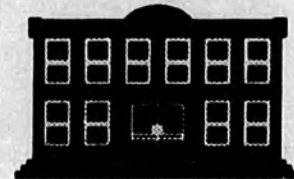


ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

2573 SCOMM 111: DEFERRED MAINTENANCE TASK FORCE, 1997

Cigarette Tax Revenue Bonds for School Construction

- Assume \$34.6 million of annual tax revenues
- Assume the proper legal structure is established and accepted by the market.
- Assume 15-year revenue bonds, 5.5% interest, and a 125% debt service coverage
- \$275 million of bonds could be sold



Possible State-Supported Debt Plan



- Combination of new General Obligation bonds, lease-purchase (COP's) and school debt reimbursement
- Debt issuance would be staggered over 5-6 years, at \$150 million per year
- Capital project to be identified
- Would be in addition to the cigarette tax revenue bonds for school construction



Questions / Comments



**FINANCE
MEETING
12/16/97**



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

Memorandum

To: Senate Finance Committee Members
Senator Tim Kelly
Nancy Quinto, Senate Secretary

From: Senator Drue Pearce *DP/ku*
Co-chair

Date: December 5, 1997

Subject: Meeting Announcement

Senate Finance Committee Meeting
December 16, 1:30 to 3:30 p.m.
Anchorage LIO Conference Room
Video conferenced to Fairbanks and Juneau

Agenda:

- 1:30 Recommended financing plan for
Deferred Maintenance, discussion led by
Senator Tim Kelly, Task Force Co-chair
- 2:30 Alaska Public Schools Reform Act of 1998
Presentation by Robert Gottstein

Other sites may be connected by calling or e-mailing Llewellyn (465-3710), or Krag (258-8185).

cc: Annalee McConnell, Office of Management & Budget
Peg Warren, Administrative Assistant, Juneau LIO, (fax 2864)
Denny Dewitt, Legislative Aide to Rep. Eldon Mulder

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

FAX

TO: Roger Davis
FAX # 415 773-5759

FROM: Denny DeWitt, Legislative Assistant
Representative Eldon Mulder
Phone # 907-465-2647
FAX # 907-465-3518
E-mail: Dennis_DeWitt@legis.state.ak.us

DATE: December 18, 1997

PAGES: 13, including cover

SUBJECT: Virginia Public Building Authority Act of 1981

COMMENTS: Senator Kelly would like our discussions to include reference to the Virginia Act. I think this is where we are headed. The major difference is that the VA folks used the general fund as the source of funding, I think. We may be forced there, but I hope we can be a bit more creative.

We can designate the \$1.5 billion in almost any way that will meet the law. We need to have something to point at as a security that we won't be raiding the Permanent Fund or raising taxes for this bond initiative.

Title of article

This article may be cited as Virginia Public Building Authority Act of 1981.

§ 2.1-234.11

Definitions

The following terms, whenever used or referred to in this article, shall have the following meanings, except in those instances where the context clearly indicates otherwise:

- 1. The term "Authority" shall mean the body politic and corporate created by this article.**
- 2. The term "project" shall mean any structure, facility, personal property or undertaking which the Authority is authorized to finance, refinance, construct, improve, furnish, equip, maintain, acquire, or operate under the provisions of this article.**
- 3. The term "board" shall mean the governing body of the Authority.**
- 4. The term "person" shall mean and include natural persons, firms, associations, corporations, business trusts, partnerships, and public bodies.**
- 5. The term "federal agency" shall mean and include the United States of America, the President of the United States of America, and any department of, or corporation, agency, or instrumentality heretofore or hereafter created, designated, or established by the United States of America.**
- 6. The term "bonds" shall mean and include the notes, bonds, and other evidences of indebtedness or obligations which the Authority is authorized to issue pursuant to this article.**
- 7. The term "construction" shall mean and include acquisition and construction, and the term "to construct" shall mean and include to acquire and to construct all in such manner as may be deemed desirable.**
- 8. The term "improvement" shall mean and include extension, enlargement, improvement, and renovation and the term "to improve" shall mean and include to extend, to enlarge, to improve, and to renovate all in such manner as may be deemed desirable.**
- 9. The terms "fixtures" and "furnishings" shall mean and include any fixtures, leasehold improvements, equipment, office furniture and furnishings whatsoever as may be deemed desirable and required by the lessee of a project for the use and occupancy of such project, and the terms "to furnish" and "furnishing" shall mean and include the installation of such fixtures, equipment and furnishings.**
- 10. The term "cost" as applied to a project financed under the provisions of this article shall mean the sum total of all costs incurred by the Authority as are reasonable and necessary for carrying out all works and undertakings necessary or incident to accomplish a project, including, without limitation because of enumeration, the cost incurred by the Authority of all necessary developmental, planning and feasibility studies, surveys, plans and specifications, architectural, engineering, financial, legal or other special services, the cost of acquisition of land and any buildings and improvements thereon, including the discharge of any obligations of the vendor of such land, buildings or improvements, site preparation and development including demolition or removal of existing structures, construction, and reconstruction, the reasonable cost of financing incurred by the Authority in the course of the development of a project, carrying charges during construction to the occupancy date, interest on bonds issued to finance a project to a date subsequent to the estimated date of completion of a project, necessary expenses incurred in**

connection with the initial occupancy of a project, the funding of such funds and accounts as the Authority determines to be reasonable and necessary with regard to bonds of the Authority and the cost of such other items as the Authority determines to be reasonable and necessary.

11. The term "state" shall mean the Commonwealth of Virginia and any agency or department thereof.

12. The term "personal property" shall mean and include all items of equipment, fixtures, and furnishings, including items affixed to real property.

§ 2.1-234.12

Virginia Public Building Authority created; membership; terms; expenses; vacancies

The State Treasurer or his designee, the State Comptroller, and five additional members appointed by the Governor, subject to confirmation by the General Assembly, if in session when such appointments are made, and if not in session, at its first session subsequent to such appointment, who shall serve at the pleasure of the Governor, are hereby created a body corporate and politic, constituting a public corporation and governmental instrumentality by the name of the "Virginia Public Building Authority." Unconfirmed appointments shall expire thirty days after the convening of the General Assembly. Such members of the Authority shall be entitled to no compensation for their services as members, but shall be entitled to reimbursement for all necessary expenses incurred in connection with the performance of their duties as members. The term of each member appointed by the Governor shall be five years; provided, however, that of the members first appointed, one shall be appointed for a term of five years, one for a term of four years, one for a term of three years, one for a term of two years, and one for a term of one year. Any vacancy happening among the appointed members of the Authority shall be filled by appointment by the Governor, subject to confirmation by the General Assembly. The Department of the Treasury shall serve as staff to the Authority.

