

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3081

A complete listing of debt issued by the Bond Bank and outstanding is found in Table 3.9.

TABLE 3.9  
Alaska Municipal Bond Bank  
Debt Issued and Outstanding  
\$(thousands)

	Date	Amount Issued	Outstanding at 6/30/05
<b>1976 General Resolution General Obligation Bonds</b>			
1995 Series A	5/1/1995	13,975	2,330
1995 Series C	10/1/1995	5,110	1,090
1995 Series D	12/1/1995	1,985	90
1996 Series A	2/1/1996	5,000	610
1996 Series B	9/1/1996	7,705	895
1997 Series A	2/1/1997	1,605	385
1997 Series B	10/1/1997	12,185	1,435
1998 Series A	4/1/1998	7,950	6,500
1998 Series B	12/1/1998	3,715	1,830
1999 Series A	4/1/1999	13,385	10,045
2000 Series A	3/1/2000	9,805	2,830
2000 Series B	5/15/2000	10,730	2,960
2000 Series C	8/1/2000	21,645	6,360
2000 Series D	10/1/2000	1,800	1,580
2000 Series E	11/15/2000	16,390	11,050
2000 Series F	11/15/2000	1,175	810
2001 Series A	8/1/2001	15,475	14,270
2001 Series B	10/15/2001	3,835	3,480
2002 Series A	5/1/2002	15,445	12,470
2002 Series B	8/15/2002	11,590	11,055
2003 Series A	2/12/2003	9,305	8,745
2003 Series B	4/8/2003	3,075	2,035
2003 Series C	5/22/2003	8,250	6,800
2003 Series D	8/7/2003	14,520	13,965
2003 Series E	9/30/2003	32,020	31,125
2003 Series F	10/15/2003	3,235	1,690
2003 Series G	1/6/2004	24,110	22,825
2004 Series A	2/5/2004	20,270	19,190
2004 Series B	4/8/2004	17,425	16,690
2004 Series C	7/21/2004	14,575	14,575
2004 Series D	12/1/2004	13,925	13,925
2005 Series A	3/22/2005	32,655	32,655
2005 Series B	5/4/2005	27,625	27,625
<b>Total</b>		<u>401,495</u>	<u>303,920</u>

TABLE 3.9 (Continued)  
Alaska Municipal Bond Bank  
Debt Issued and Outstanding  
\$(thousands)

<b>Total General Obligation Bonds</b>		<u>401,495</u>	<u>303,920</u>
<b>Revenue Bonds</b>			
1995 Series A Revenue Bonds	6/1/1995	3,225	2,265
1997 Series A Revenue Bonds	10/1/1997	15,225	13,935
1998 Series A Revenue Bonds	12/1/1998	13,210	6,170
1998 Series B Revenue Bonds	12/1/1998	2,525	1,105
1999 Series A Revenue Bonds	12/1/1999	1,865	1,660
2000 Series A Revenue Bonds	5/1/2000	2,430	445
2000 Series B Revenue Bonds	12/1/2000	3,000	2,725
2001 Series A Revenue Bonds	8/1/2001	1,725	1,550
2001 Series B Revenue Bonds	8/1/2001	2,525	2,285
2002 Series A Revenue Bonds	12/1/2002	6,250	5,380
2003 Series A Revenue Bonds	3/1/2003	5,685	2,935
2003 Series B Revenue Bonds	5/15/2003	19,000	19,000
2003 Series C Revenue Bonds	7/2/2003	1,015	820
2004 Series A Revenue Bonds	8/26/2004	28,845	28,845
2004 Series B Revenue Bonds	9/1/2004	5,365	5,365
<b>Total</b>		<u>111,890</u>	<u>94,485</u>
<b>Coastal Energy Loan Fund</b>			
City of Nome			
Port Authority	FY 86	5,000	5,000
City of St. Paul			
Fuel Tank Farm	FY 88	6,563	6,006
		<u>11,563</u>	<u>11,006</u>
<b>Total Alaska Municipal Bond Bank Debt</b>		<u>\$ 524,948</u>	<u>\$ 409,411</u>

Source: Alaska Municipal Bond Bank Authority

***E. Alaska Railroad Corporation***

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Railroad is authorized to issue revenue bonds in the principal amount of \$55.0 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage.

Chapter 71, SLA 2003 authorized the ARRC to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

Chapter 46, SLA 2004 authorized the ARRC to issue up to \$500 million in revenue bonds, subject to an agreement with a third party to pay the debt service, and other related bond costs, to finance the cost of extending its rail line to Fort Greely, Alaska. To date, no bonds have been issued.



2005 ANNUAL REPORT

OFFICE OF THE  
COMPTROLLER

LETTER FROM THE GOVERNOR



*The Office of*  
Governor Frank H. Murkowski



December 2005

Dear Alaskans:

It seems that too often, whether through over-regulation or bureaucratic inefficiency, government hinders rather than helps construction of sound economic development or public works projects.

I am proud to present the Alaska Municipal Bond Bank Authority as a great example of government getting it right. The job of the authority is to help municipalities. This report shows that in fiscal year 2005 the authority issued \$123.0 million in bonds and provided direct savings of \$16.7 million to Alaska municipalities.

Local governments sell their bonds to the authority to achieve lower costs and take advantage of the Bond Bank's high credit ratings. Because bonds issued by the authority are backed by the moral obligation of the state, they have higher credit ratings than bonds issued by most Alaska municipalities.

In fiscal year 2005, bonds sold by the authority financed school construction in Kodiak, Petersburg, Sitka, and Ketchikan; harbor improvements in Adak; a hospital in Juneau; street improvements in North Pole; and a new ice rink in Palmer. It also financed roof repairs for Anchorage's Performing Arts Center and refinanced outstanding bonds for savings to Haines, Palmer, Ketchikan, Fairbanks, Cordova, Sitka, Unalaska, and the Northwest Arctic Borough.

My administration has made a concerted effort to maintain the state's credit ratings over the past three years. The payoff for fiscal discipline, curtailing the use of debt, and laying the groundwork for a long-term fiscal plan has been a return to stable credit ratings. In the case of the Bond Bank, this has resulted in a credit upgrade to A1 from Moody's Investors Service in fiscal year 2005. It is gratifying to see these efforts converted to real and measurable savings for Alaskans throughout their municipal governments.

Our job is not finished. Economic and resource development through improved infrastructure and efficient government continue as a main focus of my administration.

The benefits of the effort come in greater opportunities for Alaskans to find the careers needed to raise families and enjoy the great bounty of the Last Frontier.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

## LETTER FROM THE CHAIRPERSON

To all Alaskans:

The year 2005 marked the 30th year of existence for the Alaska Municipal Bond Bank Authority (Bond Bank). Since its inception in August of 1975, the Bond Bank has helped Alaskan communities secure over \$800 million dollars in financing for public works projects that have improved the standards of health, safety and education for our citizens. The municipalities using the services of the Bond Bank have realized significant savings, reducing the burden on taxpayers throughout the state.

The Bond Bank was created to assist Alaskan communities issue bonds. Some communities simply lack familiarity with the financial markets, others seek to reduce the cost of issuing bonds, and some municipalities find they can get better terms on bonds issued by the Bond Bank.

The Bond Bank realizes savings for communities in a number of ways. We pool bonds, selling much larger issues than any one community would, thereby creating economies of scale. Because of our level of activity, we contract for professional services at a lower cost than could less active bond issuers. The Bond Bank also has a better credit rating than is available to most communities, resulting in lower interest rates.

The Bond Bank provides services to urban and rural communities in every region of the State as demonstrated by a review of the financial information that follows.

Beginning in 1977, the Bond Bank has remitted to the State of Alaska annual investment earnings in excess of operating needs. At \$26.9 million, those remittances now exceed, by over \$8.3 million, the \$18.6 million appropriated by the State of Alaska to the Bond Bank between the years 1976 and 1986.

Fiscal year 2005 saw a continuation of the trend of increased use of the Bond Bank. Six series of bonds were issued for \$123 million for fourteen Alaskan communities. Bond Bank participation in these transactions is estimated to have saved over \$16.7 million.

The Bond Bank is indeed an idea that works an example of the benefits that can be realized through good government.

In accordance with Alaska Statute 44.85.100, we respectfully submit the attached year 2005 report of the activities and financial condition of the Bond Bank.

We hope you share with us our pride in the Bond Bank's accomplishments this outstanding year.

Sincerely,



R. Desmond Mayo

## THE BOND BANK *An Idea That Works*

### THE ALASKA MUNICIPAL BOND BANK AUTHORITY

The Bond Bank is a public corporation that aids Alaskan communities by issuing bonds, and using the proceeds to purchase the municipalities' general obligation and revenue bonds. It commenced operations in August 1975.

The Bond Bank has a legal existence independent of and separate from the State of Alaska. Bonds issued by the Bond Bank are payable only from Bond Bank funds. The State has pledged its moral obligation to the maintenance of a debt service reserve for all of the Bond Bank's bonds. (For more information please see Notes to Financial Statements.)

The powers of the Bond Bank are vested in its Board of Directors. The membership of the Board consists of five directors representing both the public and private sector. The three private sector board members are

appointed by the Governor and serve four-year terms. They are joined on the Board by the Commissioner of Revenue and the Commissioner of Commerce, Community & Economic Development (or their assigned representatives).

The Board of Directors operates in accordance with the Bond Bank Act (AS 44.85), its published regulations (15 AAC 44) and its by-laws. The board's main responsibility is to approve bond issues.

The Bond Bank may not issue revenue bonds in excess of \$75 million in any fiscal year unless the Alaska Legislature approves a greater amount. The Bond Bank is further restricted to a limit of \$500 million of bonds or notes outstanding. As of June 30, 2005, obligations totaled \$409.4 million, allowing for additional bond issuances of approximately \$90.6 million.



## AN IDEA THAT WORKS

The Bond Bank pays its own way. The Bond Bank's reserve accounts serve to both guarantee the bonds and provide investment income. All of the Bond Bank's costs are paid from these investment earnings. The statutory earnings from its investment accounts exceeded expenses by \$402,427 during the fiscal year ending June 30, 2005. Such excess funds are payable to the State of Alaska. The Bond Bank is transferring \$250,000 of non statutory investment earnings to the State of Alaska in fiscal year 2006. Since 1977 the Bond Bank has returned excess earnings to the State for a cumulative total of \$26.9 million, exceeding by over \$8.3 million the State's original investment of \$18.6 million (appropriated in the years 1976 through 1986).

Alaska's investment in the Bond Bank is compounded in other ways.

Alaskan communities taking advantage of the Bond Bank's services realize considerable savings. These

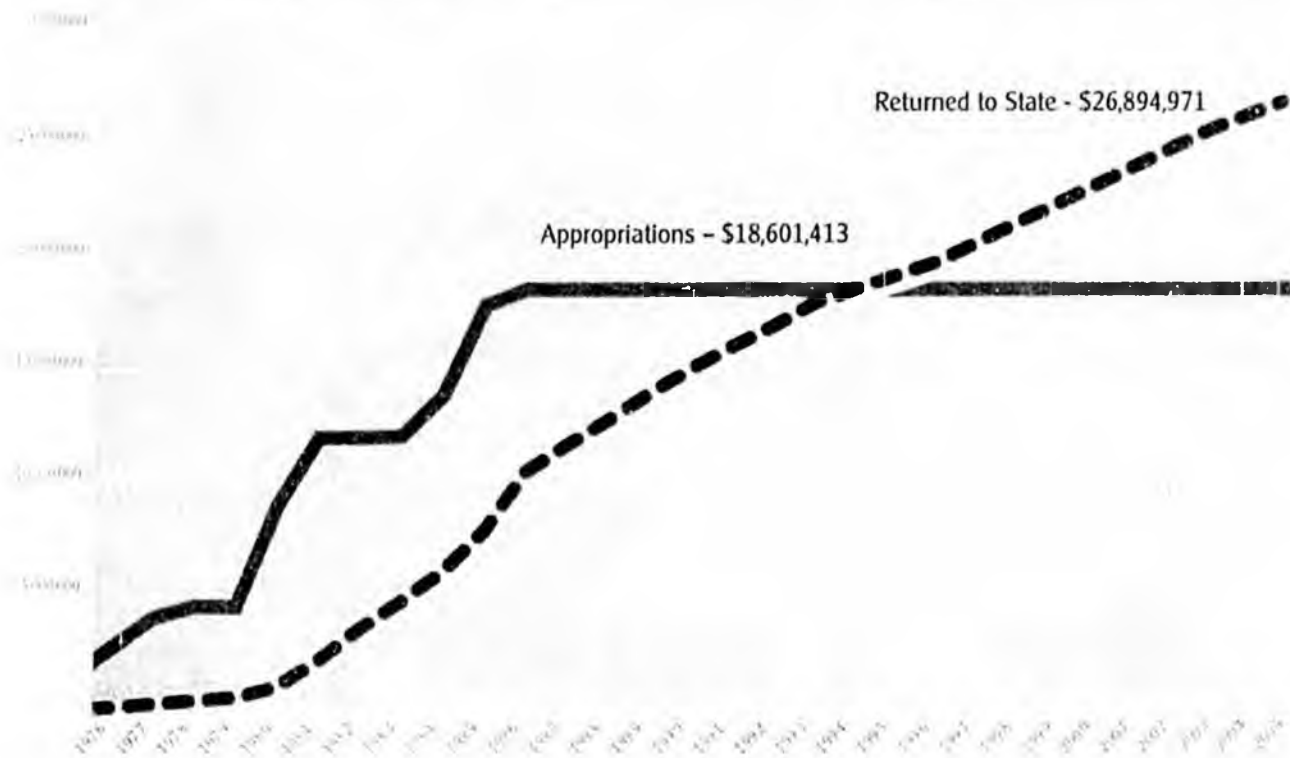
communities may have low bond ratings or, although credit worthy, have not issued bonds or notes, or have little outstanding debt, and lack investor familiarity.

Some larger communities, capable of issuing their own bonds, find that the Bond Bank's services result in less expense, especially for small bond issues.

In addition to the annual dividends received from the Bond Bank, it costs the State of Alaska less money to reimburse communities for such capital projects as schools built with funds provided by Bond Bank issues. Since bonding expenses for Alaskan communities are less than they would be otherwise, the interest expense is less for the State.

The Bond Bank operates efficiently. Department of Revenue staff serve as executive director and provide accounting support. Where economies of scale dictate, the Bond Bank hires outside professional staff.

