

ALASKA LEGISLATURE

1804

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

SB

161

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/97

REPORT
FURTHER: SFC 4/17/97

DATE TURNED
IN TO OFFICE: 4/17/97

Finance Committee considered SENATE BILL NO. 161

"An Act relating to management of certain municipal assets by the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with _____ CS SB 161 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Bill & Kelly</i>	✓		
		<i>Sean Hamill</i>	✓		
		<i>Al Adams</i>	X		
		<i>[Signature]</i>	✓		
		<i>Dave Dooly</i>	✓		
Co-Chair: <i>Seance</i>	✓	Co-Chair:			
Co-Chair: <i>Bob [Signature]</i>	✓	Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Revenue	4/11/97		300.0

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to management of certain municipal BRU: Alaska Permanent Fund Corporation
assets by the Alaska Permanent Fund Corporation. Component: Alaska Permanent Fund Corporation
 Sponsor: Senator Sharp
 Requestor: CRA COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	300.0	309.0	318.0	328.0	341.0	355.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	300.0	309.0	318.0	328.0	341.0	355.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	300.0	309.0	318.0	328.0	341.0	355.0
------------------------	-------	-------	-------	-------	-------	-------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-Corporate Receipts	300.0	309.0	318.0	328.0	341.0	355.0
TOTAL	300.0	309.0	318.0	328.0	341.0	355.0

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

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared by: Byron I. Mallott
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-3172
 Date: April 11, 1997
 Date: April 11, 1997

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*1

**Analysis to Accompany Fiscal Note for
Proposed Senate Community & Regional Affairs
Committee Substitute for Senate Bill 161**

April 11, 1997

Proposed SCS SB161(C&RA) provides for the management of certain municipal assets by the Alaska Permanent Fund Corporation (APFC). The APFC would hold and invest the municipal assets, provide quarterly financial reports and audited annual reports, make certain transfers and advise the municipality of revisions to investment policy or changes in asset allocation. The municipality will pay the corporation a management fee to cover the costs of managing these assets. This fee shall be deposited in the earnings reserve account and the APFC would request that the legislature appropriate these funds for the operations of the corporation.

The projected costs above are calculated based on a municipal fund value of \$90 million and a 3-4% growth rate. The management fee represents a pro-rata share of the APFC operating expenses which includes investment manager and custody fees and administrative costs for accounting, reporting, communications and other support.

This fiscal note is prepared on the assumption that the APFC would be directed to invest one municipal fund with approximately \$90 million in assets. If it turns out that a number of municipalities seek to take advantage of this legislation, it would likely raise at least two issues at the legislative level:

- Would the increased operating costs and administrative, accounting and reporting responsibilities required for the APFC to effectively and prudently manage a number of municipal funds be consonant with the corporation's primary fiduciary responsibility – the preservation of the Alaska Permanent Fund's principal and the cost-effective management and investment of its assets?
- Is it appropriate public policy for the APFC to compete with private sector investment firms who are able to provide virtually the same investment management services as the APFC?

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CO-CHAIRMAN
SENATE FINANCE COMMITTEE

MEMBER
RESOURCE COMMITTEE



Senate

FAIRBANKS
DENALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7885/7888
FAX (907) 456-4221

SESSION ADDRESS:
STATE CAPITOL, ROOM 516
JUNEAU, ALASKA 99801-1182
(907) 465-3004/4921
FAX (907) 465-2070

SPONSOR STATEMENT

SB-161

BY: SENATOR BERT SHARP

THIS LEGISLATION AUTHORIZES THE PERMANENT FUND CORPORATION TO MANAGE THE ASSETS OF A MUNICIPAL SAVINGS OR INVESTMENT ACCOUNT.

THE PARAMETER OF A MANAGEMENT AGREEMENT STARTS ON PAGE 1, LINE 9 THROUGH THE REMAINDER OF THE BILL.

THESE WERE SET BY THE PERMANENT FUNDS CORPORATION AS CONDITIONS THEY COULD ACCOMMODATE WITHOUT COMPROMISING THEIR MISSION.

THIS OFFERS MUNICIPALITIES THE OPTION OF INVESTMENT MANAGEMENT SERVICES WITHIN ALASKA AND ONE IN WHICH THE AVERAGE CITIZEN HAS CONFIDENCE.

MANAGEMENT COSTS ARE TOTALLY REIMBURSABLE TO THE PERMANENT FUND CORPORATION BY THE MUNICIPALITIES .



REPRESENTING
GOLDEN HEART
OF ALASKA



CITY OF FAIRBANKS

James C. Hayes, Mayor

800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4683
OFFICE: 907-459-6793



March 7, 1997

Senator Bert Sharp
State Capitol
Juneau, Alaska 99801-1182

Re: City of Fairbanks' Permanent Fund

Dear Senator Sharp:

Pursuant to our conversation earlier this week, I wish to formally request your sponsorship of legislation regarding the management of the City's Permanent Fund. As I explained to you, it is the City's desire that it be allowed to deposit the proceeds of the utility sale into the State's Permanent Fund, to be managed by the State Permanent Fund Corporation. Because the sale is expected to take place this summer, I would respectfully request that this legislation be proposed by late summer, and acted upon during this Legislative Session.

I am certain you are aware that this is currently being done for both the Alaska Mental Health Lands Trust and the Alaska Science Technology Foundation. This, I am sure, will help pave the way for the passing of this proposed legislation.

Thank you for your assistance. If you have any further questions, please do not hesitate to contact me.

Sincerely,

CITY OF FAIRBANKS

A handwritten signature in cursive script that reads "James C. Hayes".

James C. Hayes
Mayor

JCH:bss

LEGAL SERVICES

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

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

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

MEMORANDUM

April 11, 1997

SUBJECT: Management of municipal assets by the Alaska Permanent Fund Corporation (CSSB 161(); 20-LS0864\E)

TO: Senator Bert Sharp
Attn: Marilyn Wilson

FROM: Tamara B. Cook
Director *TBC*

Here is the sectional summary you requested of the above referenced draft.

Sec. 1. Requires the Alaska Permanent Fund Corporation to manage the assets in an account of a municipality when directed to do so by resolution of the municipal governing body if the account meets certain requirements. The municipality must pay an amount sufficient to reimburse the corporation for the costs of managing those assets. Payments are deposited in the earnings reserve account and the corporation may request the legislature to appropriate those payments for operations of the corporation.