 **Go to (previous section) or (next section) or (General Assembly Home)**

Purposes and general powers and duties of Authority

The Authority is created for the purpose of constructing, improving, furnishing, maintaining, acquiring, and operating public buildings for the use of the Commonwealth (heretofore or hereafter constructed), state arsenals, armories, and military reserves, state institutions of every kind and character (heretofore and hereafter constructed), additions and improvements to land grant colleges, state colleges, universities and medical colleges, and the purchase of lands for rehabilitation purposes in connection with state institutions and for use of state colleges, and museum facilities for a trust instrumentality of the United States, and the purchase of lands for the development of public buildings which may be authorized by the General Assembly in the future, the acquisition of items of personal property for the use of the Commonwealth, and the financing or refinancing of reimbursements to localities or regional jail authorities of all or any portion of the Commonwealth's share of the costs for jail projects made pursuant to §§53.1-80, 53.1-81, 53.1-82, or §53.1-95.19 (any and all of the foregoing being herein called "projects"), the purpose and intent of this article being to benefit the people of the Commonwealth by, among other things, increasing their commerce and prosperity. The Authority shall not undertake or finance or refinance any project or projects which are not specifically included in a bill or resolution passed by a majority of those elected to each house of the General Assembly, authorizing such project or projects or the reimbursement of all or any portion of the Commonwealth's share of the costs of such project or projects and, as to any project relating to a state institution of higher education, not specifically designated by the board of visitors of that institution as a project to be undertaken by the Authority. The Authority is hereby granted and shall have and may exercise all powers necessary or convenient for the carrying out of the aforesaid purposes, including, but without limiting the generality of the foregoing, the following rights and powers:

1. To have perpetual existence as a corporation.
2. To sue and be sued, implead and be impleaded, complain and defend in all courts.
3. To adopt, use, and alter at will a corporate seal.
4. To acquire, purchase, hold and use any property, real, personal or mixed, tangible or intangible, or any interest therein necessary or desirable for carrying out the purposes of the Authority; without limitation of the foregoing, to lease as lessee, with the approval of the Governor, any property, real, personal or mixed, or any interest therein for a term not exceeding ninety-nine years at a nominal rental or at such annual rental as may be determined; with the approval of the Governor, to lease as lessor to the Commonwealth of Virginia and any city, county, town or other political subdivision, or any agency, department, or public body of the Commonwealth, or land grant college, any project at any time constructed by the Authority and any property, real, personal or mixed, tangible or intangible, or any interest therein, at any time acquired by the Authority, whether wholly or partially completed; with the approval of the Governor, to sell, transfer and convey to the Commonwealth of Virginia, any project at any time constructed by the Authority; and, with the approval of the Governor, to sell, transfer and convey any property, real, personal or mixed, tangible or intangible, or any interest therein, at any time acquired by the Authority.
5. To acquire by purchase, lease, or otherwise, and to construct, improve, furnish, maintain, repair, and operate projects.

6. To make bylaws for the management and regulation of its affairs.

7. To fix, alter, charge, and collect rates, rentals, and other charges for the use of the facilities of, or for the services rendered by, the Authority, or projects thereof, at reasonable rates to be determined by it for the purpose of providing for the payment of the expenses of the Authority, the construction, improvement, repair, furnishing, maintenance, and operation of its facilities and properties, the payment of the principal of and interest on its obligations, and to fulfill the terms and provisions of any agreements made with the purchasers or holders of any such obligations.

8. To borrow money; make and issue negotiable notes, bonds, and other evidences of indebtedness or obligations (herein called "bonds") of the Authority and such bonds as the Authority may, from time to time, determine to issue for the purpose of refunding bonds previously issued by the Authority; to secure the payment of all bonds, or any part thereof, by pledge or deed of trust of all or any of its revenues, rentals, and receipts; to make such agreements with the purchasers or holders of such bonds or with others in connection with any such bonds, whether issued or to be issued, as the Authority shall deem advisable; and in general, to provide for the security for said bonds and the rights of holders thereof, provided that the total principal amount of such bonds outstanding at any time shall not exceed \$1,386 million.

The Authority shall submit an annual report to the Governor and General Assembly on or before November 1 of each year containing, at a minimum, the annual financial statements of the Authority for the year ending the preceding June 30. The annual report shall be distributed in accordance with the provisions of §2.1-467.

9. To make contracts of every name and nature, and to execute all instruments necessary or convenient for the carrying on of its business.

10. Without limitation of the foregoing, to borrow money and accept grants from, and to enter into contracts, leases or other transactions with, any federal agency.

11. To have the power of eminent domain.

12. To pledge or otherwise encumber all or any of the revenues or receipts of the Authority as security for all or any of the obligations of the Authority.

13. To do all acts and things necessary or convenient to carry out the powers granted to it by this article or any other acts.

14. To acquire, by assignment from the Commonwealth or the Virginia Retirement System, all contracts, including those which are not completed, which involve constructing, improving, furnishing, maintaining, and operating the structures, facilities, or undertakings similar to those designated herein as projects.

15. To enter into contractual agreements with localities or regional jail authorities undertaking a jail project for which the financing or refinancing of reimbursements of all or any portion of the Commonwealth's share of the costs of such project will be made pursuant to subsection A 3 of §53.1-82.2.

Except as otherwise provided by law, when projects are to be constructed, improved, furnished, maintained, repaired or operated for the use of any department of the Commonwealth, as hereinbefore

listed in this section, no plans or specifications therefor shall be presented for quotations or bids until such plans and specifications shall have been submitted to and approved by the Department of General Services and any other department of the Commonwealth having any jurisdiction over the projects, so that the project will conform to standards established by such departments.