CUMULATIVE APPROPRIATIONS COMPARED TO CUMULATIVE EXCESS EARNINGS RETURNED TO STATE



# THE BOND BANK *An Idea That Works*

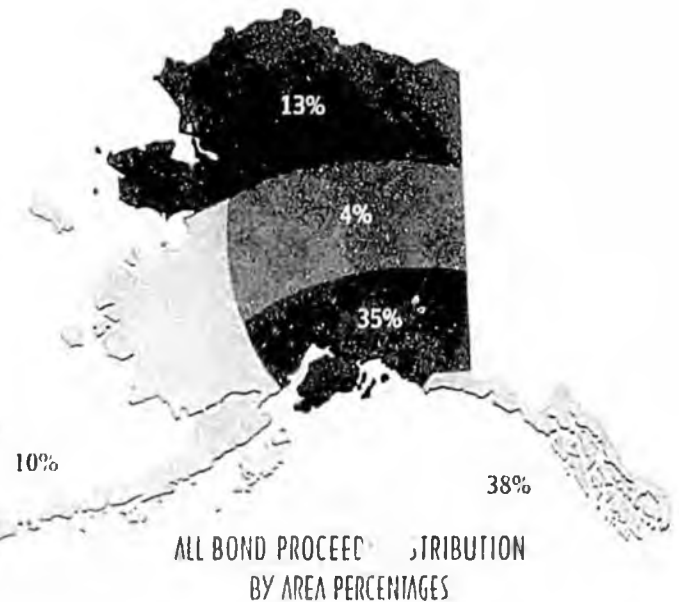
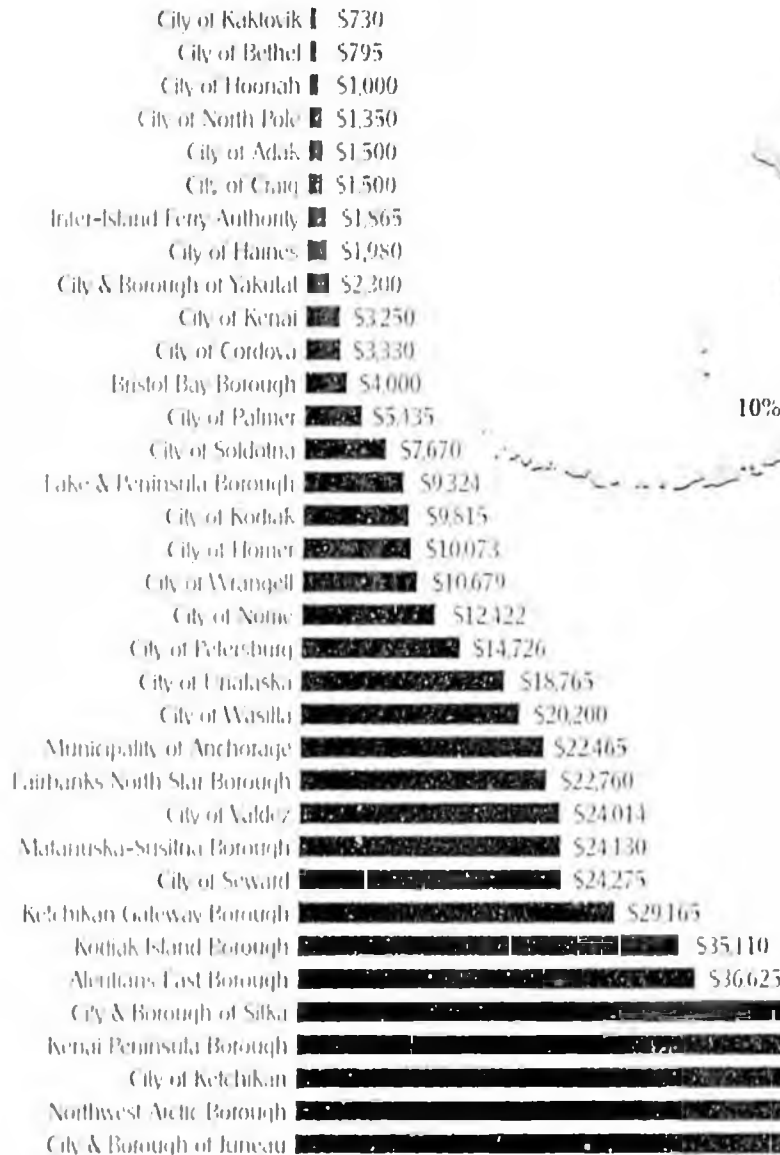
## HELPING ALASKAN COMMUNITIES

The Bond Bank is organized to work with all Alaska municipalities, especially new and infrequent issuers of debt for capital projects. From the time a municipality contacts the Bond Bank, legal and financial professionals with extensive experience in Alaska financing begin working with municipal managers to develop the most advantageous financing program for the community.

If it becomes clear that debt financing through the Bond Bank is neither possible nor appropriate, for any particular municipality, the Bond Bank will continue

to work with the municipality's administration to find other means or ways of meeting their financial objectives.

In most instances the Bond Bank is able to relieve municipalities from paying certain costs of issuing bonds, such as official statement printing, trustee and paying agent fees. For this reason, even large communities with a track record of issuing bonds occasionally seek the services provided by the Bond Bank.



BOND PROCEEDS DISTRIBUTION BY COMMUNITY  
(IN THOUSANDS)  
DOES NOT INCLUDE REFUNDINGS OR RESERVES

## ISSUING BONDS

The Bond Bank issues mostly tax exempt bonds. Purchasers of these bonds, including bond mutual funds, institutional investors, and insurance companies do not have to pay taxes on the income received.

Each individual issue of the Bond Bank is reviewed by Moody's Investors Service and Standard and Poor's Corporation. Because the Bond Bank has received 'A' ratings, considered "investment grade," from two major national bond rating agencies, it is able to borrow money at lower interest rates than most Alaskan municipalities.

In addition, when it is economical and cost effective to do so, the Bond Bank obtains bond insurance, and thereby secures 'AAA' ratings.

The Bond Bank strengthens its portfolio by including Alaskan communities widely distributed geographically, with different economic bases, and limiting the total percentage of bonds committed to any one municipality.

The Bond Bank often pools municipal general obligation bond issues into a single issue. Following the sale of the issue, the Bond Bank purchases the individual issues from each community.

## LEVERAGING STATE DOLLARS

An important reason for the Bond Bank's favorable bond rating and lower borrowing costs is that it secures its bonds with reserve funds supported by the "moral obligation" of the State of Alaska.

The reserve funds are available to cure defaults, should they occur. For General Obligation Bonds, two-thirds of the reserve is funded from bond bank assets and one-third is funded from the proceeds of new bond issues.

The reserve fund is normally used to leverage debt at better than an eleven to one ratio. For every \$1 million placed in the reserve fund, more than \$11 million of outside capital is attracted to the state.

## CURRENT FINANCINGS FY 2005 BONDS ISSUED

\$14,575,000

GENERAL OBLIGATION BONDS 2004 SERIES C  
City of Palmer - Ice Rink  
City of Petersburg - Elementary, Middle and High School Renovations  
Standard & Poor's AAA; Moody's Aaa; FSA Insurance  
Competitive Sale - CityGroup Global Markets  
30 year: True Interest Cost 4.373%

\$28,845,000

REVENUE BONDS 2004 SERIES A  
City & Borough of Juneau - Hospital  
Standard & Poor's AAA; Fitch AAA; MBIA Issued  
Negotiated sale - RBC Dorn Rauscher  
30 year: True Interest Cost 4.962%

\$5,365,000

REVENUE BONDS 2004 SERIES B  
Municipality of Anchorage - Performing Arts Center  
Standard & Poor AAA; Fitch AAA; MBIA Insured  
Competitive Sale - Wachovia Securities  
30 year: True Interest Cost 4.732%

\$13,925,000

GENERAL OBLIGATION BONDS 2004 SERIES D  
Kodiak Island Borough - High School and New Pool  
City of Adak - Small Boat Harbor  
Standard & Poor's AAA; Moody's Aaa; XL Capital Insured  
Competitive Sale - Wells Fargo Brokerage  
20 year: True Interest Cost 4.176%

\$32,675,000

GENERAL OBLIGATION BONDS 2005 SERIES A  
City of Ketchikan, City of Fairbanks, City of Cordova, City of Unalaska, City and Borough of Sitka, Northwest Arctic Borough - Refunding  
Standard & Poor's AAA; Moody's Aaa; FGIC Insured  
18 years: True Interest Cost 4.2035%

\$27,625,000

GENERAL OBLIGATION BONDS 2005 SERIES B  
City of North Pole - Street Improvements  
City and Borough of Sitka - Elementary, Middle & High School Improvements  
Ketchikan Gateway Borough - Elementary and Middle School  
Haines Borough and City of Palmer - Refunding  
Standard and Poor's AAA; Moody's Aaa; MBIA  
20 years: True Interest Costs 3.9385%

Issued amounts are inclusive of Reserve obligations

# THE BOND BANK *An Idea That Works*

## GENERAL OBLIGATION BONDS

Municipal general obligation bonds, the Bond Bank's mainstream program, are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. Such bonds must be approved by the municipal voters.

Bonds issued by the Bond Bank to purchase municipal general obligation bonds are secured by:

- Full faith and credit of each respective community with no taxing limitation for the general bonded debt issued to the Bond Bank.
- The Bond Bank's general obligation debt service reserve fund. This reserve is generally funded in an amount equal to maximum annual debt service on all the Bond Bank general obligation bonds.
- All Bond Bank assets shall be used to restore the debt service reserve to an amount that equals the maximum annual debt service on the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive any funds held by a state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

## REVENUE BONDS

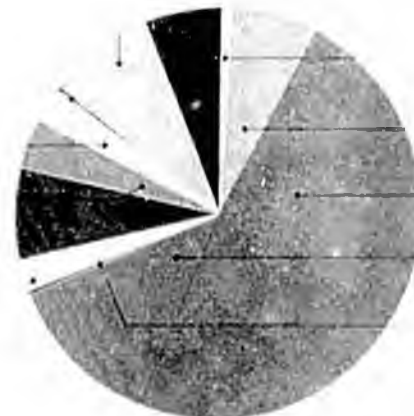
Revenue Bonds are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require municipal voter approval.

Bonds issued by the Bond Bank to purchase municipal revenue bonds are secured by:

- A pledge of the revenues from the facility being financed.
- The municipalities' reserve fund under their bond resolutions. The reserve fund generally is funded in an amount equal to maximum annual debt service on the municipalities' bonds.
- The Bond Bank reserve fund under the bond resolution for that issue. The reserve fund generally is funded in an amount equal to maximum annual debt service on the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of a default, to demand and receive from a state agency any funds held by that state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

### USES OF BOND PROCEEDS — INCEPTION TO DATE (DOES NOT INCLUDE REFUNDINGS)

Water & Sewer	\$4,158,119
Utilities	\$5,761,392
Transportation	\$1,865,000
Roads	\$19,400,000
Public Safety	\$27,040,000
Port - Harbor Facilities	\$19,443,500
Parking	\$12,100,000



Airports	\$6,745,000
Community	\$46,700,000
Schools	\$112,220,000
Hospitals	\$55,945,000
Municipalities	\$1,195,000

## SUMMARY OF DEBT SERVICE

### SCHEDULE OF TOTAL DEBT SERVICE BY CLASSIFICATION AT JUNE 30, 2005

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
<b>1976 GENERAL BOND RESOLUTION FUND</b>			
1995 Series A	\$ 2,330,000	134,750	2,464,750
1995 Series C	1,090,000	32,700	1,122,700
1995 Series D	90,000	2,644	92,644
1996 Series A	610,000	27,450	637,450
1996 Series B	895,000	61,931	956,931
1997 Series A	385,000	29,390	414,390
1997 Series B	1,435,000	103,320	1,538,320
1998 Series A	6,500,000	2,289,201	8,789,201
1998 Series B	1,830,000	225,268	2,055,268
1999 Series A	10,045,000	3,803,634	13,848,634
2000 Series A	2,830,000	406,175	3,236,175
2000 Series B	2,960,000	623,775	3,583,775
2000 Series C	6,360,000	1,233,868	7,593,868
2000 Series D	1,580,000	851,326	2,431,326
2000 Series E	11,050,000	2,756,937	13,806,937
2000 Series F	810,000	213,060	1,023,060
2001 Series A	14,270,000	6,657,000	20,927,000
2001 Series B	3,480,000	1,583,934	5,063,934
2002 Series A	12,470,000	2,433,975	14,903,975
2002 Series B	11,055,000	5,053,623	16,108,623
2003 Series A	8,745,000	4,020,297	12,765,297
2003 Series B	2,035,000	79,200	2,114,200
2003 Series C	6,800,000	1,051,538	7,851,538
2003 Series D	13,965,000	6,913,223	20,878,223
2003 Series E	31,125,000	24,888,937	56,013,937
2003 Series F	1,690,000	122,087	1,812,087
2003 Series G	22,825,000	12,069,287	34,894,287
2004 Series A	19,190,000	5,926,097	25,116,097
2004 Series B	16,690,000	6,234,875	22,924,875
2004 Series C	14,575,000	7,140,192	21,715,192
2004 Series D	13,925,000	6,649,633	20,574,633
2005 Series A	32,655,000	16,177,276	48,832,276
2005 Series B	27,625,000	12,633,697	40,258,697
	<u>303,920,000</u>	<u>132,430,300</u>	<u>436,350,300</u>

#### COASTAL ENERGY IMPACT PROGRAM REVENUE BONDS

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
Coastal Energy Reserve Loan Fund	11,005,878	-	11,005,878
1995A Revenue Bond Resolution	2,265,000	759,293	3,024,293
1997A Revenue Bond Resolution	13,935,000	5,756,352	19,691,352
1998A Revenue Bond Resolution	6,170,000	1,196,700	7,366,700
1998B Revenue Bond Resolution	1,105,000	113,222	1,218,222
1999A Revenue Bond Resolution	1,660,000	809,324	2,469,324
2000A Revenue Bond Resolution	445,000	24,030	469,030
2000B Revenue Bond Resolution	2,725,000	1,386,249	4,111,249
2001A Revenue Bond Resolution	1,550,000	566,344	2,116,344
2001B Revenue Bond Resolution	2,285,000	885,611	3,170,611
2002A Revenue Bond Resolution	5,380,000	1,193,975	6,573,975
2003A Revenue Bond Resolution	2,935,000	92,337	3,027,337
2003B Revenue Bond Resolution	19,000,000	998,215	28,982,156
2003C Revenue Bond Resolution	820,000	55,175	875,175
2004A Revenue Bond Resolution	28,845,000	27,554,705	56,399,705
2004B Revenue Bond Resolution	5,365,000	4,714,045	10,079,045
	<u>\$ 409,410,878</u>	<u>187,519,818</u>	<u>596,930,696</u>

#### SUMMARY OF TOTAL DEBT SERVICE REQUIREMENTS BY FISCAL YEAR

FISCAL YEAR	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	31,885,000	17,960,479	49,845,479
2007	25,240,000	16,598,554	41,838,554
2008	22,530,000	15,696,521	38,226,521
2009	21,785,000	14,826,328	36,611,328
2010	21,905,000	13,947,354	35,852,354
2011-2015	106,140,000	55,656,371	162,096,371
2016-2020	93,730,878	33,431,444	127,162,322
2021-2025	59,645,000	13,399,601	73,044,601
2026 and after	26,250,000	6,002,866	32,252,866
	<u>\$ 409,410,878</u>	<u>187,519,818</u>	<u>596,930,696</u>

## THE BOND BANK *An Idea That Works*

THE BOND BANK HAS FIVE DIRECTORS CONSISTING OF THREE PUBLIC MEMBERS APPOINTED BY THE GOVERNOR, THE COMMISSIONER OF REVENUE, AND THE COMMISSIONER OF COMMUNITY AND ECONOMIC DEVELOPMENT.

THE COMMISSIONERS HAVE TRADITIONALLY APPOINTED DELEGATES TO SERVE IN THEIR PLACE.

### THE BOARD OF DIRECTORS

#### R. DESMOND "DESI" MAYO

Chairman

Term expires July 15, 2007

Mr. Mayo was appointed on September 15, 1999 and reappointed on July 29, 2003. Mr. Mayo is the Chief Financial Officer of the Matanuska Telephone Association. Prior to his current employment, Mr. Mayo has served as Chief Financial Officer for the Matanuska-Susitna Borough and more recently Municipal Light and Power, an enterprise of the Municipality of Anchorage. He has also served in the capacity of Corporate Controller for Alyeska Pipeline Service Company. Mr. Mayo graduated from the University of Alaska and has attended graduate classes at Alaska Pacific University. Mr. Mayo served as Governor Knowles' appointee to the Alaska State Pension Investment Board and served on Governor Murkowski's Mat-Su Finance Policy Transition Team. Mr. Mayo has also served on the boards of Northwest Public Power Association, Matanuska Electric Association, Alaska Rural Electric Cooperative Association, the United Way of Matanuska-Susitna Borough and Habitat for Humanity Mat-Su.

#### MARK PFEFFER

Vice Chairman

Term expires July 15, 2009

Mr. Pfeffer was appointed October 10, 2001. Mr. Pfeffer is a registered architect who has owned and led an architectural practice in Alaska for over 20 years. He is active in the development, design and management of commercial real estate projects, many of which include public/private partnerships. He is a partner in the firms Koonce Pfeffer Bettis, Inc. and Venture Development Group, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska in 1980.

