922 sq. ft. The cost of building operations is estimated to be \$0.62 per sq. ft. per month. The cost will be funded from current agency lease payments (\$314,320 per year) and leasing budget payments to make up the difference.

	Sq. Ft.	\$ / SqFt / month	# of months	Total this year
Lease #2011	135,922	0.55	5	373,307
Leasing budget transfer		304,330		
Agency budget payment		68,977		
		<u>373,307</u>		

#### 3 Net Leasing Budget Reduction

The net savings to the leasing budget is the lease savings in 1c above less the leasing budget payment for building operations cost in 2 above.

	Total Funds	GF	I/A
Lease savings	2,724,073	2,347,181	376,892
Leasing transfer	(304,330)	(304,330)	0
<b>Net savings</b>	<b>2,419,743</b>	<b>2,042,851</b>	<b>376,892</b>

## B OF A FISCAL NOTE NARRATIVE

### FY01

#### **1 Lease Costs**

a) The cost of leasing without a building purchase is as follows:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,657,060	3,342,740	314,320
Lease 2096 Rent	1,018,065	679,602	337,723
Lease 2012 Rent	1,199,484	953,558	245,925
Other Lease	414,161	414,161	0
Total Cost	<u>6,288,770</u>	<u>5,390,061</u>	<u>897,969</u>

b) Under the assumption of a purchase, Lease #2096 would expire on January 31, 2000 and is assumed to move into the BofA Building thereafter.

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	2,132,470	1,949,117	183,353
Continued Lease 2096	1,018,065	679,602	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	414,161	414,161	0
Total Cost	<u>3,564,696</u>	<u>3,042,880</u>	<u>521,077</u>

c) a minus b

	2,724,073	2,347,181	376,892
--	-----------	-----------	---------

#### **2 BofA Operating Costs**

Lease #2011 is assumed to have moved into the BofA Building for the last five months of FY00. Because only five months of leasing budget funds were used in FY00 for lease #2011, an additional seven months are required to be used in FY01 in order to hold harmless those agencies occupying lease #2011.

Lease #2096 would pay a proportionate cost of the BofA Building operating cost for 10 months in FY01.

Lease #	Leasing		Total BofA Rent
	Transfer to Agency	Agency Rent Payment	
2011	458,930	472,845	931,775
2096	12,694	217,133	229,827
	<u>471,623</u>	<u>689,978</u>	<u>1,161,602</u>

#### **3 Net Leasing Budget Reduction**

The net leasing budget reduction is the lease savings from #1 above less the amount transferred to the tenant agencies for BofA operating costs.

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease savings	5,785,034	4,943,352	841,682
Leasing transfer	<u>(471,623)</u>	<u>(471,623)</u>	<u>0</u>
Net savings	<u>5,313,411</u>	<u>4,471,729</u>	<u>841,682</u>

## B OF A FISCAL NOTE NARRATIVE

### FY02

#### **1 Lease Costs**

No moves take place during this fiscal year.

a) The cost of leasing without a building purchase

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,708,259	3,393,939	314,320
Lease 2096 Rent	1,032,318	694,595	337,723
Lease 2012 Rent	1,216,276	970,351	245,925
Other Lease	419,960	419,960	0
Total Cost	<u>6,376,813</u>	<u>5,478,844</u>	<u>897,969</u>

b) The cost of leasing with a building purchase.

Continued Lease 2011	0	0	
Continued Lease 2096	171,819	115,532	56,287
Continued Lease 2012	0	0	0
Continued "other lease"	419,960	419,960	0
Total Cost	<u>591,779</u>	<u>535,492</u>	<u>56,287</u>

c) a minus b                      5,785,034    4,943,352    841,682

#### **2 BofA Operating Costs**

There are no additional leasing budget dollars transferred to agencies in this year.

#### **3 Net Leasing Budget Reduction**

The leasing savings in #1 above are the net reductions in this year.

## B OF A FISCAL NOTE NARRATIVE

### FY03

#### **1 Lease Costs**

No moves take place during this fiscal year.

##### a) The cost of leasing without a building purchase

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,760,174	3,445,854	314,320
Lease 2096 Rent	1,046,770	709,047	337,723
Lease 2012 Rent	1,233,304	987,379	245,925
Other Lease	425,839	425,839	0
Total Cost	<u>6,466,088</u>	<u>5,568,119</u>	<u>897,969</u>

##### b) The cost of leasing with a building purchase

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	0	0	0
Continued Lease 2096	0	0	0
Continued Lease 2012	0	0	0
Continued "other lease"	304,755	304,755	0
Total Cost	<u>304,755</u>	<u>304,755</u>	<u>0</u>

c) a minus b                      6,161,333    5,263,364    897,969

#### **2 BofA Operating Costs**

There are no additional leasing budget dollars transferred to agencies in this year.

#### **3 Net Leasing Budget Reduction**

The leasing savings in #1 above are the net reductions in this year.

Bank of America  
Executive Summary

Purchase Price	25,950,000
Cost of moves, tenant improvements and lease buyouts	8,450,900
Cost of financing	<u>3,665,000</u>
Total financing	<u>38,065,900</u>

	First 20 Years	First 40 Years
<b>CONTINUED LEASING</b>		
Low Case	139,874,701	324,816,107
Market Rates	154,008,649	405,002,545
<b>PURCHASE BofA</b>		
Current Leases	15,316,684	15,316,684
Rent Collected From Non-State Tenants	(34,165,000)	(34,165,000)
Operating Expenses	35,154,441	112,457,965
Maintenance / Reserves	11,613,451	37,059,951
Capital Reserves	2,382,246	7,602,041
Property Tax	698,336	698,336
Business Improvement District	65,442	65,442
Debt Service	61,542,198	65,046,741
	<u>92,607,797</u>	<u>204,082,160</u>
<b>PROJECTED SAVINGS</b>		
Low Case	47,266,903	120,733,946
Market Rates	61,400,852	200,920,385
<b>NET PRESENT VALUE OF SAVINGS /</b>		
Low Case	18,438,802	36,645,857
Market Rates	24,257,353	54,164,006

Bank of America  
Spreadsheet Assumptions

Notes to "Savings Summary" worksheet

1.a.1 - Assumes the continuation of lease 2011 located in the Frontier Building housing DNR (101,685 usf), Commerce (16,390 usf), DOA (8,565 usf), Governor's Office (6,582 usf), H&SS (1,200 usf) and Revenue (1,500 usf) at the FY 97 rate of \$ 2.151 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 135,922.

1.a.2 - Assumes the continuation of lease 2096 located in the Frontier Building housing H&SS (38,009 usf), DOA (1,226 usf), and Governor's Office (996 usf) at the FY 97 rate of \$2.0290 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 40,231.

1.a.3 - Assumes the continuation of lease 2012 located in the Bank of America Building housing the Department of Revenue (53,280 usf) and the Alaska Municipal Bond Bank Authority (1,572 usf). The lease expires in 9/30/98 without options to extend. At that time a market adjustment to \$1.95 is assumed. (Follett and Associates Appraisal, "Summary of Tenant Lease Information", p 10, State of Alaska (Market Rate \$1.70 rentable X 1.1478 load factor = \$1.951 usf)).

1.a.4 - Assumes other rents that would be saved as leases move into the B of A center with a current average lease cost of \$ 1.50 usf. Approximately 22,378 usf is expected to round out the leases to fully fill the building. This rate is adjusted annually by a 4% CPI increase to 35% of the base rent. The \$1.50 usf rate is based on the assumption that the higher cost leases will be replaced from the remaining 538,900 s.f.

2a - Under the purchase scenario the lease payments for DNR and others in lease 2011 continues to be paid at the current rate (\$ 2.151 1997) with a 4% CPI adjustment acting annually upon 35% of the base rent until January of 2000 when the lease expires. At that time the 135,920 usf moves into the B of A building and lease payments for 2011 cease.

2b - Under the purchase scenario the lease payments for H&SS and others in lease 2096 continues to be paid at the rate set out in the continuation line until 2001 when the lease expires. Under this assumption the last 2 year option in the lease is exercised. At that time the 40,231 usf moves into the B of A building and lease payments for 2096 cease.

2c - Lease 2012 in B of A stop at the closing of the lease purchase agreement saving \$993,190. A portion of the savings accrues to the leasing budget. The \$245,925 IA from Revenue to DOA will now go towards the operating and maintenance cost of the facility. If the building is purchased it is anticipated that state agencies will pay for their pro rata share of the annual operating and maintenance expenses. Revenue's current IA amount is less than their anticipated pro rata share of the O&M costs. The difference will be taken from the savings in the leasing budget in the move in year.

2d - This line demonstrates the anticipated lease payments for other leases that will be moved into the Bank of America Building as space becomes available. In 1998 other leases total 22,378 usf and are estimated at a rental rate of \$1.50 per usf in 1998. The rents are adjusted annually by applying a 4% CPI adjustment to 35% of the base. In 2006 the last of these leases are moved into the B of A building. The rental rate of \$1.50 usf is assumed to be an average rate of leases that would be moved into the building as space becomes available from an inventory of approximately 538,900 s.f..

2e - Rents collected from non state tenants. This figure is the sum of the rents from the seller's rent rolls and the fees received for parking. The figure declines until 2002. It increases at that time as a result of a charge for parking estimated at \$45 per space.