TBC:jdr
97-262.jdr

SB

170

SFIN

FILE

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. SB170

Revision Date (Note if correction)	January 7, 1998	Dept. Affected	Education
Title	An Act relating to financial assistance for students attending certain graduate education programs, and providing for an effective date.	BRU	Alaska Commission on Postsecondary Education
Sponsor	Senator Taylor	Component	Student Loan Operations
Requester	Senate Finance	Component Serial No.	213

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	10.0	5.0	5.0	5.0	5.0	5.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	10.0	5.0	5.0	5.0	5.0	5.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0	5.0	5.0	5.0	5.0	5.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	10.0	5.0	5.0	5.0	5.0	5.0

Estimate of any current year (FY98) cost:

POSITIONS

Full-time						
Part-time						
Temporary						

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

This legislation will convert the WWAMI Medical Education Program to a loan program. The proposed loan program will have forgiveness benefits based on the number of years the borrower is employed within the state, in the field which the financial aid was borrowed for. The Benefit proposed is 20% per year up to full forgiveness (5 years). (cont'd)

Prepared by Mike Maher, Director of Student Loan Operations
 Division Student Loan Operations

Approved by Executive Director: *Diane Barrans* Diane Barrans
 Agency: Alaska Commission on Postsecondary Education

Phone 465-6743
 Date January 7, 1998
 Date: 1/14/98

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SB 170

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. SB170

ANALYSIS: *(Continued)*

The interest rate would be the same as the Alaska Student Loan Program, and tied to the cost of bonds. It provides for a 6 month grace period upon terminating studies, and payment does not begin as long as the borrower remains qualified for forgiveness.

Given the pass-through nature of the present WWAMI Medical Education Program, the cost and time necessary to administer the program has been minimal. However, ACPE will incur costs for programming, establishing control records, and testing. It is estimated that testing will require two staff between 2-3 weeks of work, prior to a new loan program being added to the recently implemented loan management system, HELMS.

It would be inappropriate to continue to utilize ACPE's primary operating funding source, corporate receipts, to administer a general fund loan program.

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

No. 1
 Bill Version: C.S.B. 170(HES)
 (S) Publish Date: 4/30/97

Revision Date: _____
 Title: "An Act relating to financial assistance for students attending certain graduate education programs, and providing for an effective date."

Department Affected: Education

Sponsor: Senator Taylor
 Requester: Senate HESS

BRU: _____
 Component: Student Loan Operations

COMPONENT SERIAL NO. 213

EXPENDITURES/REVENUES:

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	10.0	5.0	5.0	5.0	5.0	5.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.0	5.0	5.0	5.0	5.0	5.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUE ()						
-----------------------	--	--	--	--	--	--

(Thousands of Dollars)

FUND SOURCE:

1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0	5.0	5.0	5.0	5.0	5.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL						

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

POSITION:

FULL-TIME						
PART-TIME						
TEMPORARY						

Analysis: Attach a separate page if necessary.)

This legislation will convert the WAMI Medical Education Program to a loan program. The new loan program will have forgiveness benefits based on the number of years the borrower is employed within the state, in the field for which the financial aid was borrowed for. The benefit proposed is 20% per year up to full forgiveness (5 years).

Prepared by: Mike Maher, Dir. of Student Loan Operations
 Division: Student Loan Operations

Phone: 465-6743
 Date: April 20, 1997

Approved by Executive Director: Diane Barrans
 Agency: Alaska Commission on Postsecondary Education

Date: April 20, 1997

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ANALYSIS: (continued)

The interest rate would be the same as the Alaska Student Loan Program, and tied to the cost of bonds. It provides for a 6 month grace period upon terminating studies, and payment does not begin as long as the borrower remains qualified for forgiveness.

Given the pass-through nature of the present WAMI Medical Education Program, the cost and time necessary to administer the program has been minimal. However, ACPE will incur costs for programming, establishing control records, and testing. It is estimated that testing will require two staff between 2-3 weeks of work, prior to a new loan program being added to the recently implemented loan management system, HELMS.

It would be inappropriate to continue to utilize ACPE's primary operating funding source, corporate receipts, to administer a general fund loan program.

SB

175

HFIN

FILE

LEGAL SERVICES

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

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

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

MEMORANDUM

April 17, 1997

SUBJECT: Sectional Summary of SB 175. (AIDEA revenue bonds for interties)

TO: Senator Bert Sharp
Attn: Marilyn Wilson

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 amends the authorization, enacted in 1993, for AIDEA to issue bonds to finance the power transmission intertie between Healy and Fairbanks to limit the authorization to the issuance of revenue bonds, to require that the bonds be issued for the benefit of the participating utilities and the subsidiaries or other entities formed by them, and to remove from the description of the intertie, reference to Golden Valley Electric Association owning the intertie for the benefit of all of the participating utilities. The cap to the authorization for the bonds remains at \$60,000,000.

Sec. 2 amends the authorization, enacted in 1993, for AIDEA to issue bonds to finance the power transmission intertie between Anchorage and the Kenai Peninsula to limit the authorization to the issuance of revenue bonds, to require that the bonds be issued for the benefit of the participating utilities and the subsidiaries or other entities formed by them, and to remove from the description of the intertie, reference to Chugach Electric Association owning the intertie for the benefit of all of the participating utilities. The cap to the authorization for the bonds remains at \$60,000,000.

Sec. 3 is an immediate effective date.

TC:glc
97-254.glc

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CO-CHAIRMAN
SENATE FINANCE COMMITTEE

MEMBER
RESOURCE COMMITTEE



Senate

FAIRBANKS
DENALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7885/7886
FAX (907) 456-4221

SESSION ADDRESS:
STATE CAPITOL, ROOM 516
JUNEAU, ALASKA 99801-1182
(907) 465-3004/4921
FAX (907) 465-2070

SPONSOR STATEMENT

SB-175

BY: SENATOR BERT SHARP

THIS LEGISLATION WAS SUGGESTED BY AIDEA TO REVISE AIDEA"s AUTHORIZATION LANGUAGE IN SECTION 29, CHAPTER 18, SLA 1993.

AS YOU WILL NOTE, IT MORE SPECIFICALLY DEFINES THE BONDS AS REVENUE BONDS AND GOES ON TO ALLOW THE BORROWER TO BE ONE OR MORE OF THE PARTICIPATING UTILITIES AND TO JOINTLY JOIN IN THE FINANCING OF THE HEALY-FAIRBANKS AND ANCHORAGE-KENAI TRANSMISSION TIE LINES.

THE EXISTING STATUTE ONLY ALLOWS GOLDEN VALLEY ELECTRIC TO INDIVIDUALLY OWN THE HEALY-FAIRBANKS INTERTIE AND THE SAME FOR CHUGACH ON THE ANCHORAGE-KENAI LINE.

AIDEA PREFERS THE ADDED SECURITY OF REVENUE BONDING AND POSSIBLE MULTIPLE OBLIGEE'S AND HAS RECOMMENDED THIS REWORDING.



REPRESENTING
GOLDEN HEART
OF ALASKA

AFTER FOUR YEARS OF WORKING TO PUT THE VARIOUS AGREEMENTS TOGETHER, IT IS BELIEVED THE REPLACEMENT OF THE SINGLE OWNERSHIP MANDATE WITH A JOINT FINANCING-OWNERSHIP OPTION WILL ASSURE A MORE EQUITABLE SHARING OF FINANCIAL RESPONSIBILITIES AND BENEFITS OF OWNERSHIP.