**TOM BOUTIN**  
Member

Mr. Boutin is the first delegate for William A. Corbus, Commissioner of the Department of Revenue. Mr. Boutin spent his first 22 years in New Hampshire, logging and working for dairies. He then moved to Alaska, working as a logging engineer for Ketchikan Pulp Co. and as a timber faller, rigging slinger and equipment operator for various logging and road building firms. He bought and sold logs, lumber, veneer and plywood for North Pacific Lumber Company, and was chief Financial Officer and then President and Chief Financial Officer for Klukwan, Inc. an ANCSA corporation involved in forest products and money management. His government service experience consists of State Debt Manager for the Alaska Department of Revenue, Alaska State Forester, and currently, Deputy Commissioner for the Alaska Department of Revenue. Mr. Boutin has a Bachelor of Science from the University of New Hampshire, and an MBA in Finance from the University of Oregon. He has lived in Juneau for the past 20 years.

**WILLIAM F. LARGE**  
Member

Term expires July 15, 2006

Mr. Large was appointed on May 2, 2005. Mr. Large is a member of the Alaska Bar and has practiced law in Alaska and nationwide for 10 years. His practice focuses primarily on complex commercial litigation, with emphases on national resources, oil & gas and corporate disputes. After graduating from law school in 1995, Mr. Large served as a law clerk for one year to the Hon. Andrew J. Kleinfeld, U.S. Court of Appeals for the 9th Circuit, before joining the predecessor to his current firm, Hosie McArthur LLP. Mr. Large has a Bachelor of Science degree from the Massachusetts Institute of Technology and a Law Degree from Harvard Law School.

**JOE WINEGAR**  
Member

Mr. Winegar is the first delegate for William Noll, Commissioner of the Department of Community and Economic Development. Mr. Winegar was appointed Director of the Division of Investments on May 22, 2000. This Division administers various direct lending programs for the State and services loans for other State agencies, representing approximately 3,500 accounts totaling \$250 million. Prior to his appointment as Acting Director, Mr. Winegar served as the Division of Investment's Lending Branch Manager for 21 years. Mr. Winegar received his Bachelor's degree from the Evergreen State College in 1973. In 1974, he accepted a position with the predecessor to the Department of Community and Economic Development as a Clerk Typist III and was promoted several times over the next five years. In addition to his work as Lending Branch Manager, he also served as a Loan Officer for the Department for five years where his responsibilities included credit analysis and recommendations for commercial, multi-family, residential and consumer loan requests.

THE STATE'S DEPARTMENT OF REVENUE-TREASURY DIVISION (DOR-TREASURY) FULFILLS ADMINISTRATIVE AND MANAGEMENT RESPONSIBILITIES FOR THE BOND BANK.

**DEVEN MITCHELL**

Executive Director, appointed April 7, 1998

Mr. Mitchell also serves as the State Debt Manager and Investment officer in Department of Revenue-Treasury. Mr. Mitchell has worked for the State of Alaska Department of Revenue since 1992. He previously held several positions in Alaskan financial institutions. Mr. Mitchell holds a Bachelor of Science in Business Administration from Northern Arizona University.

**SUSAN TAYLOR, CPA**

Deputy Treasurer, appointed August 9, 2005

Ms. Taylor is the State Comptroller for the Alaska Department of Revenue, Treasury Division. Ms. Taylor started her career as an auditor with the Legislative Audit Division; she has held various positions of increasing responsibility in Alaska state government. These included Senior Fiscal Analyst for the Legislative Finance Division, Budget Analyst for the Office of Management and Budget and positions with the Departments of Revenue and Health and Social Services. Ms. Taylor holds a Bachelor of Business Administrative-Accounting degree from the University of Alaska, Anchorage. She is a Certified Public Accountant in the State of Alaska, and a member of the American Institute of Certified Public Accountants.

RATHER THAN EMPLOY STAFF, THE BOND BANK CONTRACTS IN THE PRIVATE SECTOR FOR A WIDE RANGE OF PROFESSIONAL SERVICES. THE EXECUTIVE DIRECTOR COORDINATES THE ACTIVITIES OF THESE PROFESSIONALS INCLUDING BOND COUNSEL, FINANCIAL ADVISOR, ACCOUNTANTS, AUDITORS, FUND TRUSTEES, BOND TRUSTEES AND CLERICAL SUPPORT.

**FINANCIAL ADVISOR**

**WESTERN FINANCIAL GROUP, LLC**

Provides loan analysis services, including recommendations as to the adequacy of loan applications, credit worthiness, projected capability to repay, and the overall effect a proposed loan will have on the credit of the Bond Bank. Assists in preparation of the official statements, recommends type and timing of bond sales, negotiates with underwriters and assists with investment of various funds. Also coordinates financial reviews with bond rating houses and prepares other general financial reviews and analyses required by the Bond Bank.

**BOND COUNSEL**

**WOHLFORTH JOHNSON BRECHT CARFLEDGE & BROOKING**

Prepares for the authorization, sale, issuance and delivery of Bond Bank bonds. Prepares series resolutions, notices of sale; assists in preparation of official statements; renders necessary opinions as required; and provides other general legal services.

**TRUSTEE/PAYING AGENT**

**JP MORGAN TRUST COMPANY**

Acts as custodian of the bond proceeds and supervises the investment of funds for the purposes specified in the bond resolutions. The trustee oversees debt service funds and maintenance of certain reserve accounts required in the contract with the bondholders. As paying agent, makes all necessary interest and principal payment, to the bondholders.

**INVESTMENT MANAGER**

**ALASKA PERMANENT CAPITAL MANAGEMENT COMPANY**

Supervises and controls the investment of the custodial funds and the trustee funds. Also provides analyses of investments, advice on investment guidelines, and directs the investment of all funds in accordance with Authority procedures and guidelines.

**CUSTODIAL BANK**

**FIRST NATIONAL BANK OF ALASKA**

Acts as the Authority's bank for processing all fund transactions.

## FINANCIAL STATEMENTS

JUNE 30, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is required by GASB 34, a rule established by the Governmental Accounting Standards Board. This section is intended to make the financial statements more understandable to the average reader who is not familiar with traditional accounting terminology.

This financial report has two integral parts: this MD&A and the financial statements with the accompanying notes that follow. Together, they present the Alaska Municipal Bond Bank Authority's ("Bond Bank") financial performance during the fiscal year ended June 30, 2005. Summarized prior fiscal year information is shown within this MD&A, as needed for comparative purposes.

### REQUIRED FINANCIAL STATEMENTS

GASB 34 requires two financial statements: the statement of net assets and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures and changes in fund balances. These statements report financial information about the Bond Bank's activities using generally accepted accounting principles.

### FINANCIAL HIGHLIGHTS

During fiscal year 2005 the Bond Bank approved 10 municipalities' applications and purchased \$78.4 million in municipal bonds. The subsequent issuance of Bond Bank Bonds resulted in approximate savings of \$14.8 million to the borrowing communities. Additionally, the Bond Bank entered into amended loan agreements on 10 existing bond issues and purchased \$41 million in municipal bonds. The amended bond issues resulted in approximately \$1.9 million in savings to the borrowing communities. Total bond issuance for FY2005 was \$123.0 million, funding \$119.4 million in 20 loans to 16 communities and providing total savings of \$16.7 million. This activity level and community benefit is comparable to FY2004 when the Bond Bank issued \$109.5 million to fund fourteen communities' projects and provided savings of \$4.8 million to the borrowing communities.

The financial position of the Bond Bank remains strong. All reserves are fully funded and invested. Fiscal year 2005 investment earnings funded fiscal year 2005 operations and will provide for a \$402,427 transfer to the state's general fund in fiscal year 2006. This transfer will be in addition to the \$250,000 transfer provided in the state's fiscal year 2006 operating budget. The Bond Bank holds unrestricted reserves adequate to make up shortfalls in years that investment earnings are not sufficient to fund operations.

### STATEMENT OF NET ASSETS

The statement of net assets report assets, liabilities and net assets of the Bond Bank.

#### ASSETS

Assets represent 1) the value of the Bond Bank's investments and investment income receivable on the financial statement dates, recorded at fair market value, and 2) bond principal and interest payments receivable from municipalities. The investments generate income for the Bond Bank to use to meet reserve requirements and pay operating costs. Excess investment earnings are distributed to the State of Alaska's (State) general fund each year. Interest received on bonds

purchased from municipalities is used to pay the Bond Bank's corresponding interest payments on the bonds that it has issued.

**LIABILITIES**

Liabilities represent claims against the fund for 1) goods and services provided before the financial statement date but not yet paid for at that date, and 2) interest and bond payments due to purchasers of the Bond Bank's bonds after the financial statement date.

**RESTRICTED AND UNRESTRICTED NET ASSETS**

Net assets are comprised of two components. The restricted portion reflects monies maintained in separate trust accounts where their use is limited by applicable bond covenants for repayment of bonds. The unrestricted portion reflects the accumulated excess of the Authority's share of earnings on investments held over those earnings distributed to the State as well as investment income that has not been realized and therefore is not yet subject to distribution to the State's general fund.

The following table shows the value of Bond Bank assets summarized as of June 30, 2005 and 2004 as well as liabilities and net assets.

	As of June 30		Change from 2004 to 2005 Increase (Decrease)	
	2005	2004	Dollars	Percent
<b>ASSETS</b>				
Cash and investments	\$ 531,571,233	\$ 503,966,591	\$ 27,405,322	5.4%
Bonds and bond interest receivable	408,074,781	341,840,489	66,234,292	19.4%
Total assets	<u>461,211,904</u>	<u>392,237,089</u>	<u>68,974,824</u>	<u>17.6%</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	365,881,717	178,126	348,069,191	195,413%
Bonds and bond interest payable	418,074,486	352,446,648	65,627,838	18.6%
Due to primary government	402,427	-	402,427	1000%
Total liabilities	<u>422,157,700</u>	<u>352,624,774</u>	<u>69,510,956</u>	<u>19.7%</u>
<b>NET ASSETS</b>				
Restricted	268,357,600	219,945,759	28,441,841	11.9%
Unrestricted	122,374,414	156,777,227	(34,801,413)	-21.6%
Total net assets	<u>\$ 390,761,714</u>	<u>\$ 396,121,006</u>	<u>\$ (5,361,121)</u>	<u>-1.3%</u>

\*The increase in cash and investments reflects realized and unrealized investment income.

\*The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$123 million in new bonds during the year net of principal payments on bonds previously issued of over \$54.7 million.

Communities monies received in advance of payment date are not applied to their debt liability until due. In FY2005 the increase was over \$3.4 million for the change in accounts payable and accrued liabilities.

Due to primary government represents the excess of realized investment income over current year operating expenses and reserve requirements. The increase reflects higher investment earnings on fixed income marketable securities resulting in current year realized investment income greater than current year operating expenses. There is excess investment income in the current year due to primary government.

Restricted net assets represents the original appropriations made by the State of \$18,601,414 to fund the Bond Bank, as well as Bond Bank funds placed into separate accounts in accordance with the reserve requirements of each bond indenture. There have been no new State appropriations since 1986. The increase in restricted net assets reflects a reclassification of one bond reserve fund as well as the funding of additional special reserves during the year from the Custodian account.

Unrestricted net assets represent accumulated earnings on Bond Bank investments, not used to fund reserves, and unrealized gains that are segregated until realized. The decrease in unrestricted net assets is due primarily to the funding of bond issue reserves. The Bond Bank's investments are all held in U.S. Government securities.

STATEMENTS OF ACTIVITIES

The statement of activities shows the activity that occurred during each of the last fiscal year.

Revenues

Revenues include earnings on investments and interest payments received from municipalities. Earnings on investments include interest on fixed income marketable securities and the change in fair market value of those investments.

Expenses

Expenses include interest payments made to bond holders who purchased the Bond Bank's bonds, payments made to the State of Alaska and operating expenses. Operating expenses include all expenditures required to issue bonds during the current year and include in-house expenses, as well as external consultant fees. Expenses are subtracted from revenues.

	For the Year Ended		Change from 2004 to 2005 Increase (Decrease)	
	June 30, 2005	June 30, 2004	Dollars	Percent
<b>REVENUES</b>				
Interest on investment funds receivable	\$ 15,749,064	\$ 11,329,112	\$ 4,419,952	40%
Reclassification of earnings	1,696,533	313,226	1,383,307	439%
Total revenues	17,445,597	11,642,338	5,803,259	498%
<b>EXPENSES</b>				
Interest on bonds payable	16,201,477	11,935,151	4,266,326	357%
Operating expenses	602,825	733,529	(130,704)	-18%
Payments to primary government	1,177,427	773,600	403,827	51%
Total expenses	17,981,729	13,442,280	4,539,449	34%
Change in net assets	(536,132)	(1,799,942)	1,263,810	-69%
Net assets, beginning of period	996,2306	41,347,648	(41,357,418)	-1%
Net assets, end of period	\$ 940,104	\$ 39,547,706	\$ 39,547,706	-1%

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding, the age of the bonds and the interest rates at which they are issued. The increases in both these line items are consistent with the net increase in bond interest receivable and payable of \$8.5 million and \$8.6 million, respectively.

Investment earnings are a function of market conditions. The Bond Bank uses other assets to subsidize debt service during times of low investment returns in bond reserve funds.

#### GOVERNMENTAL FUNDS

The governmental funds include the General Fund, which accounts for the primary operations of the Bond Bank, and the Debt Service Fund, which accounts for the resources accumulated and payments made on the long-term debt of the Bond Bank. The primary difference between the governmental funds and the statement of net assets is the elimination of inter-fund payables and receivables and bond proceeds are reported as an other financing source in the governmental funds and this contributes to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of debt principal is recorded as an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

The following tables show the changes in governmental funds.