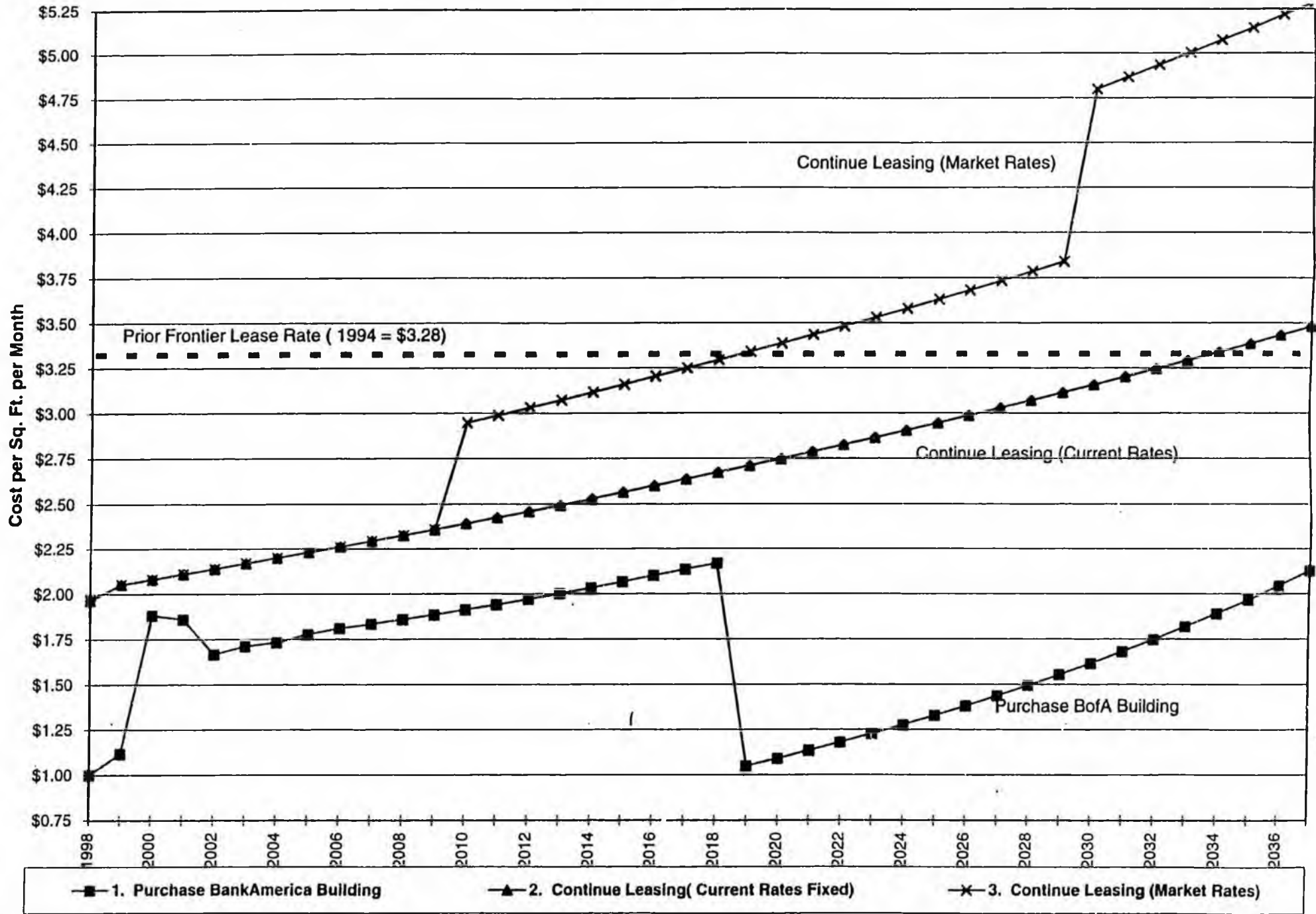
2f - Operating expenses are based on projections provided by Follett and Associates in the March 3 1997 appraisal of the property. Insurance projects were reduced to reflect charges anticipated by the Division of Risk Management. Repairs and Maintenance was reduced to place snow removal in a separate category. The management fee has been adjusted based on recommendations of Ken Kincaid of Kincaid and Riely to reflect more realistic costs under state ownership.

2i - Property tax is shown as an expense based on the percent of the building area that is occupied by non-government tenants in each fiscal year. Property tax is based on the 1997 property tax projection by the Municipality of Anchorage of \$496,146.

2j - Downtown Business Improvement District. This is a voluntary assessment of \$21,814 has been agreed to by the owner of the Bank America Building. This voluntary program will be evaluated at the end of the three years. If the assessment is extended the state will participate.

2k - Debt service demonstrates the anticipated annual cost to pay back the Certificates of Participation which will finance the purchase. This includes all issuance fees, and approximately \$5,484,291 in capitalized interest. Included in the debt service line are \$7,450,900 to complete tenant improvements to the building and negotiate early termination of leases.

Average Office Options



## Savings Summary

	TOTAL FY 1998-2037	Fiscal Years:								
		1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	188,988,939	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	52,611,193	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	61,813,086	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	21,402,888	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>324,816,107</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,298,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>b Adjusted Market Rates</b>										
1. Lease 2011	235,619,082	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	65,592,285	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	77,107,394	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	26,683,784	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>405,002,545</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	9,296,511	3,557,473	3,606,568	2,132,470	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	3,184,039	990,147	1,004,009	1,018,065	171,819	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	2,836,133	402,804	408,443	414,161	419,960	304,755	309,022	313,348	130,903	132,736
e Rent Collected From Non-State Tenants	(34,165,000)	(3,829,231)	(3,596,157)	(944,804)	(437,736)	(719,750)	(740,345)	(761,764)	(504,135)	(491,417)
f Operating Expenses	112,457,965	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118	1,559,083	1,621,446
g Maintenance	37,059,951	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742
h Capital Reserves	7,602,041	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486
i Property Tax	698,336	266,702	255,066	84,949	26,752	21,622	21,622	21,622	0	0
j Business Improvement District	65,442	21,814	21,814	21,814	0	0	0	0	0	0
k Debt Service	65,046,741	0	0	1,213,322	3,578,713	3,497,506	3,571,855	3,569,704	3,567,609	3,565,288
<b>Total Cost</b>	<b>204,082,160</b>	<b>3,024,159</b>	<b>3,378,771</b>	<b>5,686,166</b>	<b>5,620,904</b>	<b>5,039,986</b>	<b>5,175,441</b>	<b>5,236,728</b>	<b>5,371,948</b>	<b>5,471,280</b>
		\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	<b>120,733,946</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>602,604</b>	<b>755,909</b>	<b>1,426,102</b>	<b>1,381,172</b>	<b>1,411,678</b>	<b>1,369,536</b>	<b>1,364,584</b>
<b>Adjusted Market Rates</b>	<b>200,920,385</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>602,604</b>	<b>755,909</b>	<b>1,426,102</b>	<b>1,381,172</b>	<b>1,411,678</b>	<b>1,369,536</b>	<b>1,364,584</b>

Savings Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	4,202,538	4,261,373	4,321,033	4,381,527	4,442,868	4,505,069	4,568,140
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,169,917	1,186,296	1,202,904	1,219,745	1,236,821	1,254,136	1,271,694
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222	1,477,623	1,498,310
4. Rent for "other leases"	456,494	462,885	469,366	475,937	482,600	489,356	496,207	503,154	510,198	517,341
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>7,228,787</b>	<b>7,327,962</b>	<b>7,430,554</b>	<b>7,534,581</b>	<b>7,640,065</b>	<b>7,747,026</b>	<b>7,855,485</b>
	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43	\$2.46	\$2.49	\$2.53	\$2.56	\$2.60
<b>b Adjusted Market Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	5,180,844	5,253,173	5,326,718	5,401,292	5,476,910	5,553,587	5,631,337
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,442,208	1,462,397	1,482,871	1,503,631	1,524,682	1,546,027	1,567,672
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,699,207	1,722,995	1,747,117	1,771,577	1,796,379	1,821,528	1,847,030
4. Rent for "other leases"	456,494	462,885	469,366	586,708	594,922	603,251	611,696	620,260	628,944	637,749
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>8,908,765</b>	<b>9,033,488</b>	<b>9,159,957</b>	<b>9,288,196</b>	<b>9,418,231</b>	<b>9,550,086</b>	<b>9,683,787</b>
	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99	\$3.03	\$3.07	\$3.12	\$3.16	\$3.21
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(373,172)	(388,099)	(403,623)	(419,767)	(436,558)	(454,021)	(472,181)	(491,069)	(510,711)	(531,140)
f Operating Expenses	1,686,304	1,753,756	1,823,906	1,896,863	1,972,737	2,051,647	2,133,713	2,219,061	2,307,824	2,400,137
g Maintenance	555,092	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068
h Capital Reserves	113,865	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065
i Property Tax	0	0	0	0	0	0	0	0	0	0
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	3,562,458	3,558,836	3,554,141	3,552,949	3,549,835	3,544,518	3,541,573	3,535,576	3,531,105	3,527,594
<b>Total Cost</b>	<b>5,544,546</b>	<b>5,620,209</b>	<b>5,697,969</b>	<b>5,782,529</b>	<b>5,868,599</b>	<b>5,956,032</b>	<b>6,049,547</b>	<b>6,143,870</b>	<b>6,243,730</b>	<b>6,348,724</b>
	\$1.84	\$1.86	\$1.89	\$1.91	\$1.94	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	1,387,020	1,408,400	1,429,040	1,444,258	1,459,363	1,474,522	1,485,034	1,496,196	1,503,296	1,506,761
<b>Adjusted Market Rates</b>	1,387,020	1,408,400	1,429,040	3,126,236	3,164,889	3,203,925	3,238,649	3,274,361	3,306,356	3,335,063

Savings Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	4,632,094	4,696,943	4,762,700	4,829,378	4,896,989	4,965,547	5,035,065	5,105,556	5,177,033
2. Lease 2096 Rent	1,289,498	1,307,551	1,325,857	1,344,419	1,363,241	1,382,326	1,401,679	1,421,302	1,441,200
3. Lease 2012 Rent	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656	1,651,457	1,674,577	1,698,022
4. Rent for "other leases"	524,584	531,928	539,375	546,926	554,583	562,347	570,220	578,203	586,298
<b>Total Cost</b>	<b>7,965,462</b>	<b>8,076,978</b>	<b>8,190,056</b>	<b>8,304,716</b>	<b>8,420,982</b>	<b>8,538,876</b>	<b>8,658,421</b>	<b>8,779,638</b>	<b>8,902,553</b>
	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91	\$2.95
<b>b Adjusted Market Rates</b>									
1. Lease 2011	5,710,176	5,790,118	5,871,180	5,953,376	6,036,723	6,121,238	6,206,935	6,293,832	6,381,946
2. Lease 2096 Rent	1,589,619	1,611,874	1,634,440	1,657,322	1,680,525	1,704,052	1,727,909	1,752,099	1,776,629
3. Lease 2012 Rent	1,872,888	1,899,109	1,925,696	1,952,656	1,979,993	2,007,713	2,035,821	2,064,323	2,093,223
4. Rent for "other leases"	646,677	655,731	664,911	674,220	683,659	693,230	702,935	712,777	722,755
<b>Total Cost</b>	<b>9,819,360</b>	<b>9,956,831</b>	<b>10,096,227</b>	<b>10,237,574</b>	<b>10,380,900</b>	<b>10,526,233</b>	<b>10,673,600</b>	<b>10,823,031</b>	<b>10,974,553</b>
	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58	\$3.63
<b>2 PURCHASE BOA BUILDING:</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(552,385)	(574,481)	(597,460)	(621,358)	(646,213)	(672,061)	(698,944)	(726,901)	(755,978)
f Operating Expenses	2,496,142	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753	3,416,143
g Maintenance	821,671	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514
h Capital Reserves	168,548	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	3,519,619	3,504,543	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>6,453,594</b>	<b>6,555,878</b>	<b>3,173,388</b>	<b>3,300,324</b>	<b>3,432,337</b>	<b>3,569,630</b>	<b>3,712,415</b>	<b>3,860,912</b>	<b>4,015,348</b>
	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	<b>1,511,867</b>	<b>1,521,100</b>	<b>5,016,668</b>	<b>5,004,393</b>	<b>4,988,646</b>	<b>4,969,246</b>	<b>4,946,005</b>	<b>4,918,727</b>	<b>4,887,205</b>
<b>Adjusted Market Rates</b>	<b>3,365,766</b>	<b>3,400,953</b>	<b>6,922,839</b>	<b>6,937,251</b>	<b>6,948,564</b>	<b>6,956,603</b>	<b>6,961,185</b>	<b>6,962,119</b>	<b>6,959,205</b>

**FISCAL NOTE**

**STATE OF ALASKA**  
**1997 LEGISLATIVE SESSION**

**BILL NO.**

**HB 236**

Revision Date: \_\_\_\_\_  
 Title: "An Act giving notice of and approving . . . a lease purchase agreement for an Anchorage office building."  
 Sponsor: (S) Finance Committee  
 Requestor: (S) Fin

Department Affected: Administration  
 BRU: General Services  
 Component: Anchorage Office Building Component  
 \_\_\_\_\_  
**COMPONENT SERIAL NO. 81**

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>1,534.5</b>	<b>1,595.8</b>	<b>1,659.7</b>	<b>1,726.0</b>	<b>1,795.1</b>	<b>1,866.9</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>3,829.2</b>	<b>3,596.2</b>	<b>944.8</b>	<b>437.7</b>	<b>719.8</b>	<b>740.3</b>
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**FUND SOURCE:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	1,209.9	1,258.3	935.3	199.4	159.5	165.9
1037 GF/Mental Health						
OTHER (I/A)	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
<b>TOTAL</b>	<b>1,534.5</b>	<b>1,595.8</b>	<b>1,659.7</b>	<b>1,726.0</b>	<b>1,795.1</b>	<b>1,866.9</b>

Estimate of any current year (FY 97) cost: \$ 0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

This bill would authorize the lease purchase of the Bank of America building in Anchorage. The total project cost shall be less than \$38,950,000, the annual cost shall be less than \$4,070,000 and the total lease payments shall be less than \$81,400,000. Lease payments are shown in the Department of Revenue fiscal note. This fiscal note represents the costs to operate and maintain the facility. Leasing budget reductions are shown in a separate fiscal note.