THIS LEGISLATION DOES NOT INCREASE THE ORIGINAL BONDING LIMITS NOR DOES IT CHANGE THE PURPOSES OF THE AUTHORIZATION REGARDING PROJECTS.

BOTH AIDEA AND ALL POTENTIAL PARTICIPATING UTILITIES SUPPORT THIS BILL AND URGE ITS PASSAGE THIS YEAR.

I URGE YOUR FAVORABLE CONSIDERATION.

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 28, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/29/97

The FINANCE Committee considered:

SB 175

SENATE BILL NO. 175

AIDEA REVENUE BONDS FOR INTERTIES

"An Act relating to revenue bonds issued by the Alaska Industrial Development and Export Authority for interties between Healy and Fairbanks and between Anchorage and the Kenai Peninsula; and providing for an effective date."

recommends it be replaced the same title
 with the following committee substitute _____ a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): _____ (Dept)


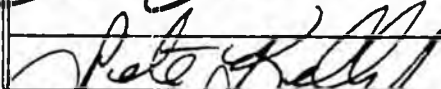
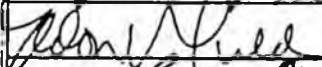
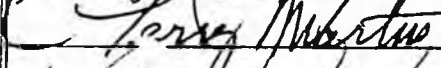
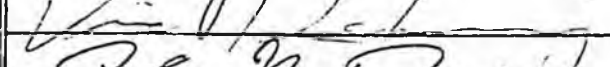
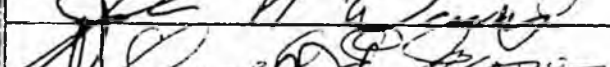

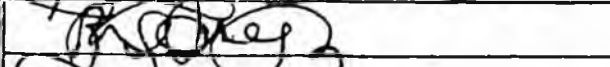

APPROVES PREVIOUS: _____ (Dept/Date)


fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) DED 4/21/97

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Theriault	X			
	Kelly	✓			
	Mulder	✓			
	Martin	✓			
	Kohrins	X			
	J. Davies	X			
	MOSES	X			
	Y. Davis	X			
	FOSTER	X			

CHAIR'S SIGNATURE 



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. Box 71249, Fairbanks, Alaska 99707-1249, Phone 907-452-1151

April 21, 1997

The Honorable Bert M. Sharp
Alaska Senate
State Capitol
Room 516
Juneau AK 99801-1182

VIA FAX
(907) 465-2070

RE: SB 175

Dear Senator Sharp:

Golden Valley Electric Association supports SB 175, the bill authorizing AIDEA to issue revenue bonds for the benefit of the utilities participating in the intertie, or for the benefit of the subsidiaries or other entities formed by one or more participating utilities, to jointly finance the acquisition, design, and construction of a power transmission intertie of at least 138 kilovolts between Healy and Fairbanks and between Anchorage and the Kenai Peninsula.

This bill will benefit all the ratepayers of the participating utilities.

Sincerely,

for Michael P. Kelly
General Manager

cc: Chugach Electric Association, Inc.
Anchorage Municipal Light & Power
Homer Electric Association, Inc.
Matanuska Electric Association, Inc.
City of Seward, Light & Power Division
Alaska Electric Generation and Transmission Cooperative
Alaska Rural Electric Cooperative Association



**Matanuska Electric
Association, Inc.**

P.O. Box 2929
Palmer, Alaska 99645-2929
Telephone: (907) 745-3231
Fax: (907) 745-9328

April 18, 1997

The Honorable Bert M. Sharp
Alaska Senate
State Capitol
Room 516
Juneau, AK 99801-1182

RE: **An Act Authorizing Bonds & Loans to Participating Utilities to Finance the
Acquisition, Design, and Construction of Power Transmission Interties**

Dear Senator Sharp:

Matanuska Electric Association and the other utilities in the Intertie Participants' Group. voted to request an amendment to the Act. This amendment would allow AIDEA to issue bonds and enter into loans with the utilities to jointly finance the acquisition, design, and construction of the northern and southern interties.

MEA supports this amendment, as detailed in Senate Bill 175, because it may benefit our Association and/or other participants to have flexibility on financing arrangements. We are conveying our support for the amendment to legislators representing our area. We believe passage of the amendment could benefit MEA's nearly 29,000 members, as well as tens of thousands of other consumers in the Railbelt.

Sincerely,



Bruce D. Scott, Director
Member and Public Relations

cc: Chugach Electric Association, Inc.
Golden Valley Electric Association, Inc.
Anchorage Municipal Light & Power
Homer Electric Association, Inc.
City of Seward, Light & Power Division
Alaska Electric Generation and Transmission Cooperative
Alaska Rural Electric Cooperative Association



Municipality of Anchorage
Rick Mystrom Mayor



Municipal Light & Power

1000 First Avenue
Anchorage, Alaska 99501-1685
Phone: 907-279-7671, Telecopiers: (907) 263-5204

April 18, 1997

The Honorable Bert M. Sharp
Alaska Senate
State Capital
Room 516
Juneau, AK 99801-1182

VIA FAX

Re: Senate Bill No. 175

Dear Senator Sharp:

ML&P supports the subject legislation and with other members of the Intertie Participants Group requested this legislation. ML&P believes this legislation allowing AIDEA to jointly finance the North and South Interties on behalf of all participating utilities is an essential step toward actual construction.

Sincerely,

Thomas R. Stahr
General Manager

cc: IPG Members

Putting Energy into Anchorage for Over 60 years



CHUGACH ELECTRIC ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

April 18, 1997

The Honorable Bert M. Sharp
Alaska Senate
State Capitol
Room 516
Juneau, Alaska 99801-1182

VIA FAX: 907-465-2070

RE: An Act Authorizing Bonds & Loans to Participating Utilities to Finance the Acquisition, Design, and Construction of Power Transmission Interties

Dear Senator Sharp:

The utilities of the Intertie Participants' Group, after discussion on January 22, 1997, voted to request an amendment to the Act. This amendment would allow AIDEA to issue bonds and enter into loans with the utilities to jointly finance the acquisition, design, and construction of the northern and southern interties.

Chugach supports this request for amendment because it may benefit one or more participants to have flexibility on different financing arrangements. We have also indicated to Representative Barnes our support for the amendment. Favorable action should benefit the ratepayers of the participating utilities.

Sincerely,

A handwritten signature in cursive script that reads "Eugene N. Bjornstad".

Eugene N. Bjornstad
General Manager

cc: Golden Valley Electric Association, Inc.
Anchorage Municipal Light & Power
Homer Electric Association, Inc.
Matanuska Electric Association, Inc.
City of Seward, Light & Power Division
Alaska Electric Generation and Transmission Cooperative
Alaska Rural Electric Cooperative Association



Homer Electric Association, Inc.