#### GENERAL FUND

	As of June 30.		Change from 2004 to 2005 Increase (Decrease)	
	2005	2004	Dollars	Percent
<b>ASSETS</b>				
Cash and investments	\$ 10,657,308	\$ 14,685,271	\$ (3,397,963)	-24.1%
Accrued interest receivable	238,949	299,956	(61,007)	-20.3%
Intertfund receivable	2,019,770	723,595	1,296,175	179.1%
Total assets	<u>12,916,027</u>	<u>15,108,822</u>	<u>(2,162,795)</u>	<u>-14.3%</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	149,023	165,888	(16,865)	-10.2%
Due to primary government	402,427	-	402,427	100.0%
Total liabilities	<u>551,450</u>	<u>165,888</u>	<u>385,562</u>	<u>232.4%</u>
<b>FUND BALANCE</b>				
Unreserved	12,364,577	14,942,934	(2,548,357)	-17.1%
Total fund balance	<u>12,364,577</u>	<u>14,942,934</u>	<u>(2,548,357)</u>	<u>-17.1%</u>
Total assets and fund balance	<u>\$ 12,916,027</u>	<u>\$ 15,108,822</u>	<u>\$ (2,162,795)</u>	<u>-14.3%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DEBT SERVICE FUND

	As of June 30,		Change from 2004 to 2005 Increase (Decrease)	
	2005	2004	Dollars	Percent
<b>ASSETS</b>				
Cash and Investments and related receivables	\$ 43,638,791	\$ 36,772,951	\$ 6,865,840	18.7%
Bonds and bond interest receivable	406,646,856	341,078,902	65,567,954	19.2%
Total assets	<u>450,285,647</u>	<u>377,851,853</u>	<u>72,433,794</u>	<u>19.2%</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	3,509,794	12,238	3,497,556	28,579.5%
Interfund payables	2,019,770	723,595	1,296,175	179.1%
Total liabilities	<u>5,529,564</u>	<u>735,833</u>	<u>4,793,731</u>	<u>651.5%</u>
<b>FUND BALANCE:</b>				
Reserved	444,756,083	377,116,020	67,640,063	17.9%
Total liabilities and fund balance	<u>\$ 450,285,647</u>	<u>\$ 377,851,853</u>	<u>\$ 72,433,794</u>	<u>19.2%</u>

GENERAL FUND

	As of June 30,		Change from 2004 to 2005 Increase (Decrease)	
	2005	2004	Dollars	Percent
<b>REVENUES</b>				
Interest income	\$ 601,815	\$ 256,257	\$ 345,558	134.8%
Total income	<u>601,815</u>	<u>256,257</u>	<u>345,558</u>	<u>134.8%</u>
<b>EXPENDITURES</b>				
Operating expenses	602,825	755,529	(152,704)	-20.2%
Payments to primary government	1,177,427	775,000	402,427	51.9%
Total expenses	<u>1,780,252</u>	<u>1,530,529</u>	<u>249,723</u>	<u>16.3%</u>
Excess of revenues over expenditures	(1,178,437)	(1,274,272)	(95,835)	-7.5%
Other financing sources (used) - fund balance	(1,269,920)	(1,551,805)	(181,885)	-11.7%
Fund balance - beginning of period	14,942,934	17,769,011	(2,826,077)	-15.9%
Fund balance - end of period	<u>\$ 12,394,577</u>	<u>\$ 14,942,934</u>	<u>\$ 12,548,357</u>	<u>-17.1%</u>

DEBT SERVICE FUND

	For the Year Ended		Change from 2004 to 2005 Increase (Decrease)	
	June 30, 2005	June 30, 2004	Dollars	Percent
<b>REVENUES</b>				
Interest income on bonds receivable	\$ 15,664,431	\$ 11,329,112	\$ 4,335,319	38.3%
Investment earnings	1,179,351	57,969	1,121,382	1934.5%
Total income	16,843,782	11,387,081	5,456,701	47.9%
<b>EXPENDITURES</b>				
Interest payments	15,218,639	12,576,973	2,641,666	21.0%
Principal payments	58,345,000	34,975,000	23,370,000	66.8%
Total expenses	73,563,639	47,551,973	26,011,666	54.7%
Excess of revenues over expenditures	(56,719,857)	(36,164,892)	20,554,965	56.8%
Other financing sources -				
Bond proceeds	122,990,000	113,225,000	9,765,000	8.6%
Transfers	1,369,920	1,551,805	(181,885)	-11.7%
Excess of revenues and transfers over expenditures	67,640,063	78,611,913	(10,971,850)	-14.0%
Fund balance, beginning of period	377,116,020	298,504,107	78,611,913	26.3%
Fund balance, end of period	\$ 444,756,083	\$ 377,116,020	\$ 67,640,063	17.9%

DEBT

At year end the Bond Bank had \$398,123,878 of bonds and notes outstanding up 19% from \$333,513,378 at June 30, 2004. The debt is secured by the assets of the Bond Bank. The outstanding balance is comprised of the following:

General obligation bonds payable	\$ 294,157,500
Revenue bonds payable	92,960,000
Coastal Energy notes payable	11,005,878
	<u>\$ 398,123,378</u>

## INDEPENDENT AUDITORS' REPORT

### ELGEE REHFELD MERTZ, LLC

The Board of Directors  
Alaska Municipal Bond Bank Authority:

We have audited the accompanying basic financial statements of the Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Municipal Bond Bank Authority as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 14 through 19, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities and Account Reserves is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

*ERM*

September 23, 2005

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 212,461	5,324,110	5,536,571	-	5,536,571
Investments, at fair value (note 4)	9,614,847	37,985,705	47,600,552	-	47,600,552
Accrued interest receivable:					
Bonds receivable	15,469	8,523,478	8,538,947	-	8,538,947
Investment securities	223,480	328,976	552,456	-	552,456
Bonds receivable (note 5)	860,000	398,123,378	398,983,378	-	398,983,378
Intrafund receivables	2019,770	-	2,019,770	(2,019,770)	-
Total assets	<u>\$ 12,946,027</u>	<u>450,285,647</u>	<u>463,231,674</u>	<u>(2,019,770)</u>	<u>461,211,904</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 12,277	-	12,277	-	12,277
Deferred revenue	-	3,509,794	3,509,794	-	3,509,794
Accrued interest payable	-	-	-	8,663,608	8,663,608
Arbitrage interest rebate payable	136,746	-	136,746	-	136,746
Due to Primary Government	402,427	-	402,427	-	402,427
Intrafund payables	-	2,019,770	2,019,770	(2,019,770)	-
Long-term liabilities (notes 5 and 6)					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	21,695,000	21,695,000
Revenue bonds payable	-	-	-	4,790,000	4,790,000
Other long-term debt	-	-	-	5,400,000	5,400,000
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	282,225,000	282,225,000
Revenue bonds payable	-	-	-	89,695,000	89,695,000
Other long-term debt	-	-	-	5,605,578	5,605,578
Total liabilities	<u>551,450</u>	<u>55,295,64</u>	<u>608,1014</u>	<u>416,054,716</u>	<u>422,135,730</u>
<b>FUND BALANCES/NET ASSETS</b>					
Fund Balances:					
Reserved	-	444,756,083	444,756,083	(444,756,083)	-
Unreserved	12,394,577	-	12,394,577	(12,394,577)	-
Total fund balances	<u>12,394,577</u>	<u>444,756,083</u>	<u>457,150,660</u>	<u>(457,150,660)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,946,027</u>	<u>450,285,647</u>	<u>463,231,674</u>		
Net assets:					
Restricted for debt service:				26,838,760	26,838,760
Unrestricted				12,237,414	12,237,414
Total net assets				<u>\$ 39,076,174</u>	<u>39,076,174</u>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES/NET ASSETS

For the year ended June 30, 2005

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets
<b>REVENUES:</b>					
Investment earnings	\$ 517,182	1,179,351	1,696,533	-	1,696,533
Interest income on bonds receivable	84,633	15,064,431	15,749,064	-	15,749,064
Total revenues	601,815	16,843,782	17,445,597	-	17,445,597
<b>EXPENDITURES / EXPENSES</b>					
Debt service:					
Principal payments	-	58,345,000	58,345,000	(58,345,000)	-
Interest payments / expense	-	15,218,639	15,218,639	982,838	16,201,477
Payments to primary government	1,177,427	-	1,177,427	-	1,177,427
Professional services	491,031	-	491,031	-	491,031
Arbitrage interest	-	-	-	-	-
Personal services	71,400	-	71,400	-	71,400
Printing and advertising	26,685	-	26,685	-	26,685
Administrative travel	9,970	-	9,970	-	9,970
Office expense	3,155	-	3,155	-	3,155
Miscellaneous expenses	584	-	584	-	584
Total expenditures / expenses	1,789,252	73,563,639	75,343,891	(57,362,162)	17,981,729
Excess (deficiency) of revenues over expenditures / expenses	(1,178,437)	(56,719,857)	(57,898,294)	57,362,162	(536,132)
<b>OTHER FINANCING SOURCE / USES</b>					
Proceeds of bonds payable	-	122,900,000	122,900,000	(122,900,000)	-
Transfers to/from Custodial Fund	(2,844,181)	2,844,181	-	-	-
Transfers - internal activities	1,474,261	(1,474,261)	-	-	-
Total other financing source / use	(1,369,920)	124,369,920	122,900,000	(122,900,000)	-
Excess (deficiency) of revenues and transfers to over expenditures / expenses and transfers out	(2,548,357)	67,650,063	65,091,706	(65,627,838)	(536,132)
<b>FUND BALANCES / NET ASSETS</b>					
Beginning of the year	14,942,934	377,116,020	392,058,954	(352,446,648)	39,612,306
End of the year	\$ 12,394,577	444,756,083	457,150,660	(418,074,456)	39,076,174

## NOTES TO FINANCIAL STATEMENTS

## NOTE 1 ► HISTORY/REPORTING ENTITY

The Alaska Municipal Bond Bank Authority (Authority or Bond Bank) was created pursuant to Alaska Statute, Chapter 85, Title 44, as amended, (Act) as a public corporation and instrumentality of the State of Alaska (State), but with a legal existence independent of and separate from the State. The authority is a discretely presented component unit of the State of Alaska for purposes of financial reporting.

The Authority was created for the purpose of making moneys available to municipalities within the State to finance capital projects or for other authorized purposes by means of issuance of bonds by the Authority and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds. The Authority commenced operations in August 1975.

The bonds are obligations of the Authority, payable only from revenues or funds of the Authority, and the State of Alaska is not obligated to pay principal or interest thereon, and neither the faith and credit nor the taxing power of the State is pledged to the bonds. The municipal bonds and municipal bond payments, investments thereof and proceeds of such investments, if any, and all funds and accounts established by the bond resolution to be held by the Trustee (with the exception of the Coastal Energy Loan Debt Service Program, which is administered by the Authority) are pledged and assigned for the payment of bonds.

The Authority may not issue revenue bonds in excess of \$75 million in any fiscal year unless the State of Alaska Legislature approves a greater amount.

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This Statute has been periodically amended to raise the limit. In 2003, the limit was raised to \$500 million. Total Bond Bank bonds and notes outstanding as of June 30, 2005 are approximately \$409.4 million. Thus, the limit on additional bond issuance as of June 30, 2005 is approximately \$90.6 million.

## NOTE 2 ► SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Authority's accounting policies are described below.

## (A) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net assets and the statement of changes in net assets report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. The balance sheet and statement of revenues, expenditures and changes in fund balances are provided for governmental funds.

**(B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Authority.

The purposes of each of these funds are described in the following paragraphs:

**GENERAL FUND**

The General Fund is comprised of a custodian account and an operating account. The custodian account is established to account for appropriations by the State of Alaska Legislature available to fund the special reserve account. The Operating Account is established to account for the ordinary operations of the Authority. Moneys are derived from the following sources: (a) amounts appropriated by the Legislature, (b) fees and charges collected, (c) income on investments of the Statutory Reserve Account in excess of required debt service reserves required by bond resolutions and (d) any other moneys made available for purposes of the General Fund from any other source.

Amounts in the Operating Account may be used to pay (a) administrative expenses of the Authority, (b) fees and expenses of the Trustee and paying agents, (c) financing costs incurred with respect to issuance of bonds and (d) any expenses in carrying out any other purpose then authorized by the Act. The excess revenues of the Operating Account are returned to the State of Alaska.

**DEBT SERVICE FUND**

Within the Debt Service Fund, separate Debt Service Programs have been established for each bond resolution to account for the portion of bond sale proceeds used to purchase obligations of the municipalities and for the payment of interest and principal on all bonds of the Authority issued under the nine resolutions. Each program is comprised of an "interest account" and a "principal account", both of which are maintained by a trustee.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

The receipts of interest and principal from the municipalities and the Statutory Reserve Account are deposited in these programs and are used to pay interest and principal on the Authority bonds. One additional Debt Service Program has been established to account for transactions not involving bond resolutions. This is the Coastal Energy Loan Debt Service Program. The Coastal Energy Loan Debt Service Program is not maintained by a trustee. Payments of interest and principal by municipalities having coastal energy loans are made directly to the federal government by the municipalities and are accounted for in the Coastal Energy Loan Debt Service Program.

Each debt service fund programs contains a Statutory Reserve Account established to account for (a) money available to fund debt service reserves required by future bond sales under various bond resolutions (Custodian Account) and by (b) debt service reserves which have already been established under various bond resolutions which are to be used in the case of deficiency in a Debt Service Program in accordance with its respective bond resolution (reserve accounts). Separate reserve accounts exist under each bond resolution as follows:

*1976 General Bond Resolution* – The amount on deposit in the reserve account is to be the greater of the maximum annual debt service requirement or 10% of all municipal loan obligations outstanding. The reserve account is comprised of an ordinary reserve sub-account and a special reserve sub-account. The ordinary reserve sub-account is created as a result of the Authority increasing each bond issue by the amount necessary to fund one-third of the required debt service reserve or with a transfer from the Custodian Account unreserved investment earnings account. The special reserve sub-account is created and funded from the Custodian Account at an amount equal to two-thirds of the required debt service reserve. Both sub-accounts are maintained by a trustee.

On August 23, 1999, the Authority amended the debt service reserve requirement for the 1976 bond resolution that takes effect when all bonds outstanding as of the date of the resolution are retired. Under this new requirement, the reserve must be the least of: (i) 10% of the original stated principal amount of all bonds outstanding; (ii) the maximum annual principal and interest requirements on all bonds then outstanding; (iii) 125% of the average principal and interest requirements on all bonds then outstanding; or (iv) such lesser amount as shall be required to maintain the exemption of interest of all bonds outstanding from inclusion in gross income for federal income tax purposes under the Internal Revenue Code.

*1990 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1993 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

## Summary of Significant Accounting Policies, continued

*1995 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1997 Revenue Bond Resolution* – Under this resolution an ordinary reserve account was created at an amount equal to the lesser of 10% of the proceeds of the 1997 Series A bonds or the maximum annual debt service on all Series 1997 A bonds outstanding under the resolution.

*1998 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1999 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2000 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2001 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2002 A Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2003 A Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2003 B Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2003 C Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

*2004 A Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2004 B Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

Amounts in the Statutory Reserve Account in excess of (a) required debt service reserves, (b) appropriations by the legislature residing in the Custodian Account, and (c) income on non-legislature-appropriated funds are transferred to the Operating Account. Income on non-legislature-appropriated funds, representing excess of revenues over expenditures of the ordinary reserve accounts and interest earned on the unreserved investment earnings account is accumulated in the Custodian Account and is available to fund the Special Reserve account.

(C) RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted net assets on the statement of net assets because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$26,838,760 of restricted assets. These assets were funded from the issuance of \$9,762,500 of reserve bonds and a transfer of \$18,601,414 of State appropriation.

(D) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

(E) FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. In the government-wide financial statements, restrictions of net assets are reported when externally imposed.

(F) INTEREST ARBITRAGE REBATE

Bonds issued after August 15, 1986 are subject to Internal Revenue Service income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue.

(G) INCOME TAXES

The Authority is exempt from paying federal and state income taxes.

**NOTE 3 ► CASH**

The Authority considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents at June 30 consist of demand deposits with various financial institutions.

The bank balance of all of the Authority's deposits with financial institutions are insured by the FDIC or collateralized by securities held in the Authority's name by its custodial agent. At June 30, 2005, the amounts recorded in the Authority's books equaled its bank balances.

**NOTE 4 ► INVESTMENTS**

The fair value as of June 30, 2005 of the Authority's investments is \$47,600,552. At June 30, 2005 the investments held in the reserve accounts total \$37,985,705 and the Custodian account totals \$9,614,847.