Prepared by: Dugan Petty, Director *Dugan Petty*  
 Division: General Services

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Approved by Commissioner: Mark Bover *Mark Bover*  
 Agency: Department of Administration

Date: 4/22/97

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**FISCAL NOTE  
STATE OF ALASKA  
1997 LEGISLATIVE SESSION**

**BILL NO. HB 236**

**ANALYSIS: (continued)**

This new budget component is set up specifically to account for the costs and revenues of the Bank of America building. During the years of the fiscal note, income from non-state tenants exceeds that needed to fully fund the projected cost of building operations. In later years all building operating costs will be borne by state tenants.

<u>B of A Component</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Cost of Operations	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
Agency Rents I/A	245.9	337.5	420.0	1,055.1	1,635.5	1,701.0
Leasing budget payments towards agency rent	78.6	0.0	304.3	471.6	0.0	0.0
<b>Total I/A Revenue</b>	<b>324.5</b>	<b>337.5</b>	<b>724.3</b>	<b>1,526.7</b>	<b>1,635.5</b>	<b>1,701.0</b>
Non-state tenant revenue	1,209.9	1,258.3	935.3	199.4	159.5	165.9
<b>Total Revenue to Building Component</b>	<b>1,534.5</b>	<b>1,595.8</b>	<b>1,659.7</b>	<b>1,726.0</b>	<b>1,795.1</b>	<b>1,866.9</b>
Total non-state tenant rent	3,829.2	3,596.2	944.8	437.7	719.8	740.3
Non-state tenant rent used for building operations	1,209.9	1,258.3	935.3	199.4	159.5	165.9
<b>Balance available to general fund</b>	<b>2,619.3</b>	<b>2,337.9</b>	<b>9.5</b>	<b>238.4</b>	<b>560.2</b>	<b>574.4</b>

Assumptions:

1. The BofA building will be managed under a property management contract by a third party contractor similar to the manner in which the building is managed by its current owner.
2. Building operating costs are assumed to increase by 4% per year due to inflation.
3. Tenant agencies will pay a proportionate share of the BofA building operating costs. The leasing budget will pay any difference between the BofA rent and the current tenant agency RSA for their current lease in the year that the tenant agency moves in to the BofA building. This amount will be transferred to the tenant agency in the subsequent year. The tenant agency will be responsible for all future year rent payments to the BofA building component.

Savings Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	5,249,512	5,323,005	5,397,527	5,473,092	5,549,716	5,627,412	5,706,195	5,786,082	5,867,087
2. Lease 2096 Rent	1,461,377	1,481,836	1,502,582	1,523,618	1,544,949	1,566,578	1,588,510	1,610,749	1,633,300
3. Lease 2012 Rent	1,721,794	1,745,899	1,770,342	1,795,126	1,820,258	1,845,742	1,871,582	1,897,784	1,924,353
4. Rent for "other leases"	594,506	602,829	611,269	619,827	628,504	637,303	646,226	655,273	664,447
<b>Total Cost</b>	<b>9,027,189</b>	<b>9,153,570</b>	<b>9,281,720</b>	<b>9,411,664</b>	<b>9,543,427</b>	<b>9,677,035</b>	<b>9,812,514</b>	<b>9,949,889</b>	<b>10,089,187</b>
	\$2.99	\$3.03	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34
<b>b Adjusted Market Rates</b>									
1. Lease 2011	6,471,293	6,561,891	6,653,757	6,746,910	8,433,639	8,551,710	8,671,433	8,792,834	8,915,933
2. Lease 2096 Rent	1,801,502	1,826,723	1,852,297	1,878,229	2,347,787	2,380,656	2,413,985	2,447,781	2,482,050
3. Lease 2012 Rent	2,122,528	2,152,244	2,182,375	2,212,928	2,768,161	2,804,888	2,844,156	2,883,974	2,924,350
4. Rent for "other leases"	732,874	743,134	753,538	764,088	955,111	968,482	982,041	995,789	1,009,730
<b>Total Cost</b>	<b>11,128,197</b>	<b>11,283,991</b>	<b>11,441,967</b>	<b>11,602,155</b>	<b>14,502,698</b>	<b>14,705,735</b>	<b>14,911,616</b>	<b>15,120,378</b>	<b>15,332,064</b>
	\$3.68	\$3.73	\$3.79	\$3.84	\$4.80	\$4.87	\$4.94	\$5.00	\$5.07
<b>2 PURCHASE BOA BUILDING:</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(786,217)	(817,665)	(850,372)	(884,387)	(919,762)	(956,553)	(994,815)	(1,034,607)	(1,075,992)
f Operating Expenses	3,552,788	3,694,900	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236
g Maintenance	1,169,494	1,216,274	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534
h Capital Reserves	239,896	249,492	259,472	269,851	280,645	291,870	303,545	315,687	328,315
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>4,175,982</b>	<b>4,343,001</b>	<b>4,516,721</b>	<b>4,697,390</b>	<b>4,885,285</b>	<b>5,080,697</b>	<b>5,283,924</b>	<b>5,495,281</b>	<b>5,715,093</b>
	\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	<b>4,851,227</b>	<b>4,810,569</b>	<b>4,764,999</b>	<b>4,714,274</b>	<b>4,658,142</b>	<b>4,596,338</b>	<b>4,528,589</b>	<b>4,454,607</b>	<b>4,374,094</b>
<b>Adjusted Market Rates</b>	<b>6,952,234</b>	<b>6,940,991</b>	<b>6,925,247</b>	<b>6,904,765</b>	<b>9,617,412</b>	<b>9,625,039</b>	<b>9,627,691</b>	<b>9,625,097</b>	<b>9,616,971</b>

## Savings Summary

	<u>2035</u>	<u>2036</u>	<u>2037</u>
<b>1 CONTINUE LEASING:</b>			
<b>a Current Lease Rates</b>			
1. Lease 2011	5,949,227	6,032,516	6,116,971
2. Lease 2096 Rent	1,656,166	1,679,352	1,702,863
3. Lease 2012 Rent	1,951,294	1,978,612	2,006,313
4. Rent for "other leases"	673,749	683,181	692,746
<b>Total Cost</b>	<b>10,230,436</b>	<b>10,373,662</b>	<b>10,518,893</b>
	<b>\$3.39</b>	<b>\$3.43</b>	<b>\$3.48</b>
<b>b Adjusted Market Rates</b>			
1. Lease 2011	9,040,756	9,167,327	9,295,669
2. Lease 2096 Rent	2,516,799	2,552,034	2,587,762
3. Lease 2012 Rent	2,965,291	3,006,805	3,048,900
4. Rent for "other leases"	1,023,867	1,038,201	1,052,736
<b>Total Cost</b>	<b>15,546,712</b>	<b>15,764,366</b>	<b>15,985,068</b>
	<b>\$5.15</b>	<b>\$5.22</b>	<b>\$5.29</b>
<b>2 PURCHASE BOA BUILDING:</b>			
a Continued Lease 2011 Rent Expense	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0
d Continued "other lease" Rent Expense	0	0	0
e Rent Collected From Non-State Tenants	(1,119,031)	(1,163,793)	(1,210,344)
f Operating Expenses	5,056,726	5,258,995	5,469,354
g Maintenance	1,664,555	1,731,137	1,800,383
h Capital Reserves	341,447	355,105	369,309
i Property Tax			
j Business Improvement District	0	0	0
k Debt Service	0	0	0
<b>Total Cost</b>	<b>5,943,696</b>	<b>6,181,444</b>	<b>6,428,702</b>
	<b>\$1.97</b>	<b>\$2.05</b>	<b>\$2.13</b>
<b>PROJECTED SAVINGS</b>			
<b>Current Lease Rates</b>	<b>4,286,739</b>	<b>4,192,218</b>	<b>4,090,191</b>
<b>Adjusted Market Rates</b>	<b>9,603,016</b>	<b>9,582,922</b>	<b>9,556,365</b>

**BofA Projected Operating Costs**

<b>Operating Expenses</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
<b>Insurance</b>	4,450	4,628	4,813	5,006	5,206	5,414	5,631	5,856	6,090	6,334
<b>Management</b>	150,000	156,000	162,240	168,730	175,479	182,498	189,798	197,390	205,285	213,497
<b>Janitorial</b>	276,000	287,040	298,522	310,462	322,881	335,796	349,228	363,197	377,725	392,834
<b>Windows</b>	22,000	22,880	23,795	24,747	25,737	26,766	27,837	28,950	30,109	31,313
<b>Electric</b>	435,000	452,400	470,496	489,316	508,888	529,244	550,414	572,430	595,328	619,141
<b>Gas</b>	55,000	57,200	59,488	61,868	64,342	66,916	69,593	72,376	75,271	78,282
<b>Water/Sewer/Refuse</b>	43,000	44,720	46,509	48,369	50,304	52,316	54,409	56,585	58,848	61,202
<b>Landscaping</b>	24,000	24,960	25,958	26,997	28,077	29,200	30,368	31,582	32,846	34,159
<b>Snow Removal</b>	40,000	41,600	43,264	44,995	46,794	48,666	50,613	52,637	54,743	56,932
<b>Security</b>	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171	128,098
<b>Additional Parking</b>				45,360	47,174	49,061	51,024	53,065	55,187	57,395
<b>Miscellaneous</b>	5,000	5,200	5,408	5,624	5,849	6,083	6,327	6,580	6,843	7,117
	<b>1,144,450</b>	<b>1,190,228</b>	<b>1,237,837</b>	<b>1,332,711</b>	<b>1,386,019</b>	<b>1,441,460</b>	<b>1,499,118</b>	<b>1,559,083</b>	<b>1,621,446</b>	<b>1,686,304</b>
<b>Real Estate Taxes</b>	266,702	255,066	84,949	26,752	21,622	21,622	21,622			
<b>Business Improvement District</b>	21,814	21,814	21,814							
<b>Maintenance</b>	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742	555,092
<b>Capital Reserves</b>	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486	113,865
<b>Total of All Expenses</b>	<b>1,902,966</b>	<b>1,955,908</b>	<b>1,852,952</b>	<b>1,888,148</b>	<b>1,957,475</b>	<b>2,034,909</b>	<b>2,115,440</b>	<b>2,177,571</b>	<b>2,264,674</b>	<b>2,355,261</b>