CORPORATE OFFICE
3977 Lake Street
Homer, Alaska 99603-7680
Phone (907) 233-8167
FAX (907) 233-3313

Central Pension Service Cent.
280 Airport Way
PO Box 5280
Homer, Alaska 99611-5280
Phone (907) 283-5831
FAX (907) 283-7122

April 18, 1997

Senator Bert Sharp, Chair
Senate Finance Committee
Alaska State Legislature
State Capitol Building
Room 516
Juneau, Alaska 99801

Dear Senator Sharp:

Homer Electric Association, as a member of the Railbelt Intertie Participant's Group, will be obligated to fund a portion of all costs of the Northern and Southern Interties above the State grant funds. It will be in Homer Electric's best interest to have access to financing through AIDEA.

Senate Bill 175 will amend the Railbelt Intertie legislation to clearly allow AIDEA to secure funding for Homer Electric's share of costs. We request support of the Senate Finance Committee by approval of Senate Bill 175.

Thank you.

Sincerely,

HOMER ELECTRIC ASSOCIATION, INC.

A handwritten signature in cursive script that reads 'Norman L. Story'.

Norman L. Story
General Manager

FISCAL NOTE

No. 1
 Bill Version: SB 175
 (S) Publish Date: 4-21-97

STATE OF ALASKA
 1997 LEGISLATIVE SESSION

Revision Date: April 18, 1997
 Title: AIDEA Revenue Bonds for Interdes

Department: DCED
 BRU: AIDEA
 Component: AIDEA

Sponsor: Senator SHARP
 Requester: Senate Finance Committee

COMPONENT SERIAL NO. 175

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						
TOTAL OPERATING						
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1008 GF/MHTIA						
Other Corporate Receipts						
TOTAL						

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

SB 175 makes a technical change to existing bond authorization which allows the Alaska Industrial Development and Export Authority (the Authority) to issue revenue bonds to finance the proposed Northern and Southern Interdes. SB 175 will have no fiscal impact on the General Fund or the Authority.

Prepared by: D. Randy Simmons, Executive Director
 Division: AIDEA
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 907.269.3000
 Date: April 18, 1997
 Date: 4-18-97

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SB

175

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/97

FURTHER: 3FC

REPORTED BY: UP
4/21/97

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

DATE TURNED
IN TO OFFICE: 4/21/97

Finance Committee considered

SENATE BILL NO. 175

"An Act relating to revenue bonds issued by the Alaska Industrial Development and Export Authority for interties between Healy and Fairbanks and between Anchorage and the Kenai Peninsula; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Ingram</i>	✓	<i>Sean Parnell</i>	✓		
		<i>Lie Colson</i>	✗		
		<i>Dennis Daley</i>	✓		
Co-Chair: _____		Co-Chair: <i>Peace</i>	✓		
Co-Chair: <i>Bob Thompson</i>	✓	Co-Chair: _____			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

LEGAL SERVICES

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

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

130 Seward Street, Suite 409
Juneau, Alaska 99801-2106

MEMORANDUM

April 17, 1997

SUBJECT: Sectional Summary of SB 175. (AIDEA revenue bonds for interties)

TO: Senator Bert Sharp
Attn: Marilyn Wilson

FROM: Teresa B. Cramer *TBC*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 amends the authorization, enacted in 1993, for AIDEA to issue bonds to finance the power transmission intertie between Healy and Fairbanks to limit the authorization to the issuance of revenue bonds, to require that the bonds be issued for the benefit of the participating utilities and the subsidiaries or other entities formed by them, and to remove from the description of the intertie, reference to Golden Valley Electric Association owning the intertie for the benefit of all of the participating utilities. The cap to the authorization for the bonds remains at \$60,000,000.

Sec. 2 amends the authorization, enacted in 1993, for AIDEA to issue bonds to finance the power transmission intertie between Anchorage and the Kenai Peninsula to limit the authorization to the issuance of revenue bonds, to require that the bonds be issued for the benefit of the participating utilities and the subsidiaries or other entities formed by them, and to remove from the description of the intertie, reference to Chugach Electric Association owning the intertie for the benefit of all of the participating utilities. The cap to the authorization for the bonds remains at \$60,000,000.

Sec. 3 is an immediate effective date.

TC:glc
97-254.glc



CHUGACH ELECTRIC
ASSOCIATION, INC.

EUGENE N. BJORNSTAD, P.E.
General Manager

March 11, 1997

The Honorable Ramona Barnes
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182

RE: An Act Authorizing Bonds & Loans to Participating Utilities to Finance the Acquisition, Design, and Construction of Power Transmission Interties

Dear Representative Barnes:

The utilities of the Intertie Participants' Group, after discussion on January 22, 1997, voted to request an amendment to the Act. This amendment would allow AIDEA to issue bonds and enter into loans with the utilities to jointly finance the acquisition, design, and construction of the northern and southern interties.

Chugach supports this request for amendment because it may benefit one or more participants to have flexibility on different financing arrangements.

We would be pleased if you would favorably act on this request.

Sincerely,

A handwritten signature in cursive script that reads "Eugene N. Bjornstad".

Eugene N. Bjornstad
General Manager

cc: Golden Valley Electric Association, Inc.
Anchorage Municipal Light & Power
Homer Electric Association, Inc.
Matanuska Electric Association, Inc.
City of Seward, Light & Power Division
Alaska Electric Generation and Transmission Cooperative



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. Box 71249, Fairbanks, Alaska 99707-1249, Phone 907-452-1151

March 11, 1997

VIA FAX

The Honorable Ramona Barnes
Alaska House of Representatives
State Capitol
Juneau AK 99801-1182

RE: AIDEA Financing of the Northern Intertie

Dear Ms. Barnes:

Attached is a copy of a letter Mr. Kelly sent to Bert Sharp on February 21 indicating GVEA's position in the above matter.

Please contact me if you have any questions. Mr. Kelly is out of the office until Monday, March 24.

Sincerely,

Robert J. Hansen
Acting General Manager

Attachment



GOLDEN VALLEY ELECTRIC ASSOCIATION INC. Box 71249, Fairbanks, Alaska 99707-1249, Phone 907-452-1111

February 11, 1997

The Honorable Bert Sharp
Senator, State of Alaska
State Capitol Rm 514
Juneau 99801-1182

Dear Bert:

As we discussed, the other Railbelt utilities have voted to seek a narrow technical fix which would permit condominium ownership and AIDEA financing of the Northern Intertie. We will not fight their efforts. We have spoken with Randy Simmons at AIDEA who said they would prefer to wait to see if you and Ramona would look favorably on such legislation before they support it.

Please let us know if we can help in any way.