Go to [\(previous section\)](#) or [\(next section\)](#) or [\(General Assembly Home\)](#)

Revenue bonds generally

The Authority is hereby authorized to provide for the issuance, at one time or from time to time, of revenue bonds of the Authority for the purpose of paying all or any part of the cost of any one or more projects or of any portion or portions thereof. The principal of and the interest on such bonds shall be payable solely from the funds provided in this article for such payment. Any bonds of the Authority issued pursuant to this article shall not constitute a debt of the Commonwealth, or any political subdivision thereof other than the Authority, and shall so state on their face. Neither the members of the Authority nor any person executing such bonds shall be liable personally thereon by reason of the issuance thereof. The bonds of each issue shall be dated, shall bear interest, shall mature at such time or times not exceeding forty years from their date or dates, as may be determined by the Authority, and may be made redeemable before maturity, at the option of the Authority, at such price or prices and under such terms and conditions as may be fixed by the Authority, at such price or prices and under such terms and conditions as may be fixed by the Authority prior to the issuance of the bonds. The Authority shall determine the form and the manner of execution of the bonds, including any interest coupons to be attached thereto, and shall fix the denomination or denominations of the bonds and the place or places of payment of principal and interest, which may be at any bank or trust company within or without the Commonwealth. In case any officer whose signature or a facsimile of whose signature shall appear on any bonds or coupons shall cease to be such officer before the delivery of such bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. The bonds may be issued in coupon or in registered form or both, as the Authority may determine, and provision may be made for the registration of any coupon bonds as to principal alone and also as to both principal and interest, for the reconversion into coupon bonds of any bonds registered as to both principal and interest, and for the interchange of registered and coupon bonds. The Authority may sell such bonds in such manner, either at public or private sale, and for such price as it may determine will best effect the purposes of this chapter.

The proceeds of the bonds of each issue shall be used solely for the payment of the cost of the projects for which such bonds shall have been issued, and shall be disbursed in such manner and under such restrictions, if any, as the Authority may provide in the resolution authorizing the issuance of such bonds or in the trust agreement hereinafter mentioned securing the same. If the proceeds of the bonds of any issue, by error of estimates or otherwise, shall be less than such cost, additional bonds may in like manner be issued to provide the amount of such deficit, and, unless otherwise provided in the resolution authorizing the issuance of such bonds or in the trust agreement securing the same, shall be deemed to be of the same issue and shall be entitled to payment from the same fund without preference or priority of the bonds first issued. If the proceeds of the bonds of any issue shall exceed such cost, the surplus shall be deposited to the credit of the sinking fund for such bonds, or may be applied to the payment of the cost of any additional project or projects.

Prior to the preparation of definitive bonds, the Authority may, under like restrictions issue interim receipts or temporary bonds, with or without coupons, exchangeable for definitive bonds when such bonds shall have been executed and are available for delivery. The Authority may also provide for the replacement of any bonds which shall become mutilated or shall be destroyed or lost. Bonds may be issued under the provisions of this chapter without obtaining the consent of any department, division, commission, board, bureau or agency of the Commonwealth, and without any other proceedings or the happening of any other conditions or things than those proceedings, conditions or things which are specifically required by this article.

Trust agreement securing bonds

In the discretion of the Authority any bonds issued under the provisions of this article may be secured by a trust agreement by and between the Authority and a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the Commonwealth. Such trust agreement or the resolution providing for the issuance of such bonds may pledge or assign the revenues to be received, but shall not convey or mortgage any project or any part thereof. Such trust agreement or resolution providing for the issuance of such bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders as may be reasonable and proper and not in violation of law, including covenants setting forth the duties of the Authority in relation to the acquisition of property and the acquisition, construction, establishment, improvement, extension, enlargement, maintenance, repair, operation and insurance of the project or projects in connection with which such bonds shall have been authorized, the rates and fees to be charged, the custody, safeguarding and application of all moneys, and conditions or limitations with respect to the issuance of additional bonds. It shall be lawful for any bank or trust company incorporated under the laws of the Commonwealth which may act as depository of the proceeds of bonds or of revenues to furnish such indemnifying bonds or to pledge such securities as may be required by the Authority. Any such trust agreement may set forth the rights of action by bondholders. In addition to the foregoing, any such trust agreement or resolution may contain such other provisions as the Authority may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust agreement or resolution may be treated as a part of the cost of the operation of the project or projects.

§ 2.1-234.16

Rents, fees and charges for services or use of facilities; use and disposition of revenues

The Authority is hereby authorized to fix, revise, charge, and collect rates, fees, and other charges for the use of or for the services and facilities furnished by each project and the different parts thereof, and to contract with any agency, commission or political subdivision desiring the use of any part thereof, and to fix the terms, conditions, rents, and rates of charges for such use. Such rates, fees, and other charges shall be so fixed and adjusted so that revenues of the Authority, together with any other available funds, will be sufficient at all times to pay (i) the cost of maintaining, repairing and operating such project or projects and (ii) the principal of and the interest on such bonds as the same shall become due and payable, and to create reserves for such purposes. Such rates, fees, and other charges shall not be subject to supervision or regulation by any other commission, board, bureau, or agency of the Commonwealth. The revenues derived from the project or projects in connection with which the bonds shall have been issued, except such part thereof as may be necessary to pay such cost of maintenance, repair and operation and to provide such reserves therefor as may be provided for in the resolution authorizing the issuance of such bonds or in the trust agreement securing the same, shall be set aside at such regular intervals as may be provided in such resolution or such trust agreement in a sinking fund which is hereby pledged to, and charged with, the payment of the principal of and the interest on such bonds as the same shall become due, and the redemption price or the purchase price of bonds retired by call or purchase as therein provided. Such pledge shall be valid and binding from the time when the pledge is made, the revenues or other moneys so pledged and thereafter received by the Authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. Neither the resolution nor any trust agreement by which a pledge is created need be filed or recorded except in the records of the Authority. The use and disposition of moneys to the credit of such sinking fund shall be subject to the provisions of the resolution authorizing the issuance of such bonds or of such trust agreement. Except as may otherwise be provided in such resolution or such trust agreement, such sinking fund shall be a fund for all such bonds without distinction or priority of one over another.

§ 2.1-234.17

Moneys received deemed trust funds

All moneys received pursuant to the authority of this article, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in this article. The resolution authorizing the bonds of any issue or the trust agreement securing such bonds shall provide that any officer with whom, or any bank or trust company with which, such moneys shall be deposited shall act as a trustee of such moneys and shall hold and apply the same for the purposes hereof, subject to such regulations as this article and such resolution or trust agreement may provide.