**Notes:**

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

**BofA Projected Operating Costs**

<b>Operating Expenses</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Insurance</b>	6,587	6,851	7,125	7,410	7,706	8,014	8,335	8,668	9,015	9,375
<b>Management</b>	222,037	230,918	240,155	249,761	259,751	270,142	280,947	292,185	303,872	316,027
<b>Janitorial</b>	408,547	424,889	441,885	459,560	477,943	497,060	516,943	537,621	559,125	581,490
<b>Windows</b>	32,565	33,868	35,223	36,632	38,097	39,621	41,206	42,854	44,568	46,351
<b>Electric</b>	643,906	669,663	696,449	724,307	753,279	783,410	814,747	847,037	881,230	916,479
<b>Gas</b>	81,413	84,670	88,057	91,579	95,242	99,052	103,014	107,135	111,420	115,877
<b>Water/Sewer/Refuse</b>	63,651	66,197	68,844	71,598	74,462	77,441	80,538	83,760	87,110	90,595
<b>Landscaping</b>	35,526	36,947	38,425	39,962	41,560	43,223	44,952	46,750	48,620	50,564
<b>Snow Removal</b>	59,210	61,578	64,041	66,603	69,267	72,038	74,919	77,916	81,033	84,274
<b>Security</b>	133,222	138,551	144,093	149,857	155,851	162,085	168,568	175,311	182,323	189,616
<b>Additional Parking</b>	59,691	62,078	64,561	67,144	69,830	72,623	75,528	78,549	81,691	84,958
<b>Miscellaneous</b>	7,401	7,697	8,005	8,325	8,658	9,005	9,365	9,740	10,129	10,534
	<b>1,753,756</b>	<b>1,823,906</b>	<b>1,896,863</b>	<b>1,972,737</b>	<b>2,051,647</b>	<b>2,133,713</b>	<b>2,219,061</b>	<b>2,307,824</b>	<b>2,400,137</b>	<b>2,496,142</b>
<b>Real Estate Taxes</b>										
<b>Business Improvement District</b>										
<b>Maintenance</b>	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068	821,671
<b>Capital Reserves</b>	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065	168,548
<b>Total of All Expenses</b>	<b>2,449,471</b>	<b>2,547,450</b>	<b>2,649,348</b>	<b>2,755,322</b>	<b>2,865,535</b>	<b>2,980,156</b>	<b>3,099,362</b>	<b>3,223,337</b>	<b>3,352,270</b>	<b>3,486,361</b>

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- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

BoFA Projected Operating Costs

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Operating Expenses</b>										
Insurance	9,750	10,141	10,546	10,968	11,407	11,863	12,337	12,831	13,344	13,878
Management	328,668	341,815	355,488	369,707	384,496	399,875	415,870	432,505	449,805	467,798
Janitorial	604,750	628,940	654,098	680,261	707,472	735,771	765,202	795,810	827,642	860,748
Windows	48,205	50,133	52,138	54,224	56,393	58,648	60,994	63,434	65,971	68,610
Electric	953,139	991,264	1,030,915	1,072,151	1,115,037	1,159,639	1,206,024	1,254,265	1,304,436	1,356,613
Gas	120,512	125,332	130,346	135,559	140,982	146,621	152,486	158,585	164,929	171,526
Water/Sewer/Refuse	94,218	97,987	101,907	105,983	110,222	114,631	119,216	123,985	128,944	134,102
Landscaping	52,587	54,690	56,878	59,153	61,519	63,980	66,539	69,201	71,969	74,848
Snow Removal	87,645	91,151	94,797	98,589	102,532	106,633	110,899	115,335	119,948	124,746
Security	197,201	205,089	213,293	221,824	230,697	239,925	249,522	259,503	269,883	280,679
Additional Parking	88,357	91,891	95,567	99,389	103,365	107,500	111,799	116,271	120,922	125,759
Miscellaneous	10,956	11,394	11,850	12,324	12,817	13,329	13,862	14,417	14,994	15,593
	<b>2,595,988</b>	<b>2,699,827</b>	<b>2,807,820</b>	<b>2,920,133</b>	<b>3,036,938</b>	<b>3,158,416</b>	<b>3,284,753</b>	<b>3,416,143</b>	<b>3,552,788</b>	<b>3,694,900</b>
<b>Real Estate Taxes</b>										
<b>Business Improvement District</b>										
Maintenance	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514	1,169,494	1,216,274
Capital Reserves	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669	239,896	249,492
<b>Total of All Expenses</b>	<b>3,625,816</b>	<b>3,770,848</b>	<b>3,921,682</b>	<b>4,078,549</b>	<b>4,241,691</b>	<b>4,411,359</b>	<b>4,587,813</b>	<b>4,771,326</b>	<b>4,962,179</b>	<b>5,160,666</b>

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- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

BofA Projected Operating Costs

Operating Expenses	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Insurance	14,433	15,010	15,611	16,235	16,885	17,560	18,262	18,993	19,753	20,543
Management	486,510	505,970	526,209	547,257	569,147	591,913	615,590	640,213	665,822	692,455
Janitorial	895,178	930,985	968,224	1,006,953	1,047,231	1,089,121	1,132,685	1,177,993	1,225,113	1,274,117
Windows	71,355	74,209	77,177	80,264	83,475	86,814	90,287	93,898	97,654	101,560
Electric	1,410,878	1,467,313	1,526,006	1,587,046	1,650,528	1,716,549	1,785,211	1,856,619	1,930,884	2,008,119
Gas	178,387	185,522	192,943	200,661	208,687	217,035	225,716	234,745	244,135	253,900
Water/Sewer/Refuse	139,466	145,045	150,847	156,880	163,156	169,682	176,469	183,528	190,869	198,504
Landscaping	77,842	80,955	84,193	87,561	91,064	94,706	98,494	102,434	106,532	110,793
Snow Removal	129,736	134,925	140,322	145,935	151,773	157,844	164,157	170,724	177,553	184,655
Security	291,906	303,582	315,725	328,354	341,488	355,148	369,354	384,128	399,493	415,473
Additional Parking	130,790	136,021	141,462	147,121	153,005	159,126	165,491	172,110	178,995	186,154
Miscellaneous	16,217	16,866	17,540	18,242	18,972	19,730	20,520	21,340	22,194	23,082
	<b>3,842,696</b>	<b>3,996,404</b>	<b>4,156,260</b>	<b>4,322,510</b>	<b>4,495,411</b>	<b>4,675,227</b>	<b>4,862,236</b>	<b>5,056,726</b>	<b>5,258,995</b>	<b>5,469,354</b>
<b>Real Estate Taxes</b>										
<b>Business Improvement District</b>										
Maintenance	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534	1,664,555	1,731,137	1,800,383
Capital Reserves	259,472	269,851	280,645	291,870	303,545	315,687	328,315	341,447	355,105	369,309
<b>Total of All Expenses</b>	<b>5,367,093</b>	<b>5,581,776</b>	<b>5,805,047</b>	<b>6,037,249</b>	<b>6,278,739</b>	<b>6,529,889</b>	<b>6,791,084</b>	<b>7,062,728</b>	<b>7,345,237</b>	<b>7,639,046</b>

**Notes:**

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

Summary Cost per USF

	NPV	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Purchase BankAmerica Building	36,645,857	\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81	\$1.84	\$1.86	\$1.89	\$1.91	\$1.94
2. Continue Leasing( Current Rates Fixed)	93,150,155	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43
3. Continue Leasing (Market Rates)	101,763,366	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

**Scenario Descriptions**

**1. Purchase BankAmerica:** Bankamerica Building is purchased and filled with State agencies as soon as possible. Assumes all private tenants would stay for a period, generally equal to their lease terms, and then be replaced with State tenants. Assumes a 5.55% discount rate for NPV calculations, and a 18 year loan payoff.

**2. Continue Leasing (Current Rates):** Assumes current rates are only adjusted to reflect increases in owner operating costs.

**3. Continue Leasing (Market Rates):** Assumes that rental rates rebound to market rates at 20 year intervals.

Summary Cost per USF

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1. Purchase BankAmerica Building	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.10	\$1.23	\$1.28	\$1.33	\$1.38	\$1.44
2. Continue Leasing( Current Rates Fixed)	\$2.46	\$2.49	\$2.53	\$2.56	\$2.60	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91	\$2.95	\$2.99	\$3.03
3. Continue Leasing (Market Rates)	\$3.03	\$3.07	\$3.12	\$3.16	\$3.21	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58	\$3.63	\$3.68	\$3.73

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

Summary Cost per USF

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
1. Purchase BankAmerica Building	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89	\$1.97	\$2.05	\$2.13
2. Continue Leasing( Current Rates Fixed)	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34	\$3.39	\$3.43	\$3.48
3. Continue Leasing (Market Rates)	\$3.79	\$3.84	\$4.80	\$4.87	\$4.94	\$5.00	\$5.07	\$5.15	\$5.22	\$5.29

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Percent Rise In CPI Per Year	4.00%											
State equivalent rent per usl/mo.	(\$0.64)	(\$0.54)	\$0.70	\$1.66	\$1.57	\$1.61	\$1.63	\$1.73	\$1.77	\$1.84	\$1.86	\$1.89
State base rent per usl per yr.	(\$7.65)	(\$6.51)	\$8.43	\$19.97	\$18.81	\$19.33	\$19.55	\$20.82	\$21.20	\$22.02	\$22.32	\$22.63
Expenses	1,735,000	1,804,400	1,876,576	1,951,639	2,025,705	2,110,893	2,195,328	2,283,142	2,374,467	2,469,446	2,568,224	2,670,953
Expenses per usl per yr.	\$6.89	\$7.17	\$7.45	\$7.75	\$8.06	\$8.38	\$8.72	\$9.07	\$9.43	\$9.81	\$10.20	\$10.61
Expenses per usl per month	\$0.57	\$0.60	\$0.62	\$0.65	\$0.67	\$0.70	\$0.73	\$0.76	\$0.79	\$0.82	\$0.85	\$0.88
Building total usable s/l (est.)	251,786											
Other tenants per yr rent	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623

State of Alaska Occupies all of BankAmerica Building in stages.  
Other tenants Other tenants are incorporated and leave in stages as buy-outs and lease expirations occur.