The fair value as of June 30, 2005 of debt security investments by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Investment Maturities (In Years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Treasury securities	\$ 2,686,175	12,010,891	-	485,000	15,182,066
U.S. Government agencies securities	14,184,819	16,150,860	504,845	1,577,962	32,418,486
Total investments	\$ 16,870,994	28,161,751	504,845	2,062,962	47,600,552

**(A) INVESTMENT POLICIES**

The Authority has distinct investment objectives and policies associated with the Custodian Account, Reserve Funds, and municipal debt payments. The three classes of funds are listed below:

- Custodian Account** - The Custodian Account investment portfolio is designed with the objective of attaining the highest market rate of return subject to the required use of the Custodian Account for operation, funding transfers to the state, and funding reserves. When the Custodian Account balance allows, a longer investment horizon is implemented for the Custodian Account, accepting the limited probability of short-term loss in exchange for higher yield on investments. The Custodian Account balance must exceed \$15 million, and be forecast to exceed \$15 million for the subsequent six month period before return on investment will be the highest priority of the Custodian Account. The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year's state dividend, and to allow transfers to reserves as needed for bond issuance activity. Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## Investment Policies, continued

- ▶ The Custodian Account balance is a critical component in determining anticipated life, ability to diversify, and investment policy in this account. Accordingly, when the account balance is above \$15 million a more aggressive policy will be implemented. When the account balance is below \$15 million a more conservative policy will be used.
- ▶ Shifting from one asset allocation to another may be approved by the investment committee.
- ▶ There are no arbitrage restrictions.
- ▶ When the Custodian Account balance is less than \$15 million:
  - 100% government agencies and U.S. Treasuries with maturities of less than 5 years.
  - Performance benchmark is 100% Merrill Lynch 1-5 Government Index.
- ▶ When the Custodian Account balance exceeds and is expected to remain in excess of \$15 million:
  - 10% Money Market Fund.
  - 90% Broad US Bond Market Fund.
  - Performance benchmark is 10% Three-month U.S. Treasury Bill and 90% Lehman Brothers Aggregate Index.
- ▶ The following transactions are prohibited with the Custodian Account unless those transactions have the prior written consent of the Investment Committee:
  - Short sale of securities (the sale and settlement of a security not currently owned by the Authority and a formal agreement to borrow the security to facilitate the settlement of the short sale);
  - Purchases of futures, forwards or options for the purpose of speculating (currency futures, forwards and options are permitted only for hedging or to facilitate otherwise permissible transactions);
  - Borrowing to leverage the return on investments. Extended settlement of securities purchases executed to facilitate or improve the efficiency of a transaction will not be considered borrowing, provided that sufficient cash equivalent securities or receivables are available to facilitate the extended settlement;
  - Purchases of "private placement" or unrated corporate bonds;
- Bond Reserve Funds — Preservation of Principal is the foremost objective of the Reserve Funds investment program. These Funds shall be managed to ensure that the corpus is preserved. These Funds will not be expended until the final maturity of the bond issue they secure, unless there is a failure to pay debt service by a community. As there is limited benefit in maximizing return it is the least important objective of

the Reserve Funds. It is anticipated that the Reserve Funds cumulative average return should target the blended arbitrage yield limit of the bond issues secured.

- Bond Resolutions limit allowed investment of these funds. Investment risk should be examined on an annual basis to ensure that no greater than the minimum level of risk required to achieve the highest probability of earning the arbitrage yield limit on the bonds is incurred.
  - 100% government agencies and U.S. Treasuries with maturities of less than 5 years.
  - Performance benchmark is 100% Merrill Lynch 1-5 Government Index.
- Municipal Debt Payments — Preservation of Principal and liquidity are the foremost objectives of the Municipal Debt Payments investment program, as these funds will be expended within seven business days of receipt. Return on investment is a benefit of holding these funds for the advance payment period, but not the focus of investing the funds. The bond resolutions limit investments.
- 100% Money Market Fund.
  - Performance benchmark is 10% Three-month U.S. Treasury Bill.

It is the policy of the Authority to diversify its investments and to ensure the safety and liquidity of the investments by observing the following sound investment practices:

- Not more than 5% of the Custodian Account may be invested in the corporate debt of any one issuer, at the time of purchase.
- In the event of a credit downgrade which reduces a security below the required rating written notification will be made to the Investment Committee setting forth the particulars of the downgrade and recommending a course of action.
- Not more than 50% of the Custodian Account may be invested in corporate securities, at the time of purchase.
- The duration of the Custodian Account must remain within 80 to 120 percent of the duration of the Lehman Brothers Aggregate Index.
- Purchases of more than 10% of a corporate bond issue shall not be made.

(B) CONCENTRATION RISK

Concentration risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for pledged investments. The Authority's policies set out maximum concentration limits for investments managed by the external investment manager.

(C) CREDIT RISK

Credit risk is the risk of loss due to the failure of the security or backer. The Authority mitigates its credit risk by limiting investments permitted in the investment policies. The credit quality ratings of the Authority's investments are AAA and Aaa as of June 30, 2005 as described by nationally recognized statistical rating organization Standard and Poor, and Moody's, respectively.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

U.S. Treasury securities and securities of agencies that are explicitly guaranteed by the U.S. government total \$47,600,552, and are not considered to have credit risk.

## (D) CUSTODIAL CREDIT RISK

The Authority assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has not established a formal custodial credit risk policy for its investments.

The Authority had no investments registered in the name of a counterparty.

## (E) INTEREST RATE RISK

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-pledged investments, the Authority mitigates interest rate risk by structuring its investment's maturities to meet cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in its bond indentures and contractual and statutory agreements.

## (F) MODIFIED DURATION

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Authority's investments with their weighted average modified duration as of June 30, 2005 by investment type:

	Investment Fair Value	Modified Duration
U.S. Treasury securities	\$ 15,182,066	308
U.S. Government agencies securities	32,418,486	385
Total Portfolio	<u>\$ 47,600,552</u>	<u>360</u>

The Authority's investment policies require the duration of the Custodian Account must remain within 80 to 120 percent of the duration of the Lehman Brothers Aggregate Index.

**NOTE 5 ► BOND AND NOTES RECEIVABLE**

Bonds and notes receivable by debt service program at June 30, 2003 mature in varying annual installments as follows:

Year ending June 30	1976 General	1995A Seward Revenue	1997A Ketchikan Revenue	1998B Ketchikan Revenue	1998B Homer Revenue	1999A Inter-Island Ferry Revenue
2006	\$ 19820500	170000	690000	660000	235000	75000
2007	18025000	180000	725000	685000	250000	80000
2008	17000000	195000	760000	715000	255000	85000
2009	16905000	205000	800000	755000	180000	85000
2010	17115000	215000	840000	785000	185000	90000
2011-2015	78788000	1300000	4930000	2570000	-	535000
2016-2020	71589000	-	3665000	-	-	710000
2021-2025	46035000	-	-	-	-	-
2026-2030	8800000	-	-	-	-	-
2031 and after	-	-	-	-	-	-
	<u>\$294157500</u>	<u>2265000</u>	<u>12410000</u>	<u>6170000</u>	<u>1105000</u>	<u>1660000</u>

Year ending June 30	2000A Unalaska Revenue	2000B Seward Revenue	2001A Ketchikan Revenue	2001B Ketchikan Revenue	2002A Ketchikan Revenue	2003A CBI Revenue
2006	\$ 445000	105000	80000	115000	460000	1445000
2007	-	110000	85000	120000	475000	1490000
2008	-	115000	90000	130000	490000	-
2009	-	120000	90000	135000	505000	-
2010	-	125000	95000	140000	520000	-
2011-2015	-	745000	555000	825000	2930000	-
2016-2020	-	950000	555000	820000	-	-
2021-2025	-	455000	-	-	-	-
2026-2030	-	-	-	-	-	-
2031 and after	-	-	-	-	-	-
	<u>\$ 445000</u>	<u>2725000</u>	<u>1550000</u>	<u>2285000</u>	<u>5380000</u>	<u>2935000</u>

Year ending June 30	2003B Valdez Revenue	2003C Kodiak Revenue	2004A CBI Revenue	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal
2006	-	200000	-	110000	5400000	60010000
2007	665000	200000	500000	95000	300000	24055000
2008	675000	205000	515000	100000	300000	24720000
2009	680000	215000	535000	100000	300000	24710000
2010	680000	-	555000	105000	350000	24905000
2011-2015	5095000	-	3120000	600000	2250000	10415000
2016-2020	6600000	-	3875000	700000	1705878	94190878
2021-2025	4695000	-	4995000	905000	-	57085000
2026-2030	-	-	6460000	1145000	-	16485000
2031 and after	-	-	8290000	1455000	-	9765000
	<u>\$ 19000000</u>	<u>820000</u>	<u>28845000</u>	<u>765000</u>	<u>11905878</u>	<u>398124178</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The general fund includes \$150,000 of 7.9% bonds receivable due from the City of Haines that mature through 2009, and \$710,000 of 6.9% bonds receivable due from the City of Yakutat that mature through 2014.

Under the Coastal Energy Loan Program (Program), the Authority issued \$5,000,000 1986 Series A Coastal Energy Bonds (Bonds) payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome. The City of Nome entered into a tripartite agreement with NOAA and the Authority effective August 2, 1994 to defer payment of the principal and accrual of interest for ten years. The related loan payable does not represent a general obligation of the Authority as it is payable only from proceeds received from the City of Nome.

Also under the Program, the Authority issued \$6,563,000 1987 Series A Coastal Energy Bonds payable to NOAA. The proceeds of these bonds were used to purchase port revenue bonds from the City of St. Paul. The City of St. Paul entered into a tripartite agreement with NOAA and the Authority effective December 14, 2000 to modify and amend the repayment terms including principal and interest.

The related loan payables do not represent a general obligation of the Authority as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank.

NOTE 6 ► LONG TERM LIABILITIES

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
1976 General Fund Revenue Bonds				
1976 Series A City of Haines Revan Bonds through	4 7/8%	\$ 150,000	5 3/4%	\$ 710,000
1976 Series C (Lake and Personal Property)	7 1/2%	5,000,000	—	—
1980 Series D - City of Haines	7 1/2%	3,000,000	—	—
1996 Series A City of Haines City of Haines	4 1/8%	9,000,000	—	—
1998 Series B City of Haines	4 3/8%	8,000,000	—	—
1997 Series A Lake and Personal Property City of Haines	6 3/4%	5,000,000	—	—
1997 Series C - City of Haines	4 1/8%	11,500,000	—	—
1995 Series A City of Wrangell Municipal Fund through	4 1/8%	1,000,000	—	1,000,000
1996 Series B City of Haines City of Haines	4 1/8%	1,000,000	—	—
1994 Series A City of Nome Municipal Fund through	4 7/8%	9,000,000	4 7/8%	9,000,000



Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
	2000 Series A City of Fairbanks City of Cordova	5.5%-5.875%	2,530,000	-
2000 Series B City of Kaktovik City of Sitka City of Unalaska	4.8%-6%	2,960,000	-	-
2000 Series C - Northwest Arctic Borough	4.5%-5.75%	6,360,000	-	-
2000 Series D - Peleliung	4.55%-5.70%	1,580,000	-	-
2000 Series E Kotai Kodiak Island Borough Lake and Peninsula Wrangell Nome School	4.75%-5.375%	10,577,000	7%-5.375%	473,000
2000 Series F - Kodiak Island Borough	6.0%-9%	810,000	-	-
2001 Series A - Northwest Arctic Borough	4.4%-7%	13,850,000	4.4%-5%	420,000
2001 Series B - Aleutians East Borough	3.875%-4.75%	4,195,000	3.875%-4.75%	285,000
2002 Series A - City of Wrangell	2.5%-4.5%	11,715,000	2.5%-4.5%	765,000
2002 Series B City of Wrangell Northwest Arctic Borough	3.875%-4.80%	10,530,000	3.875%-4.80%	525,000
2003 Series A - Kodiak-Kodiak Gateway Borough	3.70%-4.80%	8,440,000	4.80%	305,000
2003 Series B - Kodiak Island Borough	2.00%-4.75%	2,045,000	-	-
2003 Series C Kodiak Peninsula Borough Lake & Peninsula Borough	2.00%-3.625%	6,700,000	2.00%-3.625%	210,000
2003 Series D	4.00%-6.00%	13,600,000	4.00%-6.00%	305,000
2003 Series E Aleutians East Borough Kodiak Peninsula Borough	2.00%-3.25%	31,125,000	-	-
2003 Series F - Seward	2.00%-3.5%	1,600,000	-	-
2003 Series G - NW Arctic Borough	2.00%-3.60%	22,825,000	-	-
2004 A Series Kortovik Sika	1.00%-4.40%	25,300,000	3.0%-4.40%	500,000
2004 B Series Nome Adak Petersburg Oro Seward	2.00%-4.00%	16,438,500	2.00%-4.00%	311,500
2004 C Series Kodiak Island Borough Egegik Eldorado	4.00%-6.00%	14,207,000	5.00%	265,000
2004 D Series Adak Kodiak Island Borough	2.00%-5.00%	12,500,000	3.00%	137,000
2005 A Series Cordova Ladysburg Kodiak-Kodiak Gateway Borough Northwest Arctic Borough Sika Eggen	2.75%-5.00%	31,180,000	2.75%-5.00%	147,000

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

ISSUE	Debt Service Account		Statutory Reserve Account: Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
2005 B Series:		27,160,000	5.00%	465,000
Haines	4.00%-5.00%			
Ketchikan Gateway Borough	3.00%-5.25%			
City of North Pole	3.00%-5.25%			
Palmer	3.00%-5.00%			
Sitka	3.00%-5.25%			
Total 1976 General Bond Resolution Fund		<u>29,415,750</u>		<u>470,500</u>
1995A Seward Revenue Bond Resolution Program	4.85%-7.35%	2,265,000	-	-
1997A Ketchikan Revenue Bond Resolution Program	4.9%-5.75%	1,241,000	4.9%-5.75%	1,525,000
1998A Ketchikan Revenue Bond Resolution Program	4%-4.7%	6,170,000	-	-
1998B Haines Revenue Bond Resolution Program	4%-4.5%	1,105,000	-	-
1999A Inter-Island Ferry Revenue Bond Resolution Program	5.125%-5.9%	1,660,000	-	-
2000A Kodiak Revenue Bond Resolution Program	4.9%-5.75%	445,000	-	-
2000B Seward Revenue Bond Resolution Program	4.35%-5.5%	2,725,000	-	-
2001A Ketchikan Revenue Bond Resolution Program	4.5%-4.9%	1,550,000	-	-
2001B Kodiak Revenue Bond Resolution Program	4.5%-4.9%	2,255,000	-	-
2002A Ketchikan Revenue Bond Public Utilities	3.00%-5.00%	5,480,000	-	-
2003A CBI Revenue Bond Resolution Program	2.00%-3.00%	2,935,000	-	-
2003C City of Valdez Bond Resolution Program	2.75%-5.25%	2,000,000	-	-
2003D City of Kodiak Bond Resolution Program	2.00%-3.00%	8,200,000	-	-
2004A City and Borough of Homer Bond Resolution Program	6.25%-8.475%	2,845,000	-	-
2004B Valdez Revenue Bond Resolution Program	4.00%-4.75%	5,365,000	-	-
Total Revenue Funds		<u>62,900,000</u>		<u>1,525,000</u>
Capital Energy Revenue Loan Account:				
City of North Pole Energy Revenue Bond	4.50%	5,000,000	-	-
City of Seward Energy Revenue Bond	4.50%	6,058,750	-	-
Total Capital Energy Revenue Loan Account		<u>11,058,750</u>		<u>-</u>
		<u>\$ 73,958,750</u>		<u>\$ 1,525,000</u>

During the year ended June 30, 2005 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments	End of year
General obligation bonds payable:	\$ 26,782,500	88,780,000	52,685,000	62,877,500
Revenue bonds payable:	6,890,000	31,210,000	56,300,000	21,790,000
Other long-term debt:	11,058,750	-	30,000	10,758,750
Total	<u>\$ 44,731,250</u>	<u>122,990,000</u>	<u>109,015,000</u>	<u>\$ 64,706,250</u>

General obligation bonds are secured by bonds receivable and by amounts in the ordinary reserve account. The Act further provides that if a municipality defaults on its principal and/or interest payments, upon written notice by the Authority, the State of Alaska must pay to the Authority all funds due from the defaulting municipality from the State in an amount sufficient to clear the default. Loans made under the Coastal Energy Loan Program are payable only from proceeds received from the municipalities to which the loans were made.