§ 2.1-234.18

Proceedings by bondholder or trustee to enforce rights

Any holder of bonds issued under the provisions of this article or any of the coupons appertaining thereto, and the trustee under any trust agreement, except to the extent the rights herein given may be restricted by such trust agreement or the resolution authorizing the issuance of such bonds, may, either at law or in equity, by suit, action, mandamus or other proceeding, protect and enforce any and all rights under the laws of the Commonwealth or granted hereunder or under such trust agreement or resolution, and may enforce and compel the performance of all duties required by this article or by such trust agreement or resolution to be performed by the Authority or by any officer thereof, including the fixing, charging, and collecting of rates, fees, and other charges.

§ 2.1-234.19

Bonds made securities for investment and deposit

Bonds issued by the Authority under the provisions of this article are hereby made securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees, and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. Such bonds are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

Revenue refunding bonds; bonds for refunding and for cost of additional projects

The Authority is hereby authorized to provide for the issuance of revenue refunding bonds of the Authority for the purpose of refunding any bonds then outstanding which shall have been issued under the provisions of this article, including the payment of any redemption premium thereon and any interest accrued or to accrue to the date of redemption of such bonds, and, if deemed advisable by the Authority, for the additional purpose of constructing improvements, extensions, or enlargements of the project or projects in connection with which the bonds to be refunded shall have been issued. The Authority is further authorized to provide by resolution for the issuance of its revenue bonds for the combined purpose of (i) refunding any bonds then outstanding which shall have been issued under the provisions of this article, including the payment of any redemption premium thereon and any interest accrued or to accrue to the date of redemption of such bonds, and (ii) paying all or any part of the cost of any additional project or projects or any portion or portions thereof. The issuance of such bonds, the maturities and other details thereof, the rights of the holders thereof, and the rights, duties and obligations of the Authority in respect of the same shall be governed by the provisions of this article insofar as the same may be applicable.

§ 2.1-234.21

Contracts, leases and other arrangements

A. In connection with the operation of a facility owned or controlled by the Authority, the Authority may enter into contracts, leases, and other arrangements with any person or persons (i) granting the privilege of using or improving the facility or any portion or facility thereof or space therein consistent with the purposes of this article; (ii) conferring the privilege of supplying goods, commodities, things, services, or facilities at the facility; and (iii) making available services to be furnished by the Authority or its agents at the facility.

In each case the Authority may establish the terms and conditions and fix the charges, rentals, or fee for the privilege or service, which shall be reasonable and uniform for the same class of privilege or service at each facility and shall be established with due regard to the property and improvements used and the expenses of operation to the Authority.

B. Except as may be limited by the terms and conditions of any grant, loan or agreement authorized by §2.1-234.23, the Authority may by contract, lease, or other arrangements, upon a consideration fixed by it, grant to any qualified person, for a term not to exceed thirty years, the privilege of operating, as agent of the Authority or otherwise, any facility owned or controlled by the Authority; provided that no person shall be granted any authority to operate a facility other than as a public facility or to enter into any contracts, leases, or other arrangements in connection with the operation of the facility which the Authority might not have undertaken under subsection A of this section.

C. In connection with a project leased to a trust instrumentality of the United States where such trust instrumentality has agreed with the Authority to pay rent which together with payments or contributions by the Commonwealth and any political subdivision are sufficient to pay the principal of and interest on the Authority's bonds issued to finance such project, the Authority may agree that such trust instrumentality shall assume all responsibility for the acquisition, construction, operation, maintenance, and repair of the project and may further agree that when the principal of all such bonds of the Authority and the interest thereon have been paid in full or provision made therefor satisfactory to the Authority, the trust instrumentality may acquire the Authority's interest in such project without payment of additional consideration.

§ 2.1-234.22**Resolutions, rules and regulations, etc**

The Authority is authorized to adopt, amend, and repeal such reasonable resolutions, rules, regulations, and orders as it shall deem necessary for the management, government, and use of any facility owned by it or under its control. No rule, regulation, order, or standard prescribed by the Authority shall be inconsistent with, or contrary to, any law of this Commonwealth or act of the Congress of the United States or any regulation promulgated or standard established pursuant thereto. The Authority shall keep on file at the principal office of the Authority for public inspection a copy of all its rules and regulations.

§ 2.1-234.23**Grants or loans of public or private funds**

The Authority is authorized to accept, receive, receipt for, disburse, and expend federal and state moneys and other moneys, public or private, made available by grant or loan or both, to accomplish, in whole or in part, any of the purposes of this article. All federal moneys accepted under this section shall be accepted and expended by the Authority upon such terms and conditions as are prescribed by the United States and as are consistent with state law; and all state moneys accepted under this section shall be accepted and expended by the Authority upon such terms and conditions as are prescribed by the Commonwealth.

§ 2.1-234.24**Exemption from taxes or assessments**

The exercise of the powers granted by this article will be in all respects for the benefit of the people of the Commonwealth, for the increase of their commerce and prosperity, and for the improvement of their health and living conditions, and as the operation and maintenance of projects by the Authority will constitute the performance of essential governmental functions, the Authority shall not be required to pay any taxes or assessments upon any project or any property acquired or used by the Authority under the provisions of this article or upon the income therefrom, and any bonds issued under the provisions of this article, their transfer and the income therefrom (including any profit made on the sale thereof) shall at all times be free from taxation within the Commonwealth; provided that the exemption hereby granted shall not be construed to extend to persons conducting on the premises of a facility businesses for which local or state taxes would otherwise be required.



Go to [\(previous section\)](#) or [\(next section\)](#) or [\(General Assembly Home\)](#)

§ 2.1-234.25**Governing body of Authority**

The powers of the Authority shall be exercised by a governing body consisting of the members of the Authority acting as a board. The board shall elect in each odd-numbered year from their number a chairman, a vice-chairman, a treasurer and a secretary. In the absence of the chairman, the vice-chairman shall exercise the powers and duties thereof. The offices of secretary and treasurer may be combined. The board may elect such other officers from its own membership or from without as it deems appropriate.

Four members shall constitute a quorum of the board for the purpose of organizing the Authority and conducting the business thereof and for all other purposes, and all actions shall be taken by vote of a majority of the members of the Authority, unless in any case the bylaws shall require a larger number.

The board shall have full authority to manage the properties and business of the Authority, and to prescribe, amend, and repeal bylaws, rules, and regulations governing the manner in which the business of the Authority may be conducted, and the powers granted to it may be exercised and embodied. The board may assign to the Treasury Board or the State Treasurer such powers and duties as it may deem proper.