Cost Summary	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State of Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Other tenants	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Gross Rental Income	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Operating Expenses	1,902,966	1,955,908	1,852,952	1,888,148	1,957,475	2,034,909	2,115,440	2,177,571	2,264,674	2,355,261	2,449,471	2,547,450
Net Operating Income	1,926,265	1,640,249	(908,148)	(1,450,412)	(1,237,725)	(1,294,564)	(1,353,676)	(1,673,436)	(1,773,257)	(1,982,089)	(2,061,372)	(2,143,827)
Debt Service			(1,213,322)	(3,578,713)	(3,497,506)	(3,571,855)	(3,569,704)	(3,567,609)	(3,565,288)	(3,562,458)	(3,558,836)	(3,554,141)
Cash Flow	1,926,265	1,640,249	(2,121,470)	(5,028,125)	(4,735,231)	(4,866,418)	(4,923,380)	(5,241,044)	(5,338,544)	(5,544,546)	(5,620,209)	(5,697,969)

Total Debt Service (65,046,741)

	1st round finance	2nd round finance
Sales price of BankAmerica	25,950,000	0
SF of TI's	190,000	0
\$ per SF of TI's	15	0
Cost of TI's to move in	2,850,000	0
Data wiring (incl. phone wiring)	520,000	0
Router and Line-In	45,000	0
ADA Upgrades	107,000	0
Code Compliance	570,000	0
Project Management	73,900	0
Move	285,000	0
Contingency fund	500,000	0
SF of leases to buy out	175,000	0
\$ per SF per year to buy out	20	0
Cost of buying out existing leases	3,500,000	0
Project costs	34,400,900	0
Previous debt balance	0	38,420,000
Underwriter's discount	114,195	280,650
Other costs of issuance	165,000	1,524,000
Capitalized Interest	4,488,639	0
Less interest earned on Const. \$\$	(1,107,053)	0
Financing Contingency	4,219	4,950
Total amount of debt	38,065,900	40,229,600

**Parking Income Assumptions:**  
Total number of spaces - 646  
FY 1999 - Uses appraisers income figures.  
FY 1999 - Uses appraisers income figures, with no escalation, as many tenants will be leaving the building.  
FY 2000 - Uses only the the parking income, without escalation, from the two tenants that will most likely remain in the building after the period of remodeling and buildout construction is over in FY 2001.  
FY 2001 - Same assumptions as FY 2000.  
FY 2002 through FY 2022 - All parking spaces are filled at the rate of \$45 per space per month, with escalation beginning in FY 2002 at the annual CPI rate. Seventy-five spaces will be set aside for guest and State vehicle parking, and therefore will be deducted from the income stream.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rent from other tenants												
Aggregated Annual rent	3,649,891	3,416,817	931,004	423,936	413,030	421,356	430,016	159,117	132,598	0	0	0
Rent income from parking	179,340	179,340	13,800	13,800	306,720	318,989	331,748	345,018	358,819	373,172	388,099	403,623
Total Rent Income from tenants	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$1.91	\$1.94	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33
\$22.97	\$23.31	\$23.66	\$24.03	\$24.40	\$24.80	\$25.21	\$25.63	\$26.04	\$12.60	\$13.11	\$13.63	\$14.18	\$14.74	\$15.33	\$15.95
2,777,791	2,888,903	3,004,459	3,124,637	3,249,622	3,379,607	3,514,792	3,655,383	3,801,599	3,953,663	4,111,809	4,276,281	4,447,333	4,625,226	4,810,235	5,002,644
\$11.03	\$11.47	\$11.93	\$12.41	\$12.91	\$13.42	\$13.96	\$14.52	\$15.10	\$15.70	\$16.33	\$16.98	\$17.66	\$18.37	\$19.10	\$19.87
\$0.92	\$0.96	\$0.99	\$1.03	\$1.08	\$1.12	\$1.16	\$1.21	\$1.26	\$1.31	\$1.36	\$1.42	\$1.47	\$1.53	\$1.59	\$1.66
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
2,649,348	2,755,322	2,865,535	2,980,156	3,099,362	3,223,337	3,352,270	3,486,361	3,625,816	3,770,848	3,921,682	4,078,549	4,241,691	4,411,359	4,587,813	4,771,326
(2,229,580)	(2,318,764)	(2,411,514)	(2,507,975)	(2,608,294)	(2,712,625)	(2,821,130)	(2,933,976)	(3,051,335)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,348)
(3,552,949)	(3,549,835)	(3,544,518)	(3,541,573)	(3,535,576)	(3,531,105)	(3,527,594)	(3,519,619)	(3,504,543)	0	0	0	0	0	0	0
(5,782,529)	(5,868,599)	(5,956,032)	(6,049,547)	(6,143,870)	(6,243,730)	(6,348,724)	(6,453,594)	(6,555,878)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,348)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89	\$1.07	\$2.05	\$2.13
\$16.59	\$17.25	\$17.94	\$18.66	\$19.40	\$20.18	\$20.99	\$21.83	\$22.70	\$23.61	\$24.55	\$25.53
5,202,750	5,410,860	5,627,295	5,852,386	6,086,482	6,329,941	6,583,139	6,846,464	7,120,323	7,405,136	7,701,341	8,009,395
\$20.66	\$21.49	\$22.35	\$23.24	\$24.17	\$25.14	\$26.15	\$27.19	\$28.28	\$29.41	\$30.59	\$31.81
\$1.72	\$1.79	\$1.86	\$1.94	\$2.01	\$2.10	\$2.18	\$2.27	\$2.36	\$2.45	\$2.55	\$2.65
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
0	0	0	0	0	0	0	0	0	0	0	0
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
4,962,179	5,160,666	5,367,093	5,581,776	5,805,047	6,037,249	6,278,739	6,529,889	6,791,084	7,062,728	7,345,237	7,639,046
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,696)	(6,181,444)	(6,428,702)
0	0	0	0	0	0	0	0	0	0	0	0
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,696)	(6,181,444)	(6,428,702)

0	0	0	0	0	0	0	0	0	0	0	0
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344

Revision Date: April 22, 1997 Dept. Affected: Revenue  
 Title: Anchorage Office Building BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: (H) FIN  
 Requestor: (H) FIN COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS - LEASE PAYMENTS	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>1,213.3</b>	<b>3,578.7</b>	<b>3,497.5</b>	<b>3,571.9</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	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>1,213.3</b>	<b>3,578.7</b>	<b>3,497.5</b>	<b>3,571.9</b>

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes lease-purchase financing of less than \$38.9 million to purchase the Bank of America building in Anchorage, with annual lease payments of less than \$4.07 million and total lease payments of less than \$81.4 million.

A financing plan has been structured for the State to acquire the property within the above guidelines. It includes the use of taxable certificates of participation for four (4) years, followed by the use of tax-exempt certificates of participation for 16 years, for a total term of twenty years. The financing plan defers lease payments for two years and gives the State flexibility on converting to tax-exempt financing depending on future operational events in the building and on future interest rates. Above, and on the attached schedules, are projected lease-purchase payments based on current interest rates.

Prepared by: Forrest Browne  
 Division: Treasury  
 Approved by Commissioner: Ross Kinney, Deputy Commissioner  
 Agency: Revenue

Phone: 465-3750  
 Date: April 22, 1997  
 Date: April 22, 1997

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Dated: 9/1/97  
 Delivered: 9/1/97

**Sizing Debt Services Schedule**  
**ANCHORAGE OFFICE**  
**CURRENT TAXABLE**

Fiscal Yr	Coupon M Y Y	Zer Date	Cpn Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Cap Int	DebtSvcRsv Int&Prln	CntgncyFnd Int&Prln	NetSemi-AnnlDbtSvc	Net Fiscal Dbt Svc
9	98	3/1/98			1,213,321.88	1,213,321.88	1,213,321.88				
3	99	9/1/98			1,213,321.88	1,213,321.88	1,213,321.88				
1	99	3/1/99			1,213,321.88	1,213,321.88	1,213,321.88				
3	0	9/1/99			1,213,321.88	1,213,321.88	1,213,321.88				
2	9	0	3/1/00		1,213,321.88	1,213,321.88				1,213,321.88	1,213,321.88
3	1	9/1/00	N	6.375 1,190,000.00	1,213,321.88	2,403,321.88				2,403,321.88	
3	9	1	3/1/01		1,175,390.63	1,175,390.63				1,175,390.63	3,578,712.50
3	2	9/1/01	N	6.375 1,265,000.00	1,175,390.63	2,440,390.63				2,440,390.63	

(Page 2 of 3)

Sizing Debt Services Schedule

Dated: 9/1/01  
 Delivered: 9/1/01

ANCHORAGE OFFICE  
 TAX-EXEMPT

Fiscal Yr	Coupon M Y Y	Zer Cpn Date	Cpn Rate	Maturing Prncpal	Periodic Interest	Gross Annl Dbt Svc	Semi- Annl Dbt Svc	Cap Int	DebtSvcRsv Int&Prin	CntlgncyFnd Int&Prin	NetSemi- AnnlDbtSvc	Net Fiscal Dbt Svc
9	2	3/1/02			1,057,115.00	1,057,115.00					1,057,115.00	1,057,115.00
3	3	9/1/02	N	5.650	1,500,000.00	1,057,115.00	2,557,115.00				2,557,115.00	
1	9	3/1/03			1,014,740.00	1,014,740.00					1,014,740.00	3,571,855.00
3	4	9/1/03	N	5.650	1,585,000.00	1,014,740.00	2,599,740.00				2,599,740.00	
2	9	4/1/04			969,963.75	969,963.75					969,963.75	3,569,703.75
3	5	9/1/04	N	5.650	1,675,000.00	969,963.75	2,644,963.75				2,644,963.75	
3	8	9/1/05			922,645.00	922,645.00					922,645.00	3,567,608.75
3	6	9/1/05	N	5.650	1,770,000.00	922,645.00	2,692,645.00				2,692,645.00	
4	9	6/1/06			872,642.50	872,642.50					872,642.50	3,565,287.50
3	7	9/1/06	N	5.650	1,870,000.00	872,642.50	2,742,642.50				2,742,642.50	
5	9	7/3/07			819,815.00	819,815.00					819,815.00	3,562,457.50
3	8	9/1/07	N	5.650	1,975,000.00	819,815.00	2,794,815.00				2,794,815.00	
6	9	8/21/08			764,021.25	764,021.25					764,021.25	3,558,836.25
3	9	9/1/08	N	5.650	2,085,000.00	764,021.25	2,849,021.25				2,849,021.25	
7	9	3/1/09			705,120.00	705,120.00					705,120.00	3,554,141.25
3	10	9/1/09	N	5.650	2,205,000.00	705,120.00	2,910,120.00				2,910,120.00	
8	9	10/3/10			642,828.75	642,828.75					642,828.75	3,552,948.75
3	11	9/1/10	N	5.650	2,330,000.00	642,828.75	2,972,828.75				2,972,828.75	
9	9	11/3/11			577,006.25	577,006.25					577,006.25	3,549,835.00
3	12	9/1/11	N	5.650	2,460,000.00	577,006.25	3,037,006.25				3,037,006.25	
10	9	12/3/12			507,511.25	507,511.25					507,511.25	3,544,517.50
3	13	9/1/12	N	5.650	2,600,000.00	507,511.25	3,107,511.25				3,107,511.25	
11	9	13/3/13			434,061.25	434,061.25					434,061.25	3,541,572.50
3	14	9/1/13	N	5.650	2,745,000.00	434,061.25	3,179,061.25				3,179,061.25	
12	9	14/3/14			356,515.00	356,515.00					356,515.00	3,535,576.25
3	15	9/1/14	N	5.650	2,900,000.00	356,515.00	3,256,515.00				3,256,515.00	
13	9	15/3/15			274,590.00	274,590.00					274,590.00	3,531,105.00
3	16	9/1/15	N	5.650	3,065,000.00	274,590.00	3,339,590.00				3,339,590.00	
14	9	16/3/16			188,003.75	188,003.75					188,003.75	3,527,593.75
3	17	9/1/16	N	5.650	3,235,000.00	188,003.75	3,423,003.75				3,423,003.75	
15	9	17/3/17			96,615.00	96,615.00					96,615.00	3,519,618.75
3	18	9/1/17	N	5.650	3,420,000.00	96,615.00	3,516,615.00			12,071.58	3,504,543.42	

Prepared by: FORREST BROWNE, DOR - TREASURY  
 Prepared on: 4/22/97 11:45 8.20 Rpt 14  
 Record ID: OFFICE-2001-BI :MUNIDB

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

APR 18 1997

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

April 18, 1997

**SUBJECT:** Amendment to HB 236 and municipal property tax considerations  
(Work Order No. 20-LS0791\B.1)

**TO:** Representative Norman Rokeberg

**FROM:** *TB*  
Theresa Bannister  
Legislative Counsel

This memo accompanies the amendment described above.