Best regards,

Michael P. Kelly
General Manager

cc: Interior Delegation
GVEA Board of Directors

CITY OF SEWARD

P.O. BOX 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- Fax (907) 224-3248

March 11, 1997

Representative Ramona Barnes
Room 403, Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Barnes:

The City of Seward endorses the proposed legislation for a "technical fix" to the Northern and Southern Intertie Grants, to allow AIDEA financing of the construction costs in excess of the Grant amounts, for all of the involved Railbelt Utilities. This proposal has previously been discussed and endorsed by the Intertie Participants Group (IPG).

If you or your staff have any questions, please call me at 224-4071.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Calvert", written over a horizontal line.

Dave Calvert
Manager, Engineering & Utilities
(Chairman, IPG)



Municipality of Anchorage

Rick Mysterom, Mayor

**Municipal Light & Power**

1st - 4th

Alaska 99501-1888

Fax: 907-263-7571 Telecopiers: (907) 263-7571

March 11, 1997

**The Honorable Ramona Barnes
Alaska House of Representatives
State Capitol
Juneau, Alaska 99801-1182**

Dear Representative Barnes:

ML&P supports the legislation which will permit AIDEA to jointly finance the North and South power transmission interties for the benefit of the utilities participating in that particular intertie. We have always felt this is an essential step toward their actual construction.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas R. Stahr".

**Thomas R. Stahr
General Manager**

cc: Dave Calvert, Intertie Participants Group Chairman

Putting Energy Into Anchorage for Over 60 years



Homer Electric Association, Inc.

CORPORATE OFFICE
3977 Lake Street
Homer, Alaska 99603-7100
Phone (907) 235-8157
FAX (907) 235-3311

Regional Service Centers
Eldorado Way
Juneau, Alaska
Phone (907) 581-6390
Fax (907) 581-6390

March 11, 1997

VIA FAX

The Honorable Ramona Barnes
Alaska House of Representatives
Room 403
Capital Building
Juneau, Alaska 99801-1182

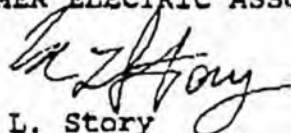
Dear Ms. Barnes:

Homer Electric Association, Inc., as participants of the Northern and Southern Intertie, wishes to take advantage of bonding through AIDEA for its share of costs for the projects.

We endorse and respectfully request your support for the administrative fix to the Intertie legislation to allow AIDEA financing for these important projects.

Sincerely,

HOMER ELECTRIC ASSOCIATION, INC.


N. L. Story
General Manager

barnes.ltr:NLS/ss

cc: HEA Board of Directors
Intertie Participants Group



**Matanuska Electric
Association, Inc.**

P.O. Box 2929
Palmer, Alaska 99645-2929
Telephone: (907) 745-3231
Fax: (907) 745-9328

March 14, 1997

The Honorable Ramona Barnes
Alaska State House of Representatives
State Capitol Building
Room 403
Juneau, Alaska 99801-1182

Dear Representative Barnes:

Matanuska Electric Association, Inc. endorses the proposed technical fix to the Northern and Southern transmission interties legislation, that will allow AIDEA to finance construction costs in excess of the grant amount for the involved Railbelt utilities.

Sincerely,

A handwritten signature in black ink that reads "James N. Woodcock". The signature is written in a cursive, flowing style.

FOR Wayne D. Carmony
General Manager

GENADMC19:ym18197.D\m180312.doc

REPORTED OUT OF
4/21/97

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 175

Revision Date: April 18, 1997
 Title: AIDEA Revenue Bonds for Interties
 Sponsor: Senator SHARP
 Requester: Senate Finance Committee

Department: DCED
 BRU: AIDEA
 Component: AIDEA

COMPONENT SERIAL NO. 1234

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							
TOTAL OPERATING							

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
---------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 General Fund							
1005 GF/Program Receipts							
1006 GF/MHTIA							
Other Corporate Receipts							
TOTAL							

Estimate of any current year (FY 97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

SB 175 makes a technical change to existing bond authorization which allows the Alaska Industrial Development and Export Authority (the Authority) to issue revenue bonds to finance the proposed Northern and Southern Interties. SB 175 will have no fiscal impact on the General Fund or the Authority.

Prepared by: D. Randy Simmons, Executive Director
 Division: AIDEA
 Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Phone: 907.269.3000
 Date: April 18, 1997
 Date: 4-18-97

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Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CO-CHAIRMAN
SENATE FINANCE COMMITTEE

MEMBER
RESOURCE COMMITTEE



Senate

FAIRBANKS
DENALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7885/7886
FAX (907) 456-4221

SESSION ADDRESS:
STATE CAPITOL, ROOM 516
JUNEAU, ALASKA 99801-1182
(907) 465-3004/4921
FAX (907) 465-2070

SPONSOR STATEMENT

SB-175

BY: SENATOR BERT SHARP

THIS LEGISLATION WAS SUGGESTED BY AIDEA TO REVISE AIDEA'S AUTHORIZATION LANGUAGE IN SECTION 29, CHAPTER 18, SLA 1993.

AS YOU WILL NOTE, IT MORE SPECIFICALLY DEFINES THE BONDS AS REVENUE BONDS AND GOES ON TO ALLOW THE BORROWER TO BE ONE OR MORE OF THE PARTICIPATING UTILITIES AND TO JOINTLY JOIN IN THE FINANCING OF THE HEALY-FAIRBANKS AND ANCHORAGE-KENAI TRANSMISSION TIE LINES.

THE EXISTING STATUTE ONLY ALLOWS GOLDEN VALLEY ELECTRIC TO INDIVIDUALLY OWN THE HEALY-FAIRBANKS INTERTIE AND THE SAME FOR CHUGACH ON THE ANCHORAGE-KENAI LINE.

AIDEA PREFERS THE ADDED SECURITY OF REVENUE BONDING AND POSSIBLE MULTIPLE OBLIGEE'S AND HAS RECOMMENDED THIS REWORDING.



REPRESENTING
GOLDEN HEART
OF ALASKA

AFTER FOUR YEARS OF WORKING TO PUT THE VARIOUS AGREEMENTS TOGETHER, IT IS BELIEVED THE REPLACEMENT OF THE SINGLE OWNERSHIP MANDATE WITH A JOINT FINANCING-OWNERSHIP OPTION WILL ASSURE A MORE EQUITABLE SHARING OF FINANCIAL RESPONSIBILITIES AND BENEFITS OF OWNERSHIP.

THIS LEGISLATION DOES NOT INCREASE THE ORIGINAL BONDING LIMITS NOR DOES IT CHANGE THE PURPOSES OF THE AUTHORIZATION REGARDING PROJECTS.

BOTH AIDEA AND ALL POTENTIAL PARTICIPATING UTILITIES SUPPORT THIS BILL AND URGE ITS PASSAGE THIS YEAR.

I URGE YOUR FAVORABLE CONSIDERATION.