§ 2.1-234.26**Moneys of Authority**

All moneys of the Authority, from whatever source derived, shall be paid to the treasurer of the Authority. Such moneys shall be deposited in the first instance by the treasurer in one or more banks or trust companies, in one or more special accounts, and each of such special accounts shall be continuously secured by a pledge of direct obligations of the United States of America or of the Commonwealth, having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance on deposit in such account. Such securities shall either be deposited with the treasurer or be held by a trustee or agent satisfactory to the Authority. All banks and trust companies are authorized to give such security for such deposits. The moneys in such accounts shall be paid out on the warrant or other order of the treasurer of the Authority, or of such other person or persons as the Authority may authorize to execute such warrants or orders. The Auditor of Public Accounts of the Commonwealth, and his legally authorized representatives are hereby authorized and empowered from time to time to examine the accounts and books of the Authority, including its receipts, disbursements, contracts, leases, sinking funds, investments, and any other matters relating to its finances, operation and affairs.

§ 2.1-234.27**Competition in award of contracts; contractors to give surety; terms of contracts**

If any project or any portion thereof or any improvement thereof shall be constructed, or furnished pursuant to a contract and the estimated cost thereof exceeds \$10,000, such contract shall be awarded to the lowest responsible bidder after advertisement for bids. The Authority may make rules and regulations for the submission of bids and the construction, furnishing, or improvement of any project or portion thereof. No contract shall be entered into for construction, furnishing, or improvement of any project, or portion thereof, or for the purchase of materials, unless the contractor shall give an undertaking with a sufficient surety or sureties approved by the Authority, and in an amount fixed by the Authority in accordance with § 11-58, for the faithful performance of the contract; and such contract shall be accompanied by an additional bond for the protection of those who furnish labor and material or rental equipment for such amount and subject to the same terms and conditions as established by the Authority in accordance with § 11-58. All construction contracts shall provide, among other things, that the person or corporation entering into such contract with the Authority will pay for all materials furnished, rental equipment used and services rendered for the performance of the contract, and that any person or corporation furnishing such materials, rental equipment or rendering such services may maintain an action to recover for the same against the obligor in the undertaking as though such person or corporation was named therein, provided the action is brought within one year after the time the cause of action accrued. The additional bond shall be conditioned upon the prompt payment of actual equipment rentals and shall not be conditioned upon or guarantee payment of equipment rentals, all or any part of which, directly or indirectly, apply on the purchase price of such equipment under the terms of a bailment lease or conditional sales contract or by any other arrangement by which title to the equipment will be transferred to the contractor and the rentals form any part of the consideration.

Subject to the aforesaid, the Authority may, but without intending by this provision to limit any powers of such Authority, enter into and carry out such contracts, or establish or comply with such rules and regulations concerning labor and materials to rental equipment and other related matters in connection with any project, or portion thereof, as the Authority may deem desirable.

§ 2.1-234.28**Eminent domain; right of entry**

The Authority is hereby vested with the power of eminent domain and may exercise the same for the purposes set forth in this article. If the owner, lessee, or occupier of any property to be condemned or otherwise acquired shall refuse to remove his property therefrom or give up possession thereof, the Authority may proceed to obtain possession in any manner provided by law.

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A PROFESSIONAL CORPORATION

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OF COUNSEL
PETER ARGETSINGER

MEMORANDUM

TO: Dennis DeWitt

FROM: Eric Wohlforth *GEW*

DATE: December 17, 1997

SUBJECT: Attorneys Contacted on Deferred Maintenance Financing Bill

I have talked with Lewis Greenbaum of Katten Muchin & Zavis, Chicago, Illinois, about reviewing the draft bill and making suggestions on the taxability question. He estimates from \$5,000 to \$10,000 to perform this function. He will be here in Anchorage on a closing on December 29 and 30 and could then be in conference with us. Lewis is a distinguished public finance attorney with a broad background who is familiar with Alaska as he has worked here with clients before. His partner, Milton S. Wakschlag, a tax-exempt specialist is currently chair of the American Bar Association Tax Committee. Lewis' firm is working for Robert LeResche and John Nuveen & Co. who are potential underwriters in the financing. I do not feel that this would impair the value of his work, but others might not feel this.

Lewis' work would include a written analysis as to whether he agrees or does not agree with my memo and necessary dialogue with you. I believe you could cap his fee at \$4,000.

My other suggestion is Roger Davis who is the head of the Public Finance Department of Orrick, Herrington and Sutcliffe of San Francisco. Roger estimates a fee of \$8,500 to complete the work early in February. I have faxed both to Roger and to Lewis a copy of the draft bill and my memo.

cc:Mail for: Denny DeWitt

Subject: Re: ESA etc.

▷ **Forwarded:** Annette Kreitzer 12/15/97 8:16 AM

To: Denny DeWitt

Denny -
per Senator Leman's request I'm forwarding this correspondence.

Subject: Re: ESA etc.

From: Senator Loren Leman at LAA_SLEM

Date: 12/11/97 11:41 AM

Please pass on Boutin's recommendation to Denny Dewitt.

Loren

Subject: ESA etc.

From: Annette Kreitzer at LAA_CAP

Date: 12/4/97 9:56 AM

Loren:

I believe Mike Pauley pulled a copy of Ron Sommerville's ESA analysis off the fax machine for you. I have a copy here as well. Ron wondered if you had any questions for him (463-3830 AOC or home 780-4812).

SECONDLY:

Tom Boutin called this morning. Said he read your comments about the funding of deferred maintenance projects. Tom has solid finance experience and was recently hired by the Department of Law to provide expert testimony on the financing of the Willoughby Ave. DNR building vs. a former Dept. of Revenue Commissioner.

He said Bill Mantel with Preston, Ellis, Gates of Seattle (206) 623-7580 is THE tax consultant that you should talk with about any scheme to fund deferred maintenance with tax-exempt bonds. Boutin says from his experience that what you have heard so far about the IRS being concerned about the state using the permanent fund to guarantee repayment because they would look at the PF and say, "hey, why do you need to offer tax-exempt bonds when you have all of this money is savings" is a true hurdle. IRS won't care if the state issues taxable bonds, but not tax-exempt. But, if anyone could devise a scheme, it would be Mr. Mantel.

Boutin also said that it is a red herring for people to claim that using the PF to fund government operations would lessen the IRS' concern. There is no linkage there.

Tom's number is 789-7936 if you want to talk with him about this.