Under this amendment, the state is required to pass on to the municipality the taxes attributable to the private tenants in the building. Under AS 29.45.030(a)(1)(A), even if the state owns the building, the municipality may tax private leaseholds in the building. This amendment is drafted to apply when the state is considered under the lease purchase agreement to have title to the building.

However, I do not know when this will be. To determine the municipal property tax ramifications of the agreement, it would be helpful to ascertain the specific arrangements made by the agreement and whether the state will be considered to hold title to the property under these specific arrangements. For example, if this is a trusteeship arrangement with certificates of participation, will the state be considered to hold title during the term of the lease purchase agreement? If the state does not receive title at the outset of the agreement, and if the present owner is a private entity, then the entire building may be subject to municipal property taxes after the lease purchase agreement is entered into.

If the state does not receive title, or is not considered to be the owner for tax purposes, at the outset of the agreement, the introductory clause beginning with "when" and ending with "AS 29.45.030(a)(1)," and "under AS 29.45.030(a)(1)" in the amendment should be deleted. If I may be of further assistance, please advise.

TLB:jdr  
97-279.jdr

Enclosure

adopted 2/6/03j

AMENDMENT 1

OFFERED IN THE HOUSE

BY REPRESENTATIVE ROKEBERG

TO: HB 236

1 Page 1, line 3, following "agreement;":

2 Insert "relating to the municipal taxation of certain lease interests in the  
3 building;"

4 Page 1, line 13, following "term.":

5 Insert "When the building is state property exempt under AS 29.45.030(a)(1), the state  
6 shall pay to the municipality under AS 29.45.030(a)(1)(A) the property taxes attributable to  
7 the private tenants in the office building."

PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE (AS 14.17)	\$
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT (AS 14.11.100)	\$
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE (AS 29.60.010 — 29.60.080)	\$
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES (AS 29.60.100 — 29.60.180)	\$
TOTAL AID	\$

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE	...MILLS	...MILLS
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT	...MILLS	...MILLS
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE	...MILLS	...MILLS
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES	...MILLS	...MILLS
TOTAL MILLAGE EQUIVALENT	...MILLS	...MILLS*

Notice shall be provided

(1) by furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) by publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the municipality's budget.

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization assistance under AS 29.60.010 — 29.60.080 and state aid for miscellaneous municipal services under AS 29.60.100 — 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met. (§ 12 ch 74 SLA 1985)

**Sec. 29.45.030. Required exemptions.** (a) The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, or state property, or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

(A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390;

(C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

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FEB 24 1997

Municipality  
of  
Anchorage



P.O. Box 196650  
Anchorage, Alaska 99519-0650  
Telephone: (907) 343-4433

*Rick Mystrom, Mayor*

OFFICE OF THE MUNICIPAL MANAGER

February 20, 1997

Representative Norm Rokeberg  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

Dear Representative Rokeberg:


Per our discussion earlier this week, I am enclosing information regarding the assessment history of the Equitable Life Properties the State is negotiating to purchase.

The attached spread sheet breaks down the assessed value by land and improvements for years 1996 and 1997. For comparison purposes, total assessment for 1986 is also shown. 1986 is the year for which the property had the highest assessed value.

As is noted, the tax assessment for 1996 was nearly \$500,000. The mill rate for 1997 is yet to be set, but based on 1996's rate, the taxes for 1997 would be \$496,146. If this property was removed from the tax rolls, it would amount to about \$4.00 per \$100,000 for the other property owners in Anchorage.

If you wish any additional information about this matter, please don't hesitate to contact me.

Sincerely,

  
Larry D. Crawford  
Municipal Manager

cc: Dugan Petty, Director , Division of General Services

enclosure

**ASSESSMENT/PROPERTY TAX COMPARISON  
EQUITABLE LIFE DOWNTOWN PROPERTIES**

Description	1996			1997			1986
	Land	Improvements	Total	Land	Improvements	Total	Total
Block 79	\$ 1,175,700	\$ 22,401,400	\$ 23,577,100	\$ 1,119,700	\$ 22,421,800	\$ 23,541,500	\$ 37,111,800
Block 80	\$ 1,638,000	\$ 52,800	\$ 1,690,800	\$ 1,680,000	\$ 49,200	\$ 1,729,200	\$ 4,476,200
Block 102	\$ 1,260,500	\$ 45,500	\$ 1,306,000	\$ 1,120,400	\$ 41,800	\$ 1,162,200	\$ 3,725,500
Total	\$ 4,074,200	\$ 22,499,700	\$ 26,573,900	\$ 3,920,100	\$ 22,512,800	\$ 26,432,900	\$ 45,313,500
Mill Rate (1996)			0.01877			0.01877	
Property Tax			\$ 498,792			\$ 496,146	

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347  
Internet e-mail address:  
legaudit@legis.state.ak.us

### M E M O R A N D U M

**TO:** The Honorable Gene Therriault  
The Honorable Mark Hanley  
Co-Chairs, House Finance Committee

**FROM:** Randy S. Welker  
Legislative Auditor

A handwritten signature in cursive script, appearing to read "Randy", written over the printed name "Randy S. Welker".

**DATE:** April 23, 1997

**RE:** Anchorage Office Building

---

For over a month, we have been reviewing information on the proposed acquisition of an office building in Anchorage. We have worked closely with the Division of General Services and their consultants in discussing and modifying the financial analysis of the deal.

On March 24, 1997, we distributed a financial analysis and cover memo to all members of the Legislature in which we characterized the proposal as overly optimistic and a best case scenario. Our primary concern was with the time line envisioned for having the current tenants out of the building and moving the state agencies currently occupying the Frontier building into the new facility.

Since that time, we have further analyzed the financial information and changes that have been made to the underlying assumptions and spreadsheets summarizing the deal. We now believe that the significant issues that we initially had concerns over have been adequately addressed. In fact, we are in close enough agreement with the analysis of the deal that we see no need to generate our own spreadsheet analysis. Ours would be, in all material respects, the same as that presented by the Department of Administration.

We will identify any other items for you in testimony before the Committee. However, we believe the analysis by the Department of Administration is a realistic scenario that adequately takes into consideration all relevant and significant issues that should be addressed.

Therefore, we agree with that analysis and believe that the acquisition of the proposed office building is in the State's best interest.

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

### Division of Legislative Audit



P.O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347  
Internet e-mail address:  
legaudit@legis.state.ak.us

### MEMORANDUM

**TO:** Members of the Alaska State Legislature

**FROM:** Randy S. Welker  
Legislative Auditor *Randy*

**DATE:** March 24, 1997

**RE:** Anchorage Office Building Acquisition Analysis

---

At the request of several legislators and with the concurrence of the Chairman of the Legislative Budget and Audit Committee, the Division of Legislative Audit has reviewed the Department of Administration's proposal to purchase an office building in downtown Anchorage, commonly referred to as the Bank of America building. This memo and accompanying schedules contain our analysis.

This type of analysis is a challenge for an auditor! We are accustomed to dealing in documented facts; in reality, there are more assumptions and projections in the department's proposal than facts. However, that is the nature of this type of decision process.

The analysis prepared by the department looks at three scenarios, but actually boils down to a decision of whether to continue leasing or to buy an office building. The scenario presented as the buy option is, in our opinion, an overly optimistic best case view and is likely understated. Unfortunately, we cannot quantify the degree of understatement because of the nature of the underlying assumptions.

The key concern we have with the analysis is the time line envisioned for moving out of the Frontier building and, correspondingly, the need to make space available in the subject property. The department's analysis assumes that none of the current non-state tenants of the building will exercise exclusive options and stay in the building. There are many leases with such options. The difficulty lies in trying to determine whether the exercise of an option is truly an intent to stay in the building or simply posturing for lease buy-out purposes.

This determination is further compounded by the lack of comparable Class A space in downtown Anchorage to accommodate the current lessees who, by the nature of their business, have a vital interest in remaining downtown. Simply put, there are limited options available to them. The strategy of the State in dealing with this concern will drive the bottom line in the cost analysis.

The financing proposal for purchasing the building envisions taxable financing for three years followed by a refinancing to tax-exempt status. The ability to issue tax exempt financing is generally driven by the requirement of the State to occupy 50% of the facility at the time of refinancing. Again, because of the optimistic timeline mentioned above, the change to tax exempt financing may not transpire as quickly as planned.

We are also concerned that the scenarios presented were not fully explored for options. The financing proposal was developed by the Department of Revenue's Treasury Division and as far as we are aware, the issuance of Certificates of Participation (COPs) was the only financing option considered.

The Alaska Housing Finance Corporation (AHFC) has the authority to issue general obligation bonds for public facilities. No one has had meaningful discussions with AHFC in this regard.

Likewise, we see no indication that a cash purchase was considered. Either a General Fund, Constitutional Budget Reserve Fund, Permanent Fund Earnings Reserve, or AHFC cash purchase are all options that should be part of the public debate.