The above bonds mature in varying annual installments. The maturities at June 30, 2005 are as follows:

Year ending June 30	- 1976- General	Reserve	1995A Seward Revenue	1997A Ketchikan Revenue	General Reserve	1998A Ketchikan Revenue	1998B Home Revenue
2006	\$ 19,820,500	1,874,500	170,000	690,000	-	660,000	235,000
2007	18,025,000	1,155,000	180,000	725,000	-	685,000	250,000
2008	17,000,000	800,000	195,000	760,000	-	715,000	255,000
2009	16,905,000	75,000	205,000	800,000	-	755,000	180,000
2010	17,115,000	5,000	215,000	840,000	-	785,000	185,000
2011-2015	78,788,000	2,287,000	1,300,000	4,930,000	-	2,370,000	-
2016-2020	71,589,000	1,006,000	-	3,665,000	1,525,000	-	-
2021-2025	46,035,000	2,560,000	-	-	-	-	-
2026-2030	8,880,000	-	-	-	-	-	-
2031 and after	-	-	-	-	-	-	-
	<u>\$ 294,157,500</u>	<u>9,762,500</u>	<u>2,265,000</u>	<u>12,410,000</u>	<u>1,525,000</u>	<u>6,170,000</u>	<u>1,105,000</u>

Year ending June 30	1999A Inter-Island Ferry Revenue	2000A Unalaska Revenue	2000B Seward Revenue	2001A Ketchikan Revenue	2002B Ketchikan Revenue	2002A Ketchikan Revenue	2003A CBI Revenue
2006	75,000	445,000	105,000	80,000	115,000	460,000	1,445,000
2007	80,000	-	110,000	85,000	120,000	475,000	1,490,000
2008	85,000	-	115,000	90,000	130,000	490,000	-
2009	85,000	-	120,000	90,000	135,000	505,000	-
2010	90,000	-	125,000	95,000	140,000	520,000	-
2011-2015	535,000	-	745,000	555,000	825,000	2,940,000	-
2016-2020	710,000	-	950,000	555,000	820,000	-	-
2021-2026	-	-	455,000	-	-	-	-
2026-2029	-	-	-	-	-	-	-
2031 and after	-	-	-	-	-	-	-
	<u>\$ 1,600,000</u>	<u>445,000</u>	<u>2,725,000</u>	<u>1,550,000</u>	<u>2,285,000</u>	<u>5,480,000</u>	<u>29,750,000</u>

Year ending June 30	2003B Valdez Revenue	2003C Kodiak Revenue	2004A CBI Revenue	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal	Total Interest
2006	-	200,000	-	110,000	5,400,000	31,885,000	17,960,479
2007	6,750,000	200,000	300,000	95,000	400,000	25,230,000	16,598,854
2008	6,750,000	205,000	315,000	100,000	400,000	22,540,000	13,696,521
2009	6,800,000	215,000	330,000	100,000	400,000	21,785,000	14,826,328
2010	6,800,000	-	355,000	105,000	450,000	21,905,000	14,947,354
2011-2015	3,005,000	-	1,120,000	600,000	2,250,000	106,440,000	55,636,374
2016-2020	6,600,000	-	1,575,000	730,000	1,705,878	9,373,0878	44,431,444
2021-2025	4,695,000	-	1,995,000	905,000	-	8,965,000	13,499,601
2026-2030	-	-	6,460,000	1,145,000	-	16,485,000	45,26,244
2031 and after	-	-	8,290,000	1,475,000	-	9,765,000	14,766,25
	<u>\$ 19,000,000</u>	<u>8,200,000</u>	<u>28,845,000</u>	<u>5,365,000</u>	<u>11,005,878</u>	<u>309,419,878</u>	<u>187,519,818</u>

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

## NOTE 7 ► ADJUSTMENTS

Certain adjustments are considered to be necessary to the governmental funds in order to present the Authority's financial position and the results of its operations. These adjustments include the elimination of inter-fund payables and receivables. Additionally, bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

## NOTE 8 ► COMMITMENTS

In fiscal year 2006, \$250,000 in earnings from the Custodian Account will be transferred to the State of Alaska and deposited in the State's Debt Service Fund. The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

## NOTE 9 ► SUBSEQUENT EVENT

Subsequent to June 30, 2005, the Bond Bank issued two general obligation bond series to follow:

General Obligation Bonds, 2005 Series C, in the face amount of \$32,060,000 with interest rates ranging from 4.0% to 5.00% over maturities of October 1, 2006 through October 1, 2025.

General Obligation Bonds, 2005 Series One, in the face amount of \$18,450,000, sold in October 2005. Interest rates ranging from 3.00% to 5.25% over maturities of June 1, 2006 through June 2025.

In September 2005, \$250,000 in earnings from the Custodian Account was transferred to the State of Alaska and deposited in the State's Debt Retirement Fund.

City of Nome and St. Paul have entered in negotiations, with NOAA, for the restructuring and possible forgiveness for their respective Coastal Energy loans. The related loan payables do not represent a general obligation of the Authority, as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank. Loan payments due in August 2005 have not been made.



THE BOND BANK

*An Idea That Works*



SUPPLEMENTAL SCHEDULE OF SIMULATORY RESERVE ACCOUNTS — ASSETS, LIABILITIES AND ACCOUNT RESERVES

For the year ended June 30, 2005

	1976 General "Ordinary"	1976 Special	1990A Yakutat	1995A Seward	1997A Ketchikan
<b>ASSETS</b>					
Cash	\$ 1,209,148	194,219	-	2,685	20,531
Accrued interest receivable	32,714	207,221	-	5,106	14,200
Marketable securities	8,495,264	20,149,168	-	297,083	1,508,623
Interaccount receivables	1,027,439	408,407	-	-	-
	<u>10,764,565</u>	<u>20,959,015</u>	<u>-</u>	<u>304,874</u>	<u>1,543,354</u>
<b>LIABILITIES</b>					
Interaccount payables	847,180	2,416,167	-	4,517	95,265
Bond payable	9,762,500	-	-	-	1,525,000
Accrued interest payable	133,299	-	-	-	6,831
	<u>10,742,979</u>	<u>2,416,167</u>	<u>-</u>	<u>4,517</u>	<u>1,627,096</u>
<b>RESERVES</b>					
Special Reserve - State Appropriated	-	15,663,302	-	299,550	-
Special Reserve - Unappropriated	-	2,944,602	-	-	-
Special Reserve - Unrealized Gain (Loss)	-	(65,056)	-	807	-
Ordinary Reserve - Unallocated	121,570	-	-	-	(74,765)
Ordinary Reserve - Unrealized Gain (Loss)	(99,984)	-	-	-	(8,977)
	<u>21,586</u>	<u>15,542,848</u>	<u>-</u>	<u>300,357</u>	<u>(83,742)</u>
	<u>\$10,764,565</u>	<u>20,959,015</u>	<u>-</u>	<u>304,874</u>	<u>1,543,354</u>

	1998A Ketchikan	1998B Homer	1999A In-er-Island	2000A Unalaska	2000B Seward
<b>ASSETS</b>					
Cash	\$ 57,203	10,283	22,707	22,288	27,839
Accrued interest receivable	30,338	5,710	458	688	688
Marketable securities	1,271,657	24,203	149,438	224,156	224,156
Interaccount receivables	4,512	-	-	-	2,893
	<u>1,363,750</u>	<u>25,806</u>	<u>172,603</u>	<u>247,132</u>	<u>255,576</u>
<b>LIABILITIES</b>					
Interaccount payables	2,0083	5,727	6,394	9,523	2,931
Bond payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
	<u>2,0083</u>	<u>5,727</u>	<u>6,394</u>	<u>9,523</u>	<u>2,931</u>
<b>RESERVES</b>					
Special Reserve - State Appropriated	1,341,299	251,396	169,804	243,000	248,518
Special Reserve - Unappropriated	-	-	-	-	-
Special Reserve - Unrealized Gain (Loss)	2,368	893	(3,595)	(5,391)	4,127
Ordinary Reserve - Unallocated	-	-	-	-	-
Ordinary Reserve - Unrealized Gain (Loss)	-	-	-	-	-
	<u>1,343,667</u>	<u>252,289</u>	<u>166,209</u>	<u>237,609</u>	<u>252,645</u>
	<u>\$ 1,363,750</u>	<u>25,806</u>	<u>172,603</u>	<u>247,132</u>	<u>255,576</u>

## SUPPLEMENTAL SCHEDULE OF STATUTORY RESERVE ACCOUNTS — ASSETS, LIABILITIES AND ACCOUNT RESERVES

For the year ended June 30, 2005

	2001A Ketchikan	2001B Ketchikan	2002A Ketchikan	2003A CBI	2000B Valdez
<b>ASSETS</b>					
Cash	\$ 32,174	33,764	36,300	22,872	16,288
Accrued interest receivable	352	611	805	1,594	20,256
Marketable securities	124,531	199,250	597,750	544,767	1,749,879
Interaccount receivables	-	-	-	-	9,407
	<u>157,057</u>	<u>233,625</u>	<u>634,855</u>	<u>569,233</u>	<u>1,795,830</u>
<b>LIABILITIES</b>					
Interaccount payables	5,407	8,547	24,231	6,691	-
Bond payable	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
	<u>5,407</u>	<u>8,547</u>	<u>24,231</u>	<u>6,691</u>	<u>-</u>
<b>RESERVES</b>					
Special Reserve - State Appropriated	154,675	229,870	-	-	-
Special Reserve - Unappropriated	-	-	625,000	568,500	1,780,063
Special Reserve - Unrealized Gain (Loss)	(2,995)	(4,792)	(14,376)	(5,958)	15,767
Ordinary Reserve - Unallocated	-	-	-	-	-
Ordinary Reserve - Unrealized Gain (Loss)	-	-	-	-	-
	<u>151,680</u>	<u>225,078</u>	<u>610,624</u>	<u>562,542</u>	<u>1,795,830</u>
\$	<u>157,057</u>	<u>233,625</u>	<u>634,855</u>	<u>569,233</u>	<u>1,795,830</u>

	2003C Kodiak	2004A CBI	2004B Anchorage	Total
<b>ASSETS</b>				
Cash	\$ 26,774	34,569	44,674	1,814,317
Accrued interest receivable	211	7,385	607	328,974
Marketable securities	740,339	1,836,124	297,787	47,955,705
Interaccount receivables	283	-	-	1,452,971
	<u>101,306</u>	<u>1,878,078</u>	<u>343,068</u>	<u>41,581,967</u>
<b>LIABILITIES</b>				
Interaccount payables	56	16,349	3,673	3,472,741
Bond payable	-	-	-	11,287,500
Accrued interest payable	-	-	-	149,130
	<u>56</u>	<u>16,349</u>	<u>3,673</u>	<u>14,900,371</u>
<b>RESERVES</b>				
Special Reserve - State Appropriated	-	-	-	18,601,414
Special Reserve - Unappropriated	101,500	1,875,750	311,931	8,237,346
Special Reserve - Unrealized Gain (Loss)	(250)	(14,021)	(2,536)	(95,008)
Ordinary Reserve - Unallocated	-	-	-	46,805
Ordinary Reserve - Unrealized Gain (Loss)	-	-	-	(108,961)
	<u>101,250</u>	<u>1,861,729</u>	<u>309,395</u>	<u>26,681,596</u>
\$	<u>101,306</u>	<u>1,878,078</u>	<u>343,068</u>	<u>41,581,967</u>

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/3/06

FURTHER: Finance

Date of 5-Day Notice: 2/9/06  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/22/06

Community and Regional Affairs Committee considered

SENATE BILL NO. 265

### SB 265 BONDS OF BOND BANK AUTHORITY

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; 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 \_\_\_\_\_ Committee

**CS Senate Bill:**

- Same Title
- New Title

**SCS House Bill:**

- Same Title
- Technical Title Change
- New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/10	✓			1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

**SIGNATURES AND RECOMMENDATIONS:**

Wagoner  
Stedman  
G. Skens

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Thomas W. Wagoner</i>	✓			
<i>Bob Stedman</i>	✓			
<i>Gary Skens</i>	—			
CHAIR:				

**SB**

**271**

**HFIN**

**FILE**

## **SB 271 NEPA**

The National Environmental Policy Act (NEPA) requires the evaluation of the environmental effects of any project with federal funding.

Alaska is one of five states participating in a federal pilot program delegating the review and approval of NEPA documents and related environmental approvals.

NEPA documents for highway projects are currently written by the State and submitted to the Federal Highway Administration (FHWA) for approval. In some cases these documents must be reviewed by FHWA Staff in Washington D.C. before the Alaska Division of FHWA can approve the document.

Under the pilot program DOT Headquarters will review and approve these documents. This insures that Alaskans are making decisions about Alaska, just like how Fish and Game makes decisions about the management of Alaska's fish and game.

The pilot program will streamline the environmental approval process for transportation projects using federal funds.

This does **NOT** weaken any environmental laws. Documents must meet the requirements of NEPA and all applicable state and federal environmental laws and regulations. Participation in the pilot program gives the state the opportunity to make sure that Alaska's priority projects are receiving priority attention.

Alaskans want improved highway and ferry transportation, while maintaining a clean environment. Under the pilot program Alaskans can have both quicker development of projects and better environmental decisions.

### **Does participation in the NEPA process grow government?**

Participation in this pilot project adds 4 positions to DOT and 1 to DOL. These positions are not being funded out of the general fund – they are funded with CIP receipts. There are two examples of how this program is an investment in our transportation infrastructure:

- If just one project a year gets to the construction phase one year sooner because Alaskans understand the issues and concerns discussed in a NEPA document, the money saved - due just to inflation - will pay for these positions.
- Alaskans prioritizing NEPA documents can insure that those projects needing review and approval for the upcoming construction season get it. With Alaska's short construction season, a one month delay, can mean the loss of the whole construction season.

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB271  
P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

February 7, 2006

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would authorize the Alaska Department of Transportation and Public Facilities to assume certain federal programmatic and environmental responsibilities as provided for by the United States Congress in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), P.L. 109-59. A prerequisite to assumption of the duties is that the State of Alaska agree to a waiver of immunity to suit in federal court for those duties specifically assumed from the United States Department of Transportation.

Under the recent SAFETEA-LU amendments, the State of Alaska is one of only five named states with the opportunity to participate in a so-called "pilot program" for assumption of duties and responsibilities under 23 U.S.C. 327 (National Environmental Policy Act of 1969). This bill provides a unique opportunity for the State of Alaska to have more direct involvement, and control, in the planning and decision-making process involved with many public projects.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure

COMMITTEE COPY



# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2  
Bill Version: SB 271  
(S) Publish Date: 2/8/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DEC  
Title NEPA Pilot Program RDU \_\_\_\_\_  
Component \_\_\_\_\_  
Sponsor Rules Committee \_\_\_\_\_  
Requester Governor Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Prepared by: Molly Hicks  
Division: Office of the Commissioner  
Approved by: Kurt Fredriksson  
Agency: Department of Environmental Conservation

Phone: 465-5065  
Date/Time: 12/21/05 9:12am  
Date: 12/21/05 10:02am

# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 271  
(S) Publish Date: 2/8/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
Title: NEPA Pilot Project RDU: Design, Engineering, Construction  
Component: Statewide Design & Eng Svcs  
Sponsor: \_\_\_\_\_  
Requester: Governor Component No.: 2357

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	422.7	422.7	422.7	422.7	422.7	
Travel	50.0	50.0	50.0	50.0	50.0	
Contractual	154.7	154.7	154.7	154.7	154.7	
Supplies	20.0	10.0	10.0	10.0	10.0	
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>647.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

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

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1061 CIP Rcpts	647.4	637.4	637.4	637.4	637.4	
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>647.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	4	4	4	4	4
Part-time					
Temporary					

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

Under Section 6005 of SAFETEA-LU, the State of Alaska may assume the responsibilities of the Federal Highway Administration (FHWA) under the National Environmental Policy Act of 1969. Specifically, the FHWA may assign, with some exceptions, all or part of their responsibilities for environmental review, consultation, approvals or other actions required under any federal environmental law pertaining to the review and approval of federally funded projects. For the State to assume these obligations 1) DOT/PF requires two positions to fulfill the role of performing federal actions such as reviewing and approving federal environmental documents, 4(f) statements and environmental document re-evaluations (2 positions at range 24C and 2 positions at range 21C plus support costs). 2) the Attorney General's office requires one position to perform required legal sufficiency reviews of environmental documents (provided through a reimbursable services agreement (RSA)). Federal authorization for this pilot program expires in FY2011.