SB

1777

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 30, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/2/97

The FINANCE Committee considered:

SB 177

SENATE BILL NO. 177

INTL TRADE AND BUSINESS ENDOWMENT

“An Act relating to the international trade and business endowment; and providing for an effective date.”

recommends it be replaced with the following committee substitute SB 177 [] 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)

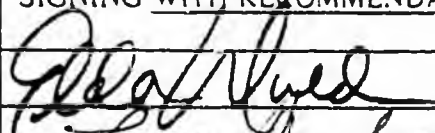
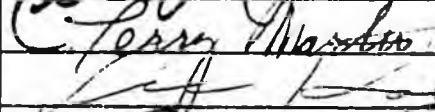
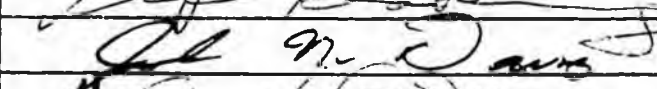
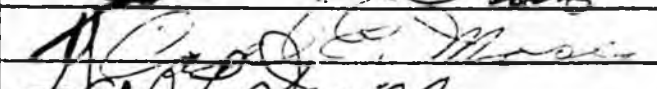
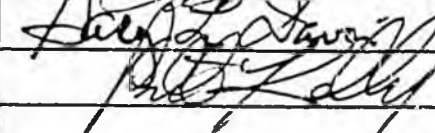
[X] fiscal note(s) STATE DE

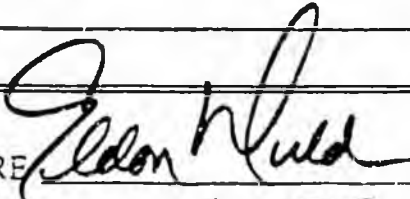
[X] fiscal note(s) Revenue 4/28/97

DOED 4/22/97

[] zero fiscal note(s) _____

[] zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
 Mulder			✓	
 Martin	✓			
 J. Davis			X	X
 G. Davis			X	
 Kelly	✓			✓

ACTING CHAIR'S SIGNATURE  _____

FISCAL NOTE

No. _____
 Bill Version: SB177
 (S) Publish Date: 4/22/97

STATE OF ALASKA
 1997 LEGISLATIVE SESSION

Revision Date: _____ Department: Commerce and Economic Dev.
 Title: An Act relating to the international trade BRU: Trade and Development
and business endowment... Component: Trade and Development
 Sponsor: Senate Finance
 Requestor: Senate Finance COMPONENT SERIAL 2056

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES	350.0	350.0	350.0	350.0	350.0	350.0
---------------------------	-------	-------	-------	-------	-------	-------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 This fiscal note assumes that the International Trade and Business Endowment will be capitalized with a \$4,950.0 reappropriation (SCS CS HB 75(FIN), Section 33). Using the Permanent Fund Corporation's projected FY 98 rate of return of 15%, the endowment will produce an annual income of approximately \$350.0. No expenditure information is included in this fiscal note since it is already incorporated in SCS CS HB 75(FIN).

Prepared by: Guy Bell, Director Phone: 465-2505
 Division: Administrative Services Date: April 21, 1997
 Approved by Commissi William L. Hensley Date: April 21, 1997
 Agency: Commerce and Economic Development

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to the International trade & business BRU: Alaska Permanent Fund Corporation
endowment; and providing for an effective date. Component: Alaska Permanent Fund Corporation
 Sponsor: Finance
 Requestor: (S) RLS COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	17.5	18.0	18.6	19.1	19.9	20.7
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	17.5	18.0	18.6	19.1	19.9	20.7
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-Corporate Receipts	17.5	18.0	18.6	19.1	19.9	20.7
TOTAL	17.5	18.0	18.6	19.1	19.9	20.7

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 SB177 provides for the management of the assets of the International Trade & Business Endowment by the Alaska Permanent Fund Corporation (APFC). The APFC would hold and invest the principal & income of the Endowment and provide audited annual reports. All earnings of the Endowment are available for distribution each year. Please note: This differs from the permanent fund dividend payout which is based on 21% of five years' income. The Endowment will pay the corporation a management fee to cover the costs of managing these assets.
 The projected costs above are calculated based on a 3-4% inflation rate and a fund value of \$5 million. The management fee represents a pro-rata share of the APFC operating expenses which includes investment manager & custody fees and administrative costs for accounting, reporting, communications and other support.

Prepared by: Byron I. Mailott Phone: 465-3172
 Division: Alaska Permanent Fund Corporation Date: April 23, 1997
 Approved by Commissioner: Wilson L. Condon Date: April 23, 1997
 Agency: Revenue

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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 177

Revision Date:
Title: An Act relating to the international trade and
business endowment
Sponsor:
Requestor:

Department Affected: University of Alaska
BRU: UAA
Component: Anchorage Campus

COMPONENT SERIAL NO. #753

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)
TOTAL OPERATING	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FD SOURCE						
-------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)	FY98	FY99	FY00	FY01	FY02	FY03
1002 FEDERAL FUNDS						
1003 GF MA						
1004 GENER. ND						
1006 GFMHTLA						
1048 - UA Receipts	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)
TOTAL FUNDING	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)	(315.0)

POSITIONS:	FY98	FY99	FY00	FY01	FY02	FY03
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

Analysis: The 1987 and 1988 legislatures appropriated approximately \$5 million through the University of Alaska to the University Foundation, an entity separate and independent from the University of Alaska, for establishment of an endowment for the Alaska Center for International Business (ACIB). Since FY88, earnings from that endowment, which are received and accounted for as University Receipts, have supported the operations of ACIB, with the balance invested back into the endowment itself. In FY96, \$313.4 was transferred to ACIB, and a similar amount is expected to be transferred in FY97. This fiscal note assumes that the effect of this bill would be to eliminate the ACIB endowment as such, and that the expenditure and revenue authority associated with the transfer from the endowment to ACIB will no longer be needed.

Prepared by: Marvlou Burton
Division: Statewide Budget Office

Phone: 463-3086
Date: 4/22/97

Approved by: *MB* Marvlou Burton, Director
Agency: Statewide Budget Office

Date: 4/22/97

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agencies



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement
for
Senate Bill 177
An Act relating to the International Trade and Business
Endowment

This legislation establishes an International Trade and Business Endowment in the Alaska Science and Technology Foundation. The principal and income of the endowment will be invested by the Permanent Fund Corporation, and net income from the endowment will be held in a separate account, subject to appropriation by the legislature.

The intended purpose of the endowment income is to cover a portion of the state's annual expenditure on international trade promotion. In the Senate version of the FY98 budget, it is envisioned that the Department of Commerce and Economic Development, Division of Trade and Tourism's international trade staff and offices and the World Trade Center will receive support from the endowment income.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

APR 21 1997

P.O. BOX 110800
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500
FAX: (907) 465-5442
TDD: (907) 465-5437

April 21, 1997

The Honorable Drue Pearce, Co-chair
The Honorable Bert Sharp, Co-chair
Senate Finance Committee
Alaska State Senate
State Capital
Juneau, Alaska 99801-1182

Dear Senator Pearce and Senator Sharp:

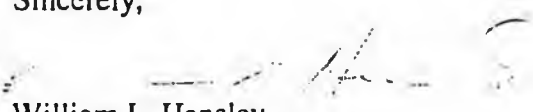
I am writing to voice our strong support of Senate Bill 177, which would use the current Alaska Center for International Business endowment to support a consolidated and more focused trade effort.