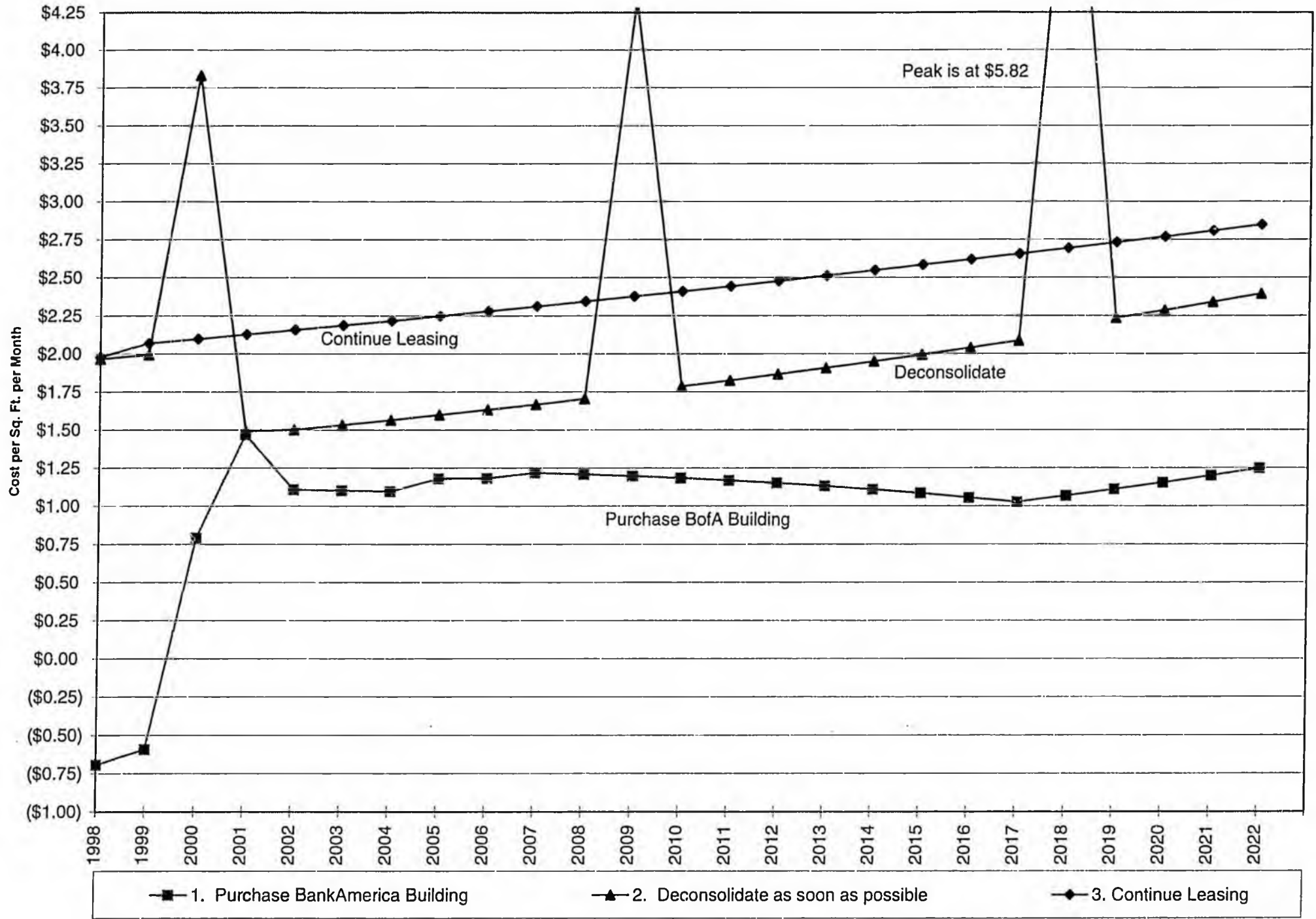
On the other hand, while all this discussion indicates that the estimated costs may be understated, the benefits of ultimately owning a Class A facility should not be overlooked. Depending on the length of time you use in an analysis, eventually, buying this facility should make sense. At the time of acquisition, the State will have title to a facility that would cost in excess of \$50 million to construct and is considered one of the best Class A facilities in Anchorage.

The department has indicated that they will show their analysis over approximately a 25-year period. We have prepared ours over a 19-year period coinciding with the proposed debt service. We have added one "non-add" year to show the impact on costs once the facility is debt free.

The attached analysis is not intended to be comprehensive or conclusive, but a vehicle for constructive public discussion. We will be available at your convenience to further discuss the information presented.

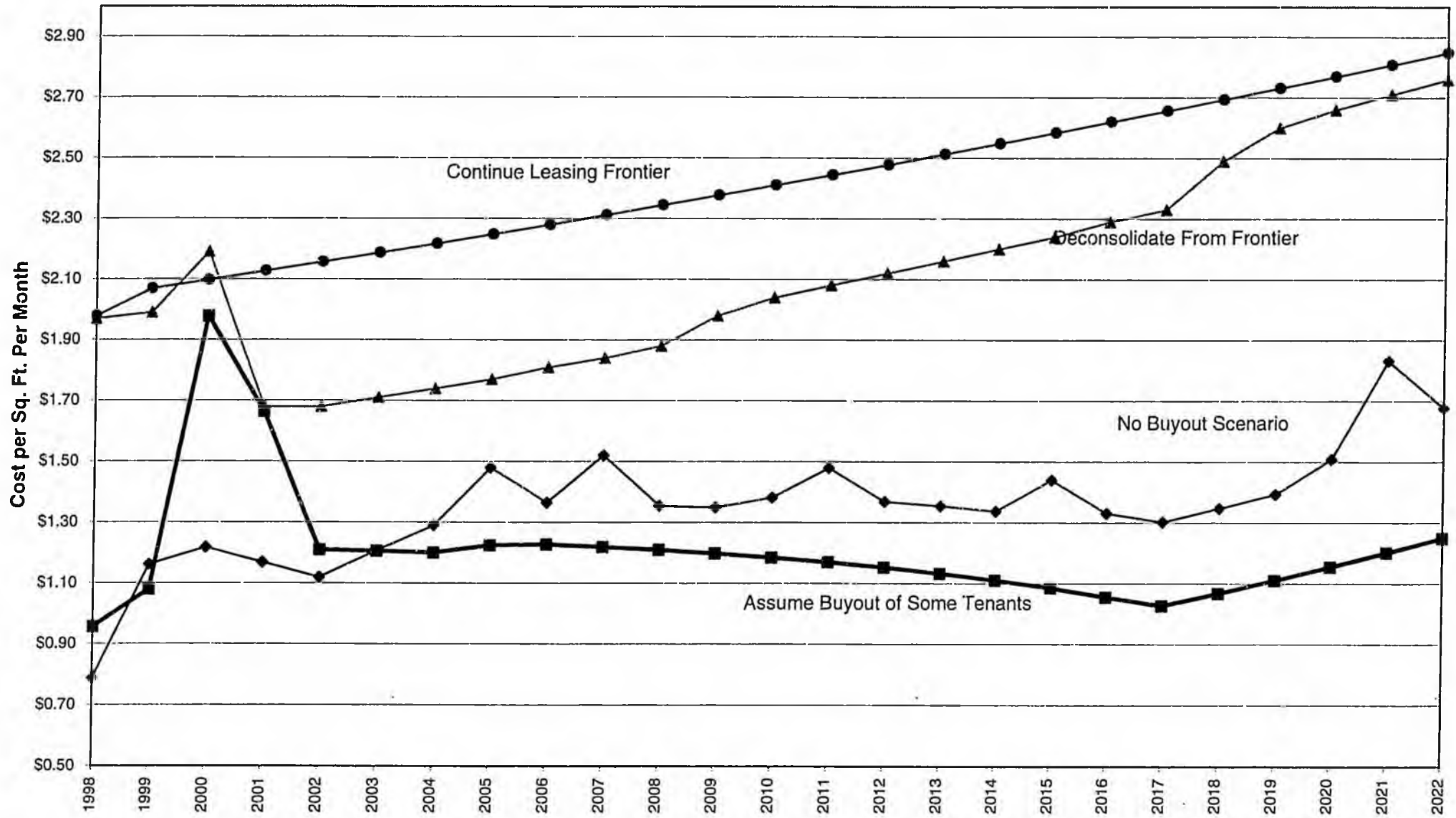
Attachment

### Anchorage Office Options



Page 1

### Anchorage Office Options Including No-Buyout Option



(PAGE ONE)

**COMPARISON OF CONTINUING LEASING 251,786sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING**

**PURCHASE BANK OF AMERICA BUILDING**

Location	Usable Area	Rent @ USF/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 @ Frontier	135,922 sf	\$2.20	\$3,587,917	\$3,637,012	\$2,148,523	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lease 2096 @ Frontier	40,231 sf	\$2.06	\$993,110	\$1,007,014	\$1,021,112	\$172,313	\$0	\$0	\$0	\$0	\$0	\$0
Lease 2012 @ Bank Of America	53,255 sf	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent From "Other State Leases"	22,378 sf	\$1.50	\$402,804	\$408,443	\$414,161	\$419,960	\$304,755	\$309,022	\$313,348	\$130,903	\$132,736	\$0
Revenue From Existing B of A Tenants			(\$3,829,231)	(\$3,596,157)	(\$944,804)	(\$437,736)	(\$719,750)	(\$740,345)	(\$761,764)	(\$504,135)	(\$491,417)	(\$373,172)
B of A Operating Costs			\$1,735,000	\$1,804,400	\$1,876,576	\$1,951,639	\$2,029,705	\$2,110,893	\$2,195,328	\$2,283,142	\$2,374,467	\$2,469,446
Debt Service on Bonds			\$0	\$0	\$1,462,192	\$2,924,384	\$3,860,102	\$3,863,662	\$3,860,062	\$3,859,972	\$3,862,682	\$3,862,437
Equity Build-up From Bond Amortization			\$0	\$0	\$0	\$0	(\$1,820,000)	(\$1,900,000)	(\$1,980,000)	(\$2,070,000)	(\$2,170,000)	(\$2,275,000)
<b>Total Expense From This Analysis (1998 - 2007)</b>			<b>\$2,889,600</b>	<b>\$3,260,712</b>	<b>\$5,977,760</b>	<b>\$5,030,560</b>	<b>\$3,654,812</b>	<b>\$3,643,232</b>	<b>\$3,626,975</b>	<b>\$3,699,882</b>	<b>\$3,708,468</b>	<b>\$3,683,711</b>

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Monthly Cost/USF to Purchase B of A Center	\$0.96	\$1.08	\$1.98	\$1.66	\$1.21	\$1.21	\$1.20	\$1.22	\$1.23	\$1.22

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue From Existing B of A Tenants	(\$388,099)	(\$403,623)	(\$419,768)	(\$436,558)	(\$454,021)	(\$472,182)	(\$491,069)	(\$510,712)	(\$531,140)	(\$552,386)
B of A Operating Costs	\$2,568,224	\$2,670,953	\$2,777,791	\$2,888,903	\$3,004,459	\$3,124,637	\$3,249,622	\$3,379,607	\$3,514,792	\$3,655,383
Debt Service on Bonds	\$3,863,687	\$3,861,797	\$3,861,277	\$3,861,357	\$3,861,237	\$3,860,087	\$3,862,047	\$3,865,942	\$3,864,896	\$0
Equity Build-up From Bond Amortization	(\$2,390,000)	(\$2,510,000)	(\$2,640,000)	(\$2,780,000)	(\$2,930,000)	(\$3,090,000)	(\$3,265,000)	(\$3,455,000)	(\$3,660,000)	\$0
<b>Total Expense From This Analysis (2008 - 2017)</b>	<b>\$3,653,812</b>	<b>\$3,619,127</b>	<b>\$3,579,300</b>	<b>\$3,533,701</b>	<b>\$3,481,675</b>	<b>\$3,422,542</b>	<b>\$3,355,601</b>	<b>\$3,279,838</b>	<b>\$3,188,548</b>	<b>\$3,102,998</b>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Monthly Cost/USF to Purchase B of A Center	\$1.21	\$1.20	\$1.18	\$1.17	\$1.15	\$1.13	\$1.11	\$1.09	\$1.06	\$1.03