PRESTON GATES & ELLIS LLP
ATTORNEYS

MEMORANDUM

To: **Forrest Browne**

From: **Forrest Walls**

Date: **March 4, 1997**

Subject: **Senate Bill 37**

Post-It® Fax Note	7871	Date 2-18	# of pages 5
To	Denny Dawitt	From	Forrest Browne
Co./Dept.		Co.	
Phone #		Phone #	465-3750
Fax #	3319	Fax #	

We have reviewed the above bill providing for an Education Facilities Financing Authority which you faxed to me last Friday afternoon. While we have not had an opportunity to fully research the issues which the bill raises, I can offer the following comments.

The bill authorizes the Authority to issue "revenue bonds or notes" and provides for the creation of "capital reserve funds" funded out of state monies which "shall be used as required solely for (1) the payment of the principal of, and interest on," and to other-wise secure, the bonds. As outlined in more detail in Bill Mantle's memorandum of February 12, 1997 (attached) to Tim Benintendi, Section 148 of the Federal Internal Revenue Code of 1986, and its implementing regulations classify funds established, as this fund is apparently intended, to pay and secure the payment of outstanding bonds, as sinking funds. If bonds are secured by a sinking fund, the moneys in that fund must be invested at a yield no greater than the yield on the bonds secured or the interest on such bonds will be taxable, not tax exempt.

In general, this rule applies equally to general obligation bonds and revenue bonds. Revenue bonds may be secured by a reasonably required reserve or replacement fund (an RRRR fund) which may be invested at yields higher than that of the bonds (an arbitrage yield). However, such RRRR funds are limited in size (not more than the lesser of 10% of the issue size or certain other similar limits). Also, it seems doubtful that a "capital reserve fund" would qualify as an RRRR fund since the bonds in question are not revenue bonds in the usual sense of that term since as they are not secured by the revenues of a revenue producing enterprise. Also, if the capital reserve fund were the primary or sole security for such bonds it does not operate in the usual capacity of an RRRR fund and there would be a clear nexus between the fund and the payment of debt service on the bonds making clear the status of the fund as a sinking fund. See Rev. Rul. 80-13, 1982-1 C. B. 21.

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Memorandum
March 4, 1997
Page 2

In summary, the capital reserve funds appear likely to be classified as sinking funds by the IRS with the result that the interest on any bonds secured by such funds would be taxable unless yield on investment of such funds was restricted to the yield on the bonds so secured.

The second issue raised by the bill is whether or not the bonds of the Authority must be approved by the voters of the state under the requirements of Article IX, Section 8 of the Alaska Constitution. Although the bonds authorized are characterized as "revenue bonds", and the bill states several times that they are not to be considered as a debt or liability of the state, such bonds constitute debt incurred on behalf of the state, for state purposes, and are to be payable, at least in part, out of state funds which are pledged to that purpose. Thus, they look and function very much like general obligation bonds of the state. Such financing arrangements, using a semi-independent financing authority, have been created a number of times in other states which have constitutional limitations on state debt. The courts have not been uniform in determining whether such efforts successfully avoid constitutional requirements. It may be that such a financing plan would be upheld by the courts but, in the absence of detailed and careful documentation of that issue, the validity of such bonds without a vote should be regarded as an open question. A test case may be a useful way of obtaining a reliable determination of that issue.

If such research has been done we would be happy to review it or, if not, we could undertake such research upon your request.

Attachment: Mantle memo of 2/12/97
cc: Jim Baldwin



PRESTON GATES & ELLIS LLP
ATTORNEYS

MEMORANDUM

To: Tim Benintendi

From: Bill Mantle *BM*

Date: February 12, 1997

Subject: Comments on Public Facilities Capital Fund Legislation

By fax to Forrest Walls you have asked for our comments on proposed Alaska legislation that would add a provision to the Constitution of the State of Alaska creating a public facilities capital fund. Income of the public facilities capital fund would be withdrawn and used to pay the principal and interest on state general obligation bonds issued for acquisition, construction, and major maintenance and renovation of roads and highways, schools, airports, harbors and ports, water and sewer projects, correctional facilities, and buildings that are wholly owned by the state, by a municipality or school district of the state or by the University of Alaska.

Arbitrage Summary

Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), contains rules restricting the arbitrage that may be earned on proceeds of tax-exempt bonds issued by state and local governmental units. Those rules generally require that tax-exempt bond proceeds, and other amounts that are treated as bond proceeds, be invested at rates of investment return that are not materially higher than the yield on the tax-exempt bonds. The Code allows certain bond proceeds, such as proceeds to be expended on construction projects, to be invested at arbitrage yields for limited periods of time. Money to be used to pay current debt service on tax-exempt bonds may be invested at arbitrage yields provided the fund in which such amounts are accumulated is completely expended each year. In addition, reasonably required reserve or replacement funds may be invested at arbitrage yields. The Code does not allow this type of fund for general obligations bonds such as those proposed to be secured by the public facilities capital fund.

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Memorandum
February 12, 1997
Page 2

Replacement Proceeds and Pledged Funds

The arbitrage rules of Section 148 of the Code cover the original sale proceeds of tax-exempt bonds and amounts earned by investing those sale proceeds. In addition, they also cover what are called "replacement proceeds." Replacement proceeds are defined by Treasury Regulation 1.148-1(b) as amounts that have a "sufficient direct nexus to the issue or to the governmental purpose of the issue to conclude that the amounts would have been used for that governmental purpose if the proceeds of the issue were not used or to be used for that governmental purpose." The regulations also provide that replacement proceeds include, but are not limited to, sinking funds, pledged funds and other amounts to the extent that those funds or amounts are held by or derived from a substantial beneficiary of the bond issue.

Our concern with the proposed public facilities capital fund is that it will be considered by the IRS to be a "pledged fund." Treasury Regulations provide that a pledged fund is any amount that is directly or indirectly pledged to pay principal or interest on a bond issue. A pledge need not be cast in any particular form, but in substance, must provide reasonable assurance that the amount will be available to pay principal or interest on the issue, even if the issuer encounters financial difficulties.

There is a long history of IRS rulings on replacement proceeds, sinking funds and pledged funds. The definition of replacement proceeds as amounts having a nexus to the issue or the governmental purpose of the issue is consistent with Rev. Rul. 78-348, 1978-2 C.B. 95 in which the IRS stated that in order for there to be funds replaced by the proceeds of an issue of tax-exempt obligations, there must exist a "nexus or sufficiently direct relationship" between the obligations and the replaced funds. The status of sinking funds as replacement proceeds (with their "nexus" being a reasonable expectation that amounts on deposit therein will be used to pay debt service) is consistent with Rev. Rul. 82-101, 1982-1 C.B. 21.