This bill will go a long way in giving the state the overall structure it needs to help Alaskans competing in the global marketplace. Currently, many talented individuals and well-run organizations work daily to assist Alaskans businesses and communities interested in attracting foreign investors or marketing their products and services abroad. Unfortunately, these efforts are not as coordinated or cost-effective as they might be, due to fractured lines of authority and split funding.

This bill puts a priority on coordination. Research now performed at the University of Alaska will be directly tied to trade initiatives undertaken by the state. It will be focused to meet the needs of exporters. By directing grants to the World Trade Center Alaska through my department, this bill will make sure this vitally important membership organization remains a healthy and key player in providing trade services to its private sector members. Finally, by keeping my department's trade specialists and overseas offices fully funded, this bill makes sure we maintain our longstanding links with key trading partners in Asia, the Russian Far East and elsewhere.

This is a good and important bill. I urge the Senate Finance Committee to support this bill.

Sincerely,


William L. Hensley
Commissioner



ALASKA SCIENCE & TECHNOLOGY FOUNDATION
— Putting Innovation to Work for Alaska —

April 21, 1997

Senator Druce Pearce
Room 518 State Capitol
Juneau, Alaska 99801

Dear Senator Pearce:


ASTF has no objections to administering the transferred UA endowment funds to support trade and export activities beneficial to the state.

I have had conversations with the Permanent Fund about implementing draft bill SB 177. Basically the Permanent Fund would create a separate endowment fund whose earnings would be separated from the ASTF endowment and earnings reserve. The legislature would make an annual appropriations from those earnings on that separate endowment and ASTF would transfer funds on a quarterly or otherwise periodic basis in response to the request from the agency or organization with appropriation authority. It would be clear that the agency receiving these funds, not ASTF, has the responsibility for the proper expenditure.

This process would be consistent with ASTF administering legislative appropriated funds for other organizations with the only difference being the Permanent Fund maintaining a separate endowment for these activities.

If there are any questions on this please contact me.

Sincerely,


Jamie Kenworthy
Executive Director

SB

1777

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT OF
SFC 4/21/97

DATE: 4/16/97

FURTHER:

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

DATE TURNED
IN TO OFFICE: 4/21/97

Finance Committee considered SENATE BILL NO. 177

"An Act relating to the international trade and business endowment; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Keel E. Kelly</i>	✓		
		<i>Bill Adams</i>	X		
		<i>John J. Quinn</i>	✓		
		<i>David D. Doolen</i>			
Co-Chair: <i>Peace</i>	✓	Co-Chair:			
Co-Chair:		Co-Chair: <i>[Signature]</i>			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

DC AED	4/21/97	φ	
<i>F/N from University is forthcoming.</i>			

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

REPORTED OUT OF
4/21/97

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

BILL NO. SB 177

Revision Date: _____ Department: Commerce and Economic Dev.
 Title: An Act relating to the international trade BRU: Trade and Development
 and business endowment... Component: Trade and Development
 Sponsor: Senate Finance
 Requestor: Senate Finance COMPONENT SERIAL 2056

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES	350.0	350.0	350.0	350.0	350.0	350.0
--------------------	-------	-------	-------	-------	-------	-------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes that the International Trade and Business Endowment will be capitalized with a \$4,950.0 reappropriation (SCS CS HB 75(FIN), Section 33). Using the Permanent Fund Corporation's projected FY 98 rate of return of 7.15%, the endowment will produce an annual income of approximately \$350.0. No expenditure information is included in this fiscal note since it is already incorporated in SCS CS HB 75(FIN).

Prepared by: Guy Bell, Director
 Division: Administrative Services
 Approved by Commissi William L. Hensley
 Agency: Commerce and Economic Development

Phone: 465-2505
 Date: April 21, 1997
 Date: April 21, 1997

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Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Sponsor Statement
for
Senate Bill 177
An Act relating to the International Trade and Business
Endowment

This legislation establishes an International Trade and Business Endowment in the Alaska Science and Technology Foundation. The principal and income of the endowment will be invested by the Permanent Fund Corporation, and net income from the endowment will be held in a separate account, subject to appropriation by the legislature.

The intended purpose of the endowment income is to cover a portion of the state's annual expenditure on international trade promotion. In the Senate version of the FY98 budget, it is envisioned that the Department of Commerce and Economic Development, Division of Trade and Tourism's international trade staff and offices and the World Trade Center will receive support from the endowment income.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

APR 21 1997

P.O. BOX 110800
JUNEAU, ALASKA 99811-0800
PHONE: (907) 465-2500
FAX: (907) 465-5442
TDD: (907) 465-5437

April 21, 1997

The Honorable Drue Pearce, Co-chair
The Honorable Bert Sharp, Co-chair
Senate Finance Committee
Alaska State Senate
State Capital
Juneau, Alaska 99801-1182

Dear Senator Pearce and Senator Sharp:

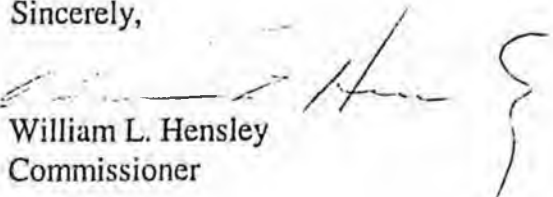
I am writing to voice our strong support of Senate Bill 177, which would use the current Alaska Center for International Business endowment to support a consolidated and more focused trade effort.

This bill will go a long way in giving the state the overall structure it needs to help Alaskans competing in the global marketplace. Currently, many talented individuals and well-run organizations work daily to assist Alaskans businesses and communities interested in attracting foreign investors or marketing their products and services abroad. Unfortunately, these efforts are not as coordinated or cost-effective as they might be, due to fractured lines of authority and split funding.

This bill puts a priority on coordination. Research now performed at the University of Alaska will be directly tied to trade initiatives undertaken by the state. It will be focused to meet the needs of exporters. By directing grants to the World Trade Center Alaska through my department, this bill will make sure this vitally important membership organization remains a healthy and key player in providing trade services to its private sector members. Finally, by keeping my department's trade specialists and overseas offices fully funded, this bill makes sure we maintain our longstanding links with key trading partners in Asia, the Russian Far East and elsewhere.

This is a good and important bill. I urge the Senate Finance Committee to support this bill.