**COMPARISON OF CONTINUING LEASING 251,736sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING**

## CONTINUE LEASING FRONTIER BUILDING

Location	Usable Area	Rent @ USF/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 @ Frontier	135,922 sf	\$2.20	\$3,587,917	\$3,637,012	\$3,687,930	\$3,739,561	\$3,791,915	\$3,845,002	\$3,898,832	\$3,953,416	\$4,008,763	\$4,064,886
Lease 2096 @ Frontier	40,231 sf	\$2.06	\$993,110	\$1,007,014	\$1,021,112	\$1,035,407	\$1,049,903	\$1,064,602	\$1,079,506	\$1,094,619	\$1,109,944	\$1,125,483
Lease 2012 @ Bank Of America	53,255 sf	\$1.55	\$993,190	\$1,197,302	\$1,214,064	\$1,231,061	\$1,248,296	\$1,265,772	\$1,283,493	\$1,301,462	\$1,319,682	\$1,338,158
Rent From "Other State Leases"	22,378 sf	\$1.50	\$402,804	\$408,443	\$414,161	\$419,960	\$425,839	\$431,801	\$437,846	\$443,976	\$450,192	\$456,494
Total Expense From This Analysis (1998 - 2007)			\$5,977,021	\$6,249,771	\$6,337,268	\$6,425,989	\$6,515,953	\$6,607,177	\$6,699,677	\$6,793,472	\$6,888,581	\$6,985,021
Monthly Cost/USF to Continue Leasing Frontier			1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
			\$1.98	\$2.07	\$2.10	\$2.13	\$2.16	\$2.19	\$2.22	\$2.25	\$2.28	\$2.31

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Lease 2011 @ Frontier	\$4,121,794	\$4,179,500	\$4,238,013	\$4,297,345	\$4,357,508	\$4,418,513	\$4,480,372	\$4,543,097	\$4,606,700	\$4,671,194	
Lease 2096 @ Frontier	\$1,141,240	\$1,157,217	\$1,173,418	\$1,189,846	\$1,206,504	\$1,223,395	\$1,240,522	\$1,257,890	\$1,275,500	\$1,293,357	
Lease 2012 @ Bank Of America	\$1,356,892	\$1,375,889	\$1,395,151	\$1,414,683	\$1,434,489	\$1,454,572	\$1,474,936	\$1,495,585	\$1,516,523	\$1,537,754	
Rent From "Other State Leases"	\$462,885	\$469,366	\$475,937	\$482,600	\$489,356	\$496,207	\$503,154	\$510,198	\$517,341	\$524,584	
Total Expense From This Analysis (2008 - 2017)		\$7,082,812	\$7,181,971	\$7,282,518	\$7,384,474	\$7,487,856	\$7,592,686	\$7,698,984	\$7,806,770	\$7,916,065	\$8,026,889
Monthly Cost/USF to Continue Leasing Frontier		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		\$2.34	\$2.38	\$2.41	\$2.44	\$2.48	\$2.51	\$2.55	\$2.58	\$2.62	\$2.66

(PAGE THREE)

**COMPARISON OF CONTINUING LEASING 251,786sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING**

**DECONSOLIDATE FROM FRONTIER**

Location	Usable Area	Rent @ USF/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 & 2096 @ Frontier	176,151 sf	\$2.17	\$4,581,027	\$4,644,026	\$3,169,635	\$172,313	\$0	\$0	\$0	\$0	\$0	\$0
Lease "Other State Leases"	75,635 sf	\$1.50	\$1,361,430	\$1,380,490	\$816,560	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Replacement Space After Deconsolidation			\$0	\$0	\$1,636,609	\$3,881,277	\$4,061,608	\$4,137,521	\$4,215,258	\$4,294,877	\$4,376,434	\$4,459,991
Deconsolidation Remodel/Relocation Expense			\$0	\$0	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489
Deconsolidation Inefficiency			\$0	\$0	\$440,331	\$457,944	\$457,944	\$476,262	\$495,312	\$515,125	\$535,730	\$557,159
<b>Total Expense From This Analysis (1998 - 2007)</b>			<b>\$5,942,457</b>	<b>\$6,024,516</b>	<b>\$6,614,624</b>	<b>\$5,063,023</b>	<b>\$5,071,041</b>	<b>\$5,165,272</b>	<b>\$5,262,060</b>	<b>\$5,361,491</b>	<b>\$5,463,653</b>	<b>\$5,568,639</b>
<b>Monthly Cost/USF to Deconsolidate From Frontier</b>			<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
			\$1.97	\$1.99	\$2.19	\$1.68	\$1.68	\$1.71	\$1.74	\$1.77	\$1.81	\$1.84

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Replacement Space After Deconsolidation	\$4,545,609	\$4,609,247	\$4,745,148	\$4,837,652	\$4,932,494	\$5,029,748	\$5,129,492	\$5,231,805	\$5,336,771	\$5,444,475
Deconsolidation Remodel/Relocation Expense	\$551,489	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949
Deconsolidation Inefficiency	\$579,446	\$602,623	\$626,728	\$651,797	\$677,869	\$704,984	\$733,183	\$762,511	\$793,011	\$824,732
<b>Total Expense From This Analysis (2008 - 2017)</b>	<b>\$5,676,544</b>	<b>\$5,996,819</b>	<b>\$6,156,825</b>	<b>\$6,274,398</b>	<b>\$6,395,312</b>	<b>\$6,519,681</b>	<b>\$6,647,624</b>	<b>\$6,779,265</b>	<b>\$6,914,731</b>	<b>\$7,054,156</b>
<b>Monthly Cost/USF to Deconsolidate From Frontier</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	\$1.88	\$1.98	\$2.04	\$2.08	\$2.12	\$2.16	\$2.20	\$2.24	\$2.29	\$2.33

Savings Summary

	TOTAL FY 1998-2022	SUMMARY OF COST SAVINGS BANK OF AMERICA BUILDING					
		Fiscal Years:					
		1998	1999	2000	2001	2002	2003
<b>CONTINUE LEASING:</b>							
Lease 2011 Rent (FY 98: \$2.20 / USF / Mo.)	\$106,484,699	\$3,587,917	\$3,637,012	\$3,687,930	\$3,739,561	\$3,791,915	\$3,845,002
Lease 2096 Rent (FY 98: \$2.06 / USF / Mo.)	\$29,483,108	\$993,110	\$1,007,014	\$1,021,112	\$1,035,407	\$1,049,903	\$1,064,602
Lease 2012 Rent (FY 98: \$1.55 / USF)	\$34,866,743	\$993,190	\$1,197,302	\$1,214,064	\$1,231,061	\$1,248,296	\$1,265,772
Rent for "other leases" (FY 98: \$1.50/USF)	\$11,958,305	\$402,804	\$408,443	\$414,161	\$419,960	\$425,339	\$431,801
<b>Total Cost</b>	<b>\$182,792,855</b>	<b>\$5,977,021</b>	<b>\$6,249,771</b>	<b>\$6,337,268</b>	<b>\$6,425,990</b>	<b>\$6,515,953</b>	<b>\$6,607,177</b>
<b>PURCHASE BOA BUILDING:</b>							
Continued Lease 2011 Rent Expense	\$9,373,452	\$3,587,917	\$3,637,012	\$2,148,523	\$0	\$0	\$0
Continued Lease 2096 Rent Expense	\$3,193,549	\$993,110	\$1,007,014	\$1,021,112	\$172,313	\$0	\$0
Continued Lease 2012 Rent Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Continued "other lease" Rent Expense	\$2,836,133	\$402,804	\$408,443	\$414,161	\$419,960	\$304,755	\$309,022
Rent Collected From Non-State Tenants	(\$20,169,639)	(\$3,829,231)	(\$3,596,157)	(\$944,804)	(\$437,736)	(\$719,750)	(\$740,345)
Operating Expenses	\$72,255,651	\$1,735,000	\$1,804,400	\$1,876,576	\$1,951,639	\$2,029,705	\$2,110,893
Debt Service	\$62,317,820	\$0	\$0	\$1,462,192	\$2,924,384	\$3,860,102	\$3,863,662
Equity buildup	(\$38,935,000)	\$0	\$0	\$0	\$0	(\$1,820,000)	(\$1,900,000)
	\$0						
<b>Total Cost</b>	<b>\$90,871,966</b>	<b>\$2,889,600</b>	<b>\$3,260,712</b>	<b>\$5,977,760</b>	<b>\$5,030,560</b>	<b>\$3,654,812</b>	<b>\$3,643,232</b>
<b>PROJECTED SAVINGS</b>	<b>\$91,920,889</b>	<b>\$3,087,421</b>	<b>\$2,989,059</b>	<b>\$359,508</b>	<b>\$1,395,430</b>	<b>\$2,861,142</b>	<b>\$2,963,945</b>
<b>SUMMARY:</b>							
<b>NPV Savings with Financing</b>	<b>\$44,168,485</b>						

Savings Summary

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$3,893,832	\$3,953,416	\$4,008,763	\$4,064,886	\$4,121,795	\$4,179,500	\$4,238,013	\$4,297,345	\$4,357,508	\$4,418,513
\$1,079,506	\$1,094,619	\$1,109,944	\$1,125,483	\$1,141,240	\$1,157,217	\$1,173,418	\$1,189,846	\$1,206,504	\$1,223,395
\$1,283,493	\$1,301,462	\$1,319,682	\$1,338,158	\$1,356,892	\$1,375,889	\$1,395,151	\$1,414,683	\$1,434,489	\$1,454,572
\$437,846	\$443,976	\$450,192	\$456,494	\$462,885	\$469,366	\$475,937	\$482,600	\$489,356	\$496,207
\$6,699,677	\$6,793,473	\$6,888,581	\$6,985,022	\$7,082,812	\$7,181,971	\$7,282,519	\$7,384,474	\$7,487,857	\$7,592,687
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$313,348	\$130,903	\$132,736	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(\$761,764)	(\$504,195)	(\$491,417)	(\$373,172)	(\$388,099)	(\$403,623)	(\$419,767)	(\$436,558)	(\$454,021)	(\$472,181)
\$2,195,328	\$2,283,142	\$2,374,467	\$2,469,446	\$2,568,224	\$2,670,953	\$2,777,791	\$2,888,903	\$3,004,459	\$3,124,637
\$3,860,062	\$3,859,972	\$3,862,682	\$3,862,437	\$3,863,687	\$3,861,797	\$3,861,277	\$3,861,357	\$3,861,237	\$3,860,087
(\$1,980,000)	(\$2,070,000)	(\$2,170,000)	(\$2,275,000)	(\$2,390,000)	(\$2,510,000)	(\$2,640,000)	(\$2,780,000)	(\$2,930,000)	(\$3,090,000)
\$3,626,974	\$3,699,882	\$3,708,468	\$3,683,711	\$3,653,812	\$3,619,127	\$3,579,300	\$3,533,701	\$3,481,675	\$3,422,543
\$3,072,703	\$3,093,591	\$3,180,113	\$3,301,310	\$3,429,000	\$3,562,844	\$3,703,218	\$3,850,773	\$4,006,182	\$4,170,144