In addition the IRS has held that although a pledge of funds need not be cast in a particular legal form, there must be a reasonable assurance that the collateral will be available if needed to pay debt service. Rev. Rul. 79-134, 1979-1 C.B. 76. It has also been held by the IRS that replacement proceeds may arise any time, regardless of whether the creation of the replacement is reasonably expected by the issuer on the date the bonds are issued. Rev. Rul. 80-328, 1980-2 C.B. 53; Rev. Rul. 80-13, 1980-1 C.B. 27; Rev. Rul. 78-349, 1978-2 C.B. 96.

Of particular interest to the proposed public facilities capital fund is Rev. Rul. 82-101, 1982-1 C.B. 21, which is often referred to as the "Alabama" ruling. In that ruling, a state created a trust fund using the proceeds for the sale of land. The corpus of the fund could not be invaded and the investment income on the fund could be spent only upon an appropriation by the state legislature. Shortly after the creation of the fund, the state issued general obligation bonds that had been approved at the same time as the fund in a voter referendum. The income on the fund was equal to the average annual debt service on the bonds. The IRS held that the state reasonably

Memorandum
February 12, 1997
Page 3

expected to pay the debt service on the bonds from the investment income on the funds that there was, in effect, an underlying arrangement between the creation of the fund and the issuance of the bonds.

Allocation of Fund to Each Bond Issue

We believe that the proposed public facilities capital fund will be viewed by the IRS as replacement proceeds of the state general obligation bonds that have principal and interest payments secured by the income from the fund. As such, the fund will be subject to yield limitations relating to each bond issue that may be secured by the fund. Administering this yield restriction will involve allocation on the corpus of the fund periodically (at least every 3 years) to each bond issue and manipulation of the investment yield of the portfolio so that the investment allocated to each bond issue do not exceed the yield on the various bonds. Treasury Regulation 1.148-6(e)(6). The yield reduction payments provisions of Treasury Regulation 1.148-5(e) which allow for payments to be made to the IRS to reduce impermissible arbitrage yield do not apply to this type of sinking fund.

Conclusion

If the money in the fund is not allocated among the bond issues the fund secures, and if yield in such money is not restricted to the yield on such bonds, interest on the bonds becomes taxable. The holder of the bonds would then suffer a significant loss as a result, which they would probably seek to recover from the state. It seems likely that they would succeed in doing so.

cc: Forrest W. Walls
Forrest Browne

ALASKA STATE LEGISLATURE

Rep. Eldon Mulder, Co-Chair
Rep. Kim Elton
Rep. Richard Foster
Rep. Jeannette James
Rep. Beverly Masek
Rep. Gail Phillips



Sen. Tim Kelly, Co-Chair
Sen. Loren Leman
Sen. Georgianna Lincoln
Sen. Robin Taylor
Sen. Gary Wilken
Sen. Mike Miller

DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

FAX

TO: Roger Davis
FAX # 415 773-5759

FROM: Denny DeWitt, Legislative Assistant
Representative Eldon Mulder
Phone # 907-465-2647
FAX # 907-465-3518
E-mail: Dennis_DeWitt@legis.state.ak.us

DATE: December 18, 1997

PAGES: 6, including cover

SUBJECT: Preston, Gates & Ellis Memo

COMMENTS: I attached the memo that has somewhat set the tone for discussion in the mind of some. I believe we have made some changes in the proposal Mr. Wohlforth sent you. Nonetheless, I thought it would be helpful if you had a feel of what needed to be countered.

I have our contract folks working on a contract. Judy has been most helpful in getting information we need to fill out the forms.

I need to talk to you about the fee. I will try to call you tomorrow.

I'm looking forward to working with you on this project.

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

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OF COUNSEL
PETER ARGETSINGER

MEMORANDUM

TO: Dennis Dewitt

FROM: Eric Wohlforth

DATE: December 16, 1997

SUBJECT: Public Facilities Financing Corporation Work Draft 12/01/97

Arbitrage and legal issues could be avoided if the following changes were made:

1. Page 8, line 29, page 9, line 3 and page 10, line 19 delete "1,500,000,000" and insert "such amount as may be determined by the corporation."

Taking a fixed fund level requirement out of the statute may be important if tax exempt financing is desired. This change will postpone the issue until the corporation is ready to issue Bonds.

2. Add a new (c) to Sec. 34.45.210 on page 2:

"(c) No amounts may be paid from the fund for any purpose unless appropriated by law."

3. Page 6, lines 1 and 2, delete the sentence beginning with "An agreement not to modify an appropriation..." Suggestions 2 and 3 are necessary to avoid possible unconstitutionality.

4. Should the authorized purpose be "construction, repair, major maintenance and renovation" (page 3, lines 29 and 30) or "deferred maintenance and construction" (page 4, lines 15 and 16)?

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

A Professional Corporation

Attorneys at Law

900 West 5th Avenue, Suite 600

Anchorage, Alaska 99501

FACSIMILE COVER PAGE

FILE NO.: G/O

DATE: December 17, 1997

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: DENNIS DeWITT
Alaska State Legislature

FAX: 258-5511

FROM: Eric Wohlforth

TOTAL NUMBER OF PAGES INCLUDING THIS PAGE: 2

COMMENTS:

ORIGINAL DOCUMENT TO FOLLOW VIA: N/A

If you do not receive all pages, please call back as soon as possible: Operator
Gloria Bullock at (907) 276-6401. Our telecopier number is (907) 276-5093.

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(c) ANCHORAGE DAILY NEWS

HL: OPINION

DT: 11/25/97

DY: Tuesday

SE: Metro

PG: B6

ED: Final

LE: Medium

TY: Staff

LP: Time for repairs

Maintenance task force weighs in

Alaska, so young in the cavalcade of states, has some old business to attend. Maintenance -- hundreds of millions of dollars in postponed repairs -- demands our attention. The leaking ceilings, the cracked walls, the nasty potholes no longer can be ignored.

TX: A legislative task force on deferred maintenance, which has been meeting for months, recommends spending \$1.5 billion over seven to 10 years to fix up Alaska public facilities. The money in large measure would come from the Constitutional Budget Reserve through some creative accounting that would allow lawmakers to borrow from the fund.