Prepared by: Nancy Siagle, Director  
Division: Administrative Services  
Approved by: Mike Barton  
Agency: DOT&PF

Phone: 465-3911  
Date/Time: 12/30/05 9:00am  
Date: 12/30/05

**SB**

**271**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
APR 20 2006  
SENATE FINANCE COMMITTEE

DATE: 3/10/06

FURTHER:

DATE TURNED IN TO OFFICE: 21 April 2006

Finance Committee considered

SENATE BILL NO. 271

## SB 271 AUTHORIZE HWY PROGRAM PARTICIPATION

"An Act authorizing the commissioner of transportation and public facilities to participate in certain federal highway programs and relating to that authorization; relating to powers of the attorney general to waive immunity from suit in federal court related to those programs; 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 \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#
DOTPF	12/30/05	647.4			#1
DEC	12/21/05			✓	#2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

# FISCAL NOTE

REPORTED OUT  
APR 20 2006  
SENATE FINANCE COMMITTEE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 271  
(S) Publish Date: 2/8/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
Title: NEPA Pilot Project RDU: Design, Engineering, Construction  
Component: Statewide Design & Eng Svcs  
Sponsor: \_\_\_\_\_ Component No.: 2357  
Requester: Governor

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	422.7	422.7	422.7	422.7	422.7	
Travel	50.0	50.0	50.0	50.0	50.0	
Contractual	154.7	154.7	154.7	154.7	154.7	
Supplies	20.0	10.0	10.0	10.0	10.0	
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>647.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOL** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1061 CIP Rcpts	647.4	637.4	637.4	637.4	637.4	
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>647.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>637.4</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	4	4	4	4	4
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)  
Under Section 6005 of SAFETEA-LU, the State of Alaska may assume the responsibilities of the Federal Highway Administration (FHWA) under the National Environmental Policy Act of 1969. Specifically, the FHWA may assign, with some exceptions, all or part of their responsibilities for environmental review, consultation, approvals or other actions required under any federal environmental law pertaining to the review and approval of federally funded projects. For the State to assume these obligations 1) DOT/PF requires two positions to fulfill the role of performing federal actions such as reviewing and approving federal environmental documents, 4(f) statements and environmental document re-evaluations (2 positions at range 24C and 2 positions at range 21C plus support costs), 2) the Attorney General's office requires one position to perform required legal sufficiency reviews of environmental documents (provided through a reimbursable services agreement (RSA)). Federal authorization for this pilot program expires in FY2011.

Prepared by: Nancy Slagle, Director  
Division: Administrative Services  
Approved by: Mike Barton  
Agency: DOT&PF

Phone: 465-3911  
Date/Time: 12/30/05 9:00am  
Date: 12/30/05

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 271  
 (S) Publish Date: 2/8/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DEC  
 Title NEPA Pilot Program RDU \_\_\_\_\_  
 Component \_\_\_\_\_  
 Sponsor Rules Committee Component No. \_\_\_\_\_  
 Requester Governor

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

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

**FUND SOURCE** (Thousands of Dollars)

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Part-time						
Temporary						

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

Prepared by: Molly Hicks Phone 465-5065  
 Division: Office of the Commissioner Date/Time 12/21/2005 9:12am  
 Approved by: Kurt Fredriksson Date 12/21/05 10:02am  
 Agency: Department of Environmental Conservation

SENATE FINANCE COMMITTEE  
3 / 21 / 2006 COMMITTEE ACTION

Bill Number	SB 271		
Amendment			
Motion	to report from Committee		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	Bunde		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<b>MOTION</b>	WITHDRAWN		

the Secretary and the terms of the proposed agreement with the State; and

“(B) provide an opportunity for public comment.

“(3) SELECTION CRITERIA.—The Secretary may approve the application of a State to assume responsibilities under the program only if—

“(A) the requirements under paragraph (2) have been met; and

“(B) the Secretary determines that the State has the capability to assume the responsibilities.

“(4) OTHER FEDERAL AGENCY VIEWS.—Before assigning to a State a responsibility of the Secretary that requires the Secretary to consult with another Federal agency, the Secretary shall solicit the views of the Federal agency.

“(d) STATE DEFINED.—With respect to the recreational trails program, the term ‘State’ means the State agency designated by the Governor of the State in accordance with section 206(c)(1).

“(e) PRESERVATION OF PUBLIC INTEREST CONSIDERATION.—Nothing in this section shall be construed to limit the requirements under any applicable law providing for the consideration and preservation of the public interest, including public participation and community values in transportation decisionmaking.”

(b) CONFORMING AMENDMENT.—The analysis for chapter 3 of title 23, United States Code, is amended by adding after the item relating to section 324 the following: 23 USC 301.

\* 325. State assumption of responsibilities for certain programs and projects.”

**SEC. 6004. STATE ASSUMPTION OF RESPONSIBILITY FOR CATEGORICAL EXCLUSIONS.**

(a) IN GENERAL.—Chapter 3 of title 23, United States Code, is further amended by inserting after section 325 the following:

**“§ 326. State assumption of responsibility for categorical exclusions**

**“(a) CATEGORICAL EXCLUSION DETERMINATIONS.—**

“(1) IN GENERAL.—The Secretary may assign, and a State may assume, responsibility for determining whether certain designated activities are included within classes of action identified in regulation by the Secretary that are categorically excluded from requirements for environmental assessments or environmental impact statements pursuant to regulations promulgated by the Council on Environmental Quality under part 1500 of title 40, Code of Federal Regulations (as in effect on October 1, 2003).

“(2) SCOPE OF AUTHORITY.—A determination described in paragraph (1) shall be made by a State in accordance with criteria established by the Secretary and only for types of activities specifically designated by the Secretary.

“(3) CRITERIA.—The criteria under paragraph (2) shall include provisions for public availability of information consistent with section 552 of title 5 and the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

**“(b) OTHER APPLICABLE FEDERAL LAWS.—**

“(1) IN GENERAL.—If a State assumes responsibility under subsection (a), the Secretary may also assign and the State may assume all or part of the responsibilities of the Secretary for environmental review, consultation, or other related actions

required under any Federal law applicable to activities that are classified by the Secretary as categorical exclusions, with the exception of government-to-government consultation with Indian tribes, subject to the same procedural and substantive requirements as would be required if that responsibility were carried out by the Secretary.

“(2) **SOLE RESPONSIBILITY.**—A State that assumes responsibility under paragraph (1) with respect to a Federal law shall be solely responsible and solely liable for complying with and carrying out that law, and the Secretary shall have no such responsibility or liability.

“(c) **MEMORANDA OF UNDERSTANDING.**—

“(1) **IN GENERAL.**—The Secretary and the State, after providing public notice and opportunity for comment, shall enter into a memorandum of understanding setting forth the responsibilities to be assigned under this section and the terms and conditions under which the assignments are made, including establishment of the circumstances under which the Secretary would reassume responsibility for categorical exclusion determinations.

“(2) **TERM.**—A memorandum of understanding—

“(A) shall have a term of not more than 3 years;

and

“(B) shall be renewable.

“(3) **ACCEPTANCE OF JURISDICTION.**—In a memorandum of understanding, the State shall consent to accept the jurisdiction of the Federal courts for the compliance, discharge, and enforcement of any responsibility of the Secretary that the State assumes.

“(4) **MONITORING.**—The Secretary shall—

“(A) monitor compliance by the State with the memorandum of understanding and the provision by the State of financial resources to carry out the memorandum of understanding; and

“(B) take into account the performance by the State when considering renewal of the memorandum of understanding.

“(d) **TERMINATION.**—The Secretary may terminate any assumption of responsibility under a memorandum of understanding on a determination that the State is not adequately carrying out the responsibilities assigned to the State.

“(e) **STATE AGENCY DEEMED TO BE FEDERAL AGENCY.**—A State agency that is assigned a responsibility under a memorandum of understanding shall be deemed to be a Federal agency for the purposes of the Federal law under which the responsibility is exercised.”

(b) **CONFORMING AMENDMENT.**—The analysis for chapter 3 of title 23, United States Code, is further amended by adding after the item relating to section 325 the following:

“326. State assumption of responsibility for categorical exclusions.”

**SEC. 6005. SURFACE TRANSPORTATION PROJECT DELIVERY PILOT PROGRAM.**

(a) **IN GENERAL.**—Chapter 3 of title 23, United States Code, is further amended by inserting after section 326 the following:

Public  
information.  
Notice.

23 USC 301.

**“§ 327. Surface transportation project delivery pilot program****“(a) ESTABLISHMENT.—**

**“(1) IN GENERAL.—**The Secretary shall carry out a surface transportation project delivery pilot program (referred to in this section as the ‘program’).

**“(2) ASSUMPTION OF RESPONSIBILITY.—**

**“(A) IN GENERAL.—**Subject to the other provisions of this section, with the written agreement of the Secretary and a State, which may be in the form of a memorandum of understanding, the Secretary may assign, and the State may assume, the responsibilities of the Secretary with respect to one or more highway projects within the State under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

**“(B) ADDITIONAL RESPONSIBILITY.—**If a State assumes responsibility under subparagraph (A)—

**“(i) the Secretary may assign to the State, and the State may assume, all or part of the responsibilities of the Secretary for environmental review, consultation, or other action required under any Federal environmental law pertaining to the review or approval of a specific project; but**

**“(ii) the Secretary may not assign—**

**“(I) responsibility for any conformity determination required under section 176 of the Clean Air Act (42 U.S.C. 7506); or**

**“(II) any responsibility imposed on the Secretary by section 134 or 135.**

**“(C) PROCEDURAL AND SUBSTANTIVE REQUIREMENTS.—**A State shall assume responsibility under this section subject to the same procedural and substantive requirements as would apply if that responsibility were carried out by the Secretary.

**“(D) FEDERAL RESPONSIBILITY.—**Any responsibility of the Secretary not explicitly assumed by the State by written agreement under this section shall remain the responsibility of the Secretary.

**“(E) NO EFFECT ON AUTHORITY.—**Nothing in this section preempts or interferes with any power, jurisdiction, responsibility, or authority of an agency, other than the Department of Transportation, under applicable law (including regulations) with respect to a project.

**“(b) STATE PARTICIPATION.—**

**“(1) NUMBER OF PARTICIPATING STATES.—**The Secretary may permit not more than 5 States (including the States of Alaska, California, Ohio, Oklahoma, and Texas) to participate in the program.

**“(2) APPLICATION.—**Not later than 270 days after the date of enactment of this section, the Secretary shall promulgate regulations that establish requirements relating to information required to be contained in any application of a State to participate in the program, including, at a minimum—

**“(A) the projects or classes of projects for which the State anticipates exercising the authority that may be granted under the program;**

Deadline  
Regulations

"(B) verification of the financial resources necessary to carry out the authority that may be granted under the program; and

"(C) evidence of the notice and solicitation of public comment by the State relating to participation of the State in the program, including copies of comments received from that solicitation.

"(3) PUBLIC NOTICE.—

Deadline.

"(A) IN GENERAL.—Each State that submits an application under this subsection shall give notice of the intent of the State to participate in the program not later than 30 days before the date of submission of the application.

"(B) METHOD OF NOTICE AND SOLICITATION.—The State shall provide notice and solicit public comment under this paragraph by publishing the complete application of the State in accordance with the appropriate public notice law of the State.

"(4) SELECTION CRITERIA.—The Secretary may approve the application of a State under this section only if—

"(A) the regulatory requirements under paragraph (2) have been met;

"(B) the Secretary determines that the State has the capability, including financial and personnel, to assume the responsibility; and

"(C) the head of the State agency having primary jurisdiction over highway matters enters into a written agreement with the Secretary described in subsection (c).

"(5) OTHER FEDERAL AGENCY VIEWS.—If a State applies to assume a responsibility of the Secretary that would have required the Secretary to consult with another Federal agency, the Secretary shall solicit the views of the Federal agency before approving the application.

"(c) WRITTEN AGREEMENT.—A written agreement under this section shall—

"(1) be executed by the Governor or the top-ranking transportation official in the State who is charged with responsibility for highway construction;

"(2) be in such form as the Secretary may prescribe;

"(3) provide that the State—

"(A) agrees to assume all or part of the responsibilities of the Secretary described in subsection (a);

"(B) expressly consents, on behalf of the State, to accept the jurisdiction of the Federal courts for the compliance, discharge, and enforcement of any responsibility of the Secretary assumed by the State;

"(C) certifies that State laws (including regulations) are in effect that—

"(i) authorize the State to take the actions necessary to carry out the responsibilities being assumed; and

"(ii) are comparable to section 552 of title 5, including providing that any decision regarding the public availability of a document under those State laws is reviewable by a court of competent jurisdiction; and

"(D) agrees to maintain the financial resources necessary to carry out the responsibilities being assumed.

"(d) JURISDICTION.—

"(1) IN GENERAL.—The United States district courts shall have exclusive jurisdiction over any civil action against a State for failure to carry out any responsibility of the State under this section.

"(2) LEGAL STANDARDS AND REQUIREMENTS.—A civil action under paragraph (1) shall be governed by the legal standards and requirements that would apply in such a civil action against the Secretary had the Secretary taken the actions in question.

"(3) INTERVENTION.—The Secretary shall have the right to intervene in any action described in paragraph (1).

"(e) EFFECT OF ASSUMPTION OF RESPONSIBILITY.—A State that assumes responsibility under subsection (a)(2) shall be solely responsible and solely liable for carrying out, in lieu of the Secretary, the responsibilities assumed under subsection (a)(2), until the program is terminated as provided in subsection (i).

"(f) LIMITATIONS ON AGREEMENTS.—Nothing in this section permits a State to assume any rulemaking authority of the Secretary under any Federal law.

"(g) AUDITS.—

"(1) IN GENERAL.—To ensure compliance by a State with any agreement of the State under subsection (c) (including compliance by the State with all Federal laws for which responsibility is assumed under subsection (a)(2)), for each State participating in the program under this section, the Secretary shall conduct—

"(A) semiannual audits during each of the first 2 years of State participation; and

"(B) annual audits during each subsequent year of State participation.

"(2) PUBLIC AVAILABILITY AND COMMENT.—

"(A) IN GENERAL.—An audit conducted under paragraph (1) shall be provided to the public for comment.

"(B) RESPONSE.—Not later than 60 days after the date on which the period for public comment ends, the Secretary shall respond to public comments received under subparagraph (A).

Deadline.

"(h) REPORT TO CONGRESS.—The Secretary shall submit to Congress an annual report that describes the administration of the program.

"(i) TERMINATION.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the program shall terminate on the date that is 6 years after the date of enactment of this section.

"(2) TERMINATION BY SECRETARY.—The Secretary may terminate the participation of any State in the program if—

"(A) the Secretary determines that the State is not adequately carrying out the responsibilities assigned to the State;

"(B) the Secretary provides to the State—

"(i) notification of the determination of noncompliance; and

"(ii) a period of at least 30 days during which to take such corrective action as the Secretary determines is necessary to comply with the applicable agreement; and

23 USC 301.

“(C) the State, after the notification and period provided under subparagraph (B), fails to take satisfactory corrective action, as determined by Secretary.”.

(b) **CONFORMING AMENDMENT.**—The analysis for chapter 3 of title 23, United States Code, is further amended by adding after the item relating to section 326 the following:

“327. Surface transportation project delivery pilot program.”.

**SEC. 6006. ENVIRONMENTAL RESTORATION AND POLLUTION ABATEMENT; CONTROL OF NOXIOUS WEEDS AND AQUATIC NOXIOUS WEEDS AND ESTABLISHMENT OF NATIVE SPECIES.**

(a) **MODIFICATION TO NHS/STP FOR ENVIRONMENTAL RESTORATION, POLLUTION ABATEMENT, CONTROL OF NOXIOUS WEEDS AND AQUATIC NOXIOUS WEEDS.**—

(1) **MODIFICATIONS TO NATIONAL HIGHWAY SYSTEM.**—Section 103(b)(6) of title 23, United States Code, is amended by adding at the end the following:

“(Q) Environmental restoration and pollution abatement in accordance with section 328.

“(R) Control of noxious weeds and aquatic noxious weeds and establishment of native species in accordance with section 329.”.

(2) **MODIFICATIONS TO SURFACE TRANSPORTATION PROGRAM.**—Section 133(b) of title 23, is amended by striking paragraph (14) and inserting the following:

“(14) Environmental restoration and pollution abatement in accordance with section 328.