Sincerely,


William L. Hensley
Commissioner



ALASKA SCIENCE & TECHNOLOGY FOUNDATION
— Putting Innovation to Work for Alaska —

April 21, 1997

Senator Drue Pearce
Room 518 State Capitol
Juneau, Alaska 99801

Dear Senator:

ASTF has no objections to administering the transferred UA endowment funds to support trade and export activities beneficial to the state.

I have had conversations with the Permanent Fund about implementing draft bill SB 177. Basically the Permanent Fund would create a separate endowment fund whose earnings would be separated from the ASTF endowment and earnings reserve. The legislature would make an annual appropriations from those earnings on that separate endowment and ASTF would transfer funds on a quarterly or otherwise periodic basis in response to the request from the agency or organization with appropriation authority. It would be clear that the agency receiving these funds, not ASTF, has the responsibility for their proper expenditure.

This process would be consistent with ASTF administering legislative appropriated funds for other organizations with the only difference being the Permanent Fund maintaining a separate endowment for these activities.

If there are any questions on this please contact me.

Sincerely,


Jamie Kenworthy
Executive Director

4500 Diplomacy Drive, Suite 515, Anchorage, Alaska 99508-5919

Telephone: (907) 272-4333

SB

178

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 8, 1997

FURTHER REFERRALS:

Date of Committee Action: 5/9/97

The FINANCE Committee considered:

CSEB 178(FIN) am

CS FOR SENATE BILL NO. 178(FIN) am

ANCHORAGE OFFICE BUILDING

"An Act stating legislative intent regarding parking, maintenance, leasing, and other requirements for a certain building acquired by the state in downtown Anchorage; relating to the purchase by the Alaska Housing Finance Corporation of an office building in Anchorage; and providing for an effective date."

recommends it be replaced with the following committee substitute CSSB 178(FIN) am 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) _____

fiscal note(s) (2) DDA 5/2/97
REV 5/2/97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Therriault	X			
	Hanley	X			
	Kohnie		X		
	Martin	X			
	J. Davis	X			
	G. Davis	X			
	G. Davis			X	
	Kelly			X	
	Foster		X		

CU CHAIR'S SIGNATURE

Therriault

Hanley

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

b. 3
 Bill Version: CS SB 178 (FIA)
 (S) Publish Date: 5/2/97

Revision Date: 4/25/97
 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	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	3,829.2	3,596.2	944.8	437.7	719.8	740.3
-------------------------------	----------------	----------------	--------------	--------------	--------------	--------------

FUND SOURCE:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	1,498.4	1,535.2	1,042.1	226.1	181.2	187.5
1037 GF/Mental Health						
OTHER (IA)	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
TOTAL	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

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: Duqan Petty, Director *duqan petty*
 Division: General Services

Phone: 465-2250
 Date: _____

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

Date: 4/25/97

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

BILL NO. SB 178 #3

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.

B of A Component	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Cost of Operations & Maintenance	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
Property Taxes & Improvement District	288.5	276.9	106.8	26.8	21.6	21.6
Total Building Operating Expenses	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5
Agency Rents /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
Total /A Revenue	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
Non-state tenant revenue	1,498.4	1,535.2	1,042.1	226.1	181.2	187.5
Total Revenue to Building Component	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

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.
4. Property Taxes are paid in proportion to the private leases in the building.

Revision Date: _____ Dept. Affected: Revenue
 Title: Anchorage Office Building BRU: Revenue Operations
 Component: Treasury
 Sponsor: (S) FIN
 Requestor: (S) 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
TOTAL OPERATING	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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						
1027 GF/Mental Health						
Other						
TOTAL	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9

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 approximately 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, '97

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155B178 #

Dated: 7/1/97
Delivered: 9/1/

Sizing Debt Services Schedule
ANCHORAGE OFFICE
CURRENT TAXABLE

1

Fiscal Yr	Coupon M YY	Zer Date	Cpn Rate	Cpn	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd Int&Prin	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 9 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)

255B 178(F) #2

Sizing Debt Services Schedule
ANCHORAGE OFFICE
TAX-EXEMPT

1

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

Fiscal Yr	Coupon M Y Y	Zer Date	Con Cpn Rstr	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd 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	3/1/04			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	9	3/1/05			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	3/1/06			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	3/1/07			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	
5	9	3/1/08			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	3	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	3/1/10			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	3/1/11			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	3/1/12			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	3/1/13			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	3/1/14			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	3/1/15			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	3/1/16			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	3/1/17			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-2001-81 :MLNIDB

(Page 3 of 3)

FISCAL NOTE

No. 1
 Bill Version: CS3B178(F1A)
 (S) Publish Date: 5/2/97

STATE OF ALASKA
 1997 LEGISLATIVE SESSION

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) Finance

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						
TOTAL OPERATING	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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)	(898.0)	(898.0)
TOTAL	(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 Pettv. Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 4/22/97

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

BILL NO. SB 178

ANALYSIS: (continued)

<u>Leasing Component</u>		FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
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	898.0	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

FY93

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	245,925
	324,550

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	914,565	668,640	245,925

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
Total Cost	6,201,943	5,303,701	897,969

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
Total Cost	5,019,020	4,366,704	652,043
	Total Funds	GF	I/A
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	2,124,073	2,347,181	376,892
Leasing transfer	(304,330)	(304,330)	0
Net savings	2,419,743	2,042,851	376,892

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
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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 Transfer to Agency	Agency Rent Payment	Total BofA Rent
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	5,755,034	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"	419,950	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>6,466,087</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
Cash Purchase vs. Financing**

Cash Purchase

Purchase Price	25,950,000
Cost of moves, tenant improvements and lease buyouts	8,450,900
Cost of financing	
Total	34,400,900

Finance Purchase

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

CONTINUED LEASING

Low Case	139,874,701
Market Rates	154,008,649

PURCHASE BoFA (Cash)

Current Leases	15,316,684	15,316,684
Rent Collected From Non-State Tenants	(17,058,065)	(34,165,000)
Operating Expenses	35,154,441	112,457,965
Maintenance / Reserves	11,613,451	37,059,951
Capital Reserves	2,382,246	7,602,741
Property Tax	698,336	698,336
Business Improvement District	65,442	65,442
Debt Service		
	48,172,534	139,035,419

PROJECTED SAVINGS

Low Case	91,702,166	185,780,687
Market Rates	105,836,115	265,967,126

NET PRESENT VALUE OF SAVINGS

Low Case	52,161,935	71,490,210
Market Rates	57,980,487	89,014,359

CONTINUED LEASING

Low Case	139,874,701	324,816,107
Market Rates	154,008,649	405,002,545

PURCHASE BoFA (with financing)

Current Leases	15,316,684	15,316,684
Rent Collected From Non-State Tenants	(17,058,065)	(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
	109,714,732	204,082,160

PROJECTED SAVINGS

Low Case	30,159,969	120,733,946
Market Rates	44,293,917	200,920,385

NET PRESENT VALUE OF SAVINGS

Low Case	18,438,802	36,645,857
Market Rates	24,257,353	54,164,006