“(15) Control of noxious weeds and aquatic noxious weeds and establishment of native species in accordance with section 329.”.

(b) **ELIGIBLE ACTIVITIES.**—Chapter 3 of title 23, United States Code, is further amended by adding after section 327 the following:

**“§ 328. Eligibility for environmental restoration and pollution abatement**

“(a) **IN GENERAL.**—Subject to subsection (b), environmental restoration and pollution abatement to minimize or mitigate the impacts of any transportation project funded under this title (including retrofitting and construction of stormwater treatment systems to meet Federal and State requirements under sections 401 and 402 of the Federal Water Pollution Control Act (33 U.S.C. 1341; 1342)) may be carried out to address water pollution or environmental degradation caused wholly or partially by a transportation facility.

“(b) **MAXIMUM EXPENDITURE.**—In a case in which a transportation facility is undergoing reconstruction, rehabilitation, resurfacing, or restoration, the expenditure of funds under this section for environmental restoration or pollution abatement described in subsection (a) shall not exceed 20 percent of the total cost of the reconstruction, rehabilitation, resurfacing, or restoration of the facility.

**“§ 329. Eligibility for control of noxious weeds and aquatic noxious weeds and establishment of native species**

“(a) **IN GENERAL.**—In accordance with all applicable Federal law (including regulations), funds made available to carry out this

## NEPA Delegation Pilot Fact Sheet

SAFETEA-LU includes a NEPA delegation pilot program for five states – Alaska, California, Oklahoma, Ohio, and Texas. Under the program, the five states are eligible to apply for delegation of the Secretary of Transportation's (Secretary) NEPA responsibilities for one or more highway projects within the state. The state may also apply for delegation of some or all of the Secretary's review and consultation responsibilities under other Federal environmental laws. The scope of delegation will be determined through application to the Secretary and execution of a Memorandum of Understanding (MOU).

### Time Frame:

- Duration of the pilot program is six years from enactment of SAFETEA-LU. Unless extended by statute, the pilot terminates on August 10, 2011.
- The Secretary is required to promulgate regulations to establish delegation application requirements. Rulemaking is required to be complete within 270 days of the Act. Rulemaking is behind schedule.
- The State may not submit its application until
  - Rulemaking is complete and
  - The State must advertise the application and solicit public comment.
- After its application is accepted, the State and Secretary will enter into an MOU.
- Once the MOU is executed, delegation may proceed.

### Delegation Options:

- NEPA delegation is limited to highway projects. The term includes roads, streets, and parkways, rights-of-way, bridges and protective structures.
  - NEPA delegation may be programmatic, or for specific, identified projects. The State has broad latitude to determine the FHWA environmental responsibilities it would like to assume [i.e. CEs, EAs, EISs, Section 4(f)].
- The State expects to request delegation for all of the Secretary's environmental review and consultation responsibilities under other Federal environmental laws (examples include Section 106 of the National Historic Preservation Act, Section 7 of the Endangered Species Act)

- FHWA has indicated that it will not delegate:
  - Projects on the President's Streamlining Executive Order project list.
  - Cross border projects.
  - FTA sponsored projects.
  - Western Federal Lands sponsored projects.
- NEPA delegation is limited to environmental decision-making. It does not extend to engineering decisions.

Requirements and Responsibilities:

- Under delegation, the State would assume sole responsibility and liability for its NEPA actions and decisions and would be subject to Federal court jurisdiction. To receive delegation, the State is required to waive its 11<sup>th</sup> Amendment sovereign immunity from suits in Federal court for its decisions under NEPA.
- The State will be required to comply with all applicable Federal laws, Executive Orders, regulations, policies and guidance for the responsibilities it assumes.
- The State's delegation program will be audited, twice annually for the first two years, annually thereafter. The audits will be available for public comment.
- The Secretary is required to submit an annual report to Congress on the pilot program.
- The Secretary may terminate any state's participation in the pilot program at any time for cause.

Distributed by DOT & PF

3/17/2006

# SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/8/06

FURTHER: Finance

Date of 5-Day Notice: 2/9/06  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/9/06

Transportation Committee considered SENATE BILL NO. 271

## SB 271 AUTHORIZE HWY PROGRAM PARTICIPATION

"An Act authorizing the commissioner of transportation and public facilities to participate in certain federal highway programs and relating to that authorization; relating to powers of the attorney general to waive immunity from suit in federal court related to those programs; 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 \_\_\_\_\_ Committee

<b>CS Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<b>SCS House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

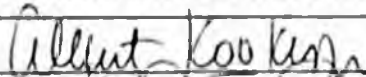


**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DOT	12/13/05	✓			1
DEC	14/2/05			✓	2

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DOT	12/13/05	✓			1
DEC	14/2/05			✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Kookesh</i> 			X	
<i>French</i> 			X	
<i>Huggins</i> CHAIR: 	X			

SB 271



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STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 7, 2006

The Honorable Ben Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would authorize the Alaska Department of Transportation and Public Facilities to assume certain federal programmatic and environmental responsibilities as provided for by the United States Congress in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), P.L. 109-59. A prerequisite to assumption of the duties is that the State of Alaska agree to a waiver of immunity to suit in federal court for those duties specifically assumed from the United States Department of Transportation.

Under the recent SAFETEA-LU amendments, the State of Alaska is one of only five named states with the opportunity to participate in a so-called "pilot program" for assumption of duties and responsibilities under 23 U.S.C. 327 (National Environmental Policy Act of 1969). This bill provides a unique opportunity for the State of Alaska to have more direct involvement, and control, in the planning and decision-making process involved with many public projects.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski  
Governor

Enclosure

COMMITTEE COPY

**SB**

**272**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
APR 28 2006  
SENATE FINANCE COMMITTEE

DATE: 4/5/06

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/28/06

Finance Committee considered

SENATE BILL NO. 272

SB 272 MORTGAGE LENDING

"An Act relating to mortgage lenders and persons who engage in activities relating to mortgage lending; and providing for an effective date."

and recommends:

- be replaced with CS SB 272 (FIN)
- adopt previous CS Forthcoming
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#

Department	Date	Fiscal	Ind.	Zero	FN#
DCEd	3/6/06	259,2			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
			<input checked="" type="checkbox"/>	
COCHAIR: <i>Gary Wilber</i>			<input checked="" type="checkbox"/>	
COCHAIR: <i>Lynne Green</i>			<input checked="" type="checkbox"/>	

# FISCAL NOTE

REPORTED OUT  
APR 28 2006  
SENATE FINANCE COMMITTEE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSSB 272(L&C)  
(S) Publish Date: 4/5/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title Mortgage Lending RDU Banking & Securities (536)  
Component Banking & Securities  
Sponsor Wagoner  
Requester Labor & Commerce Component No. 2808

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	121.1	121.1	121.1	121.1	121.1	121.1
Travel	15.0	15.0	15.0	15.0	15.0	15.0
Contractual	58.0	58.0	58.0	58.0	58.0	58.0
Supplies	1.5	1.5	1.5	1.5	1.5	1.5
Equipment	4.8	0.0	0.0	0.0	0.0	0.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>200.4</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( 1156 )</b>	259.2	228.4	348.5	348.5	348.5	348.5
------------------------------------	-------	-------	-------	-------	-------	-------

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Receipt Supported Services (1156)	200.4	195.6	195.6	195.6	195.6	195.6
<b>TOTAL</b>	<b>200.4</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>	<b>195.6</b>

Estimate of any current year (FY2006) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

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

This legislation would require the licensing and regulation of people making and brokering mortgage loans to borrowers. The division estimates there are about 22,000 mortgage documents filed each year in Alaska. The division anticipates needing two additional staff to implement the provisions of this legislation, one Financial Institution Examiner I, and one Business Registration Examiner position. Travel funds would cover the cost of 20 trips to conduct examinations of licensees. Contractual expenses include \$25.0 for the Department of Law to draft and enforce orders resulting from investigations, and \$33.0 to contract for the collection of the documentation filing fees.

Prepared by: Mark Davis, Director Phone 907 269 8144  
Division: Banking & Securities Date/Time 3/6/06 2:57 PM  
Approved by: William C. Noll, Commissioner Date 3/6/2006  
Agency: Commerce, Community, and Economic Development

FISCAL NOTE # 1

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

BILL NO. CSSB 272(L&C)

ANALYSIS CONTINUATION

Revenue: The division estimates this legislation would generate \$259.2 in the first year due to the initial licensing of an estimated 112 establishments (\$39.2 resulting from \$250 per license and \$100 investigation fee per establishment, and the collection of \$220.0 in document filing fees (22,000 documents at \$10 per document.)) In the second year, the division anticipates licensing 24 additional establishments for a total revenue amount of \$228.4 which results from \$220.0 in document filing fees and \$8.4 in license fees.) In year 3 the division anticipates generating \$348.5 (\$126.0 results from the examination of 56 establishments at a cost of \$2.25 per examination; \$220.0 document filing fees; and \$8.4 in new licensing fees for 7 new establishments.) Years 4 and 5 are expected to generate a similar amount of revenue.

# LEGAL SERVICES

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

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

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 29, 2006

**SUBJF :** CSSB 272(FIN) relating to mortgage loan activities  
(Work Order No. 24-LS1644\N)

**TO:** Senator Lyda Green  
Senator Gary Wilken  
Co-Chairs of the Senate Finance Committee  
Attn: Robin

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

This memo accompanies the bill described above.

Relationship to AS 34.80. It is possible that sec. 06.60.440(d), relating to trust accounts for mortgage lenders and mortgage brokers, may overlap and conflict slightly with AS 38.40, which establishes the rules for escrow transactions for residential real property. If mortgage lenders or mortgage brokers ever act as settlement agents (as that term is defined in AS 38.40.090), you may want to add a provision to sec. 06.60.440 that indicates whether sec. 06.60.440(d) or AS 34.80 governs when both might apply.

Since this bill has passed out of your committee, please pass this information along to the appropriate person.

If I may be of further assistance, please advise.

TLB:lmb  
06-156.lmb

Enclosure

AMENDMENT

OFFERED IN THE SENATE

TO: CSSB 272(FIN), Draft Version "U"

1 Page 2, line 14:

2 Delete "Except for AS 06.60.400 - 06.60.440, this"

3 Insert "This"

4

5 Page 6, line 22:

6 Delete "a record of"

7

8 Page 6, line 23:

9 Delete "a conviction"

10 Insert "been convicted"

11

12 Page 6, line 26:

13 Delete "an act, an omission, or a practice"

14 Insert "committed an act, made an omission, or engaged in a practice"

15

16 Page 6, line 28, through page 7, line 1:

17 Delete all material and insert:

18 "(C) had the person's participation in the conduct of a business  
19 limited by an administrative act of a federal or state agency, including the  
20 suspension of a license for engaging in an occupation; or

21 (D) had a license for engaging in an occupation revoked or  
22 terminated for cause by a federal or state agency."  
23

1 Page 8, following line 18:

2 Insert new subsections to read:

3 "(i) While a license is inactive under this section, the person holding the  
4 inactive license shall continue to maintain records as required by AS 06.60.250 for the  
5 business transactions of the person that occurred before the license became inactive.

6 (j) While a license is inactive under this section, the department may take  
7 action against the license, the person holding the inactive license, or both under  
8 AS 06.60.300 - 06.60.360 and 06.60.500 - 06.60.540 for noncompliance with this  
9 chapter before the license became inactive or for noncompliance with this section  
10 while the license is inactive.

11 (k) Except as otherwise provided in this section and by regulations adopted by  
12 the department, the provisions of this chapter do not apply to a person holding an  
13 inactive license under this section."

SENATE FINANCE COMMITTEE

4/28/2006

COMMITTEE ACTION

Bill Number	SB 272		
Amendment	#1		
Motion	to adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	ADOPTED		

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

Amendment #2  
(conceptual)

Adopted

26 **Sec. 06.60.430. Certain refinancing prohibited.** (a) A mortgage lender or a  
27 mortgage broker may not refinance a mortgage loan as defined in 15 U.S.C. A.  
28 1602(aa) within 12 months after the date

29 the mortgage loan is originated by the lender or broker, unless the refinancing is in  
30 the  
31 borrower's best interest.

(b) The factors to be considered when determining if a mortgage is in the  
32 borrower's best interest may include, but are not limited to, whether

33 (1) the borrower's new monthly payment is lower than the total of all  
34 monthly obligations being refinanced, after taking into account the costs and fees  
35 of  
36 the refinancing;

37 (2) the amortization period of the new loan is different from the  
38 amortization period of the loan being refinanced;

39 (3) the borrower receives cash in excess of the costs and fees of the  
40 refinancing;

41 (4) the rate of interest of the borrower's promissory note is reduced;

42 (5) the loan changes from an adjustable rate loan to a fixed rate loan  
43 after taking into account costs and fees;

44 (6) the refinancing is necessary to respond to a bona fide personal need  
45 or an order of a court of competent jurisdiction;

46 (7) the original term of the loan being refinanced is two years or less;  
47 and

48 (8) the refinancing is being made to prevent a foreclosure on an  
49 existing loan.

50 **Sec. 06.60.440. Escrow accounts.** (a) A mortgage lender and a borrower may  
51 agree that the mortgage lender will mortgage

52 broker shall keep in an escrow account all money that a ~~the~~ borrower is required  
53 to pay to

54 defray future taxes or insurance premiums or for other lawful purposes. The  
55 escrow

56 account must be a trust account or another account that is segregated from the  
57 other

58 accounts of the mortgage lender ~~or mortgage broker~~. The mortgage lender and  
59 ~~mortgage broker~~ may not commingle the borrower's money with the general funds  
60 of

61 the mortgage lender ~~and mortgage broker~~.

62 (b) A mortgage lender ~~and a mortgage broker~~ may not require a borrower to  
63 pay money into escrow to defray future taxes, to defray insurance premiums, or for  
64 another purpose, in connection with a subordinate mortgage loan, unless an escrow  
65 account for that purpose is not being maintained for the mortgage loan that is  
66 superior

67 to the subordinate mortgage loan.

68 (c) A mortgage lender ~~or a mortgage broker~~ who is holding money in escrow  
69 for insurance premiums shall notify the insurer in writing within 30 days after the

30 billing address of the mortgage lender ~~or mortgage broker~~ changes, or 60 days before

31 ~~34~~ — the renewal date of the insurance policy, whichever is later.

(d) A mortgage broker who accepts funds belonging to a borrower in connection with a mortgage loan shall deposit all those funds into a trust fund account maintained by the broker in a bank or recognized depository in this state. The mortgage broker may not commingle the borrower's money with the general funds of the mortgage broker.

All funds deposited by the broker in a trust fund account shall be maintained there until disbursed by the broker in accordance with instructions from the borrower.

SENATE FINANCE COMMITTEE  
4 28 / 2006 COMMITTEE ACTION

Bill Number	SB 272		
Amendment	#2		
Motion	Adopt		
<u>Motion by</u>	Green		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
<b>MOTION</b>	<b>ADOPTED</b>		

Our Proof

24-LS1644N

CS FOR SENATE BILL NO. 272(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR WAGONER

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to mortgage lenders, mortgage brokers, state agents who collect  
2 program administration fees, and other persons who engage in activities relating to  
3 mortgage lending; relating to mortgage loan activities; relating to fees for recorded  
4 mortgage loan instruments; and providing for an effective date."

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

6 \* Section 1. AS 06.01.050(3) is amended to read:

7 (3) "financial institution" means an institution subject to the regulation  
8 of the department under this title; in this paragraph, "institution" includes a  
9 commercial bank, savings bank, credit union, premium finance company, small loan  
10 company, bank holding company, financial holding company, trust company, savings  
11 and loan association, [AND] deferred deposit advance licensee under AS 06.50,  
12 mortgage lender under AS 06.60, and mortgage broker under AS 06.60;

13 \* Sec. 2. AS 06 is amended by adding a new chapter to read:

14 Chapter 60. Mortgage Lending.