Is this an idea whose time has come? Sen. Tim Kelly, co-chairman of the committee, is confident the plan will work. Critics outside the Legislature, however, worry that the Internal Revenue Service will challenge the plan because of various provisions that take advantage of tax-free financing. Private corporations could not behave this way, the reasoning goes, so why should the state have the privilege? Lawmakers have plenty of time to achieve certainty when the session begins, and that's exactly what they should do through the hearing process where experts, with lawmakers and members of the Knowles administration, can challenge assumptions, explore alternatives and eliminate surprises. There is no excuse for putting together a financing package that itself will need maintenance in a couple of years. Legislators -- and the administration -- also should use the session to draw boundaries on the term "deferred maintenance." New roads, new schools and new offices should not be permitted to creep into the maintenance budget. New projects should be forced to compete for attention in the capital budget. It's the holiday season, but deferred maintenance should not become an excuse to put up a Christmas tree.

Finally, everyone in Juneau has to realize that a seven-to-10-year maintenance plan is only part of the answer for Alaska. While contractors are busy repairing \$1.5 billion worth of wear, other facilities will be aging. Ten years from now we could be facing another deferred maintenance crisis if we don't make repairs as we go along.

Maintenance doesn't stir many souls. Nobody is going to stand up on the floor of the Legislature and bellow, "Give me maintenance or give me death." But the work must be done, and it should be routinely. The cost of delay can be measured in the billions.

~~Holiday giving~~

~~Red kettles and other opportunities~~

~~Thousands of locals are gearing up for Thanksgiving, a national day of feasting. Some will enjoy Thursday's celebration a bit more because they took time beforehand to help others less fortunate than themselves. Perhaps they bought two turkeys -- one to cook and one to donate to a nonprofit organization that helps hungry people. Or perhaps they invited a lonely neighbor to join them. Giving can take many forms.~~

~~But usually at its core are compassion and kindness. It takes compassion to see that others have unmet needs and to try and meet them in a healthy way. It takes kindness to reach out to people with a gift,~~

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OF COUNSEL
PETER ARGETSINGER

May 6, 1997

Robert E. LeResche
John Nuveen & Co. Incorporated
4270 Glacier Highway
Juneau, AK 99801

Re: Educational Facilities Financing Authority Legislation

Dear Mr. LeResche:

We understand that you have been advised that provisions of Senate Bill 37 will cause interest on the bonds issued thereunder to become taxable and/or may require test litigation to establish the validity of the legislation.

We do not agree. Although AS 44.27.200(a) provides that the Authority may pledge amounts in the fund that exceed \$1.2 billion, this is entirely permissive and no such pledge is required by the legislation. The provisions of the bill do not contain limitations on the fund except for requirements that bonds may not be issued until the fund exceeds \$1.2 billion and agreements may not be entered into with the University or a municipality unless the fund exceeds this amount. There is nothing in the bill which, in our opinion, would automatically cause a determination by the IRS that money in the fund will be replacement proceeds and be restricted to bond yield.

We believe that the Alabama ruling is distinguishable because there is no prohibition on use of corpus or principal of the fund similar to that considered in the Alabama ruling.

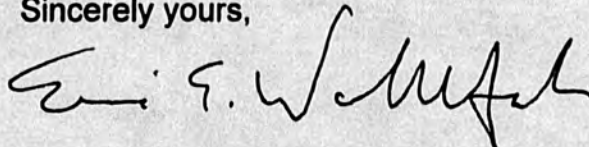
The form of the financing which will develop from the legislation will determine whether interest on the bonds is tax exempt. The form of the financing will be developed after consultation with specialist tax attorneys. In our opinion a properly configured financing could occur under this legislation without running a substantial risk of causing interest on the bonds to become taxable. It is likely that there could be no pledge or covenants with respect to amounts in the Fund. In any

Robert E. LeResche
May 6, 1997
Page 2

event, no financing would occur under the legislation unless and until there was absolute clarity on the question of tax-exempt interest.

We do not believe that bonds issued under the bill must be approved by the voters under Article IX, Section 8 of the Alaska Constitution. There are forms of debt which look and function like a general obligation bond in the state but do not constitute general obligation debt. Alaska first approved the use of a public authority or corporation to issue non-state debt for public purposes in 1962. (*De Armond v. Alaska State Dev. Corp.*, 376 P.2d 717 (AK 1962)). Case law since that time has confirmed that decision on many occasions, most recently in *Carr Gottstein Properties v. State of Alaska*, 899 P.2d 136 (AK 1995). The essential requirement is that debt service payments be subject to annual legislative appropriation.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Eric E. Wohlforth", written in a cursive style.

Eric E. Wohlforth

EEW:jlf

Sheet1

Category	Total Amount	Percentage	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	
schools	296	20.85%	\$62,535.2	\$52,112.7	\$52,112.7	\$52,112.7	\$41,690.1	\$35,436.6	
university	188	13.24%	\$39,718.3	\$33,098.6	\$33,098.6	\$33,098.6	\$26,478.9	\$22,507.0	
hwy, ferry, airport	299	21.06%	\$63,169.0	\$52,640.8	\$52,640.8	\$52,640.8	\$42,112.7	\$35,795.8	
harbors	55	3.87%	\$11,619.7	\$9,683.1	\$9,683.1	\$9,683.1	\$7,746.5	\$6,584.5	
public facilities	173	12.18%	\$36,549.3	\$30,457.7	\$30,457.7	\$30,457.7	\$24,366.2	\$20,711.3	
water & sewer	105	7.39%	\$22,183.1	\$18,485.9	\$18,485.9	\$18,485.9	\$14,788.7	\$12,570.4	
replacement	304	21.41%	\$64,225.4	\$53,521.1	\$53,521.1	\$53,521.1	\$42,816.9	\$36,394.4	
	1420	100.00%							
Category	Total Amount	Percentage	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	
schools	560	39.44%	\$118,309.9	\$98,591.5	\$98,591.5	\$98,591.5	\$78,873.2	\$67,042.3	
university	228	16.06%	\$48,169.0	\$40,140.8	\$40,140.8	\$40,140.8	\$32,112.7	\$27,295.8	
hwy, ferry & airport	299	21.06%	\$63,169.0	\$52,640.8	\$52,640.8	\$52,640.8	\$42,112.7	\$35,795.8	
harbors	55	3.87%	\$11,619.7	\$9,683.1	\$9,683.1	\$9,683.1	\$7,746.5	\$6,584.5	
public facilities	173	12.18%	\$36,549.3	\$30,457.7	\$30,457.7	\$30,457.7	\$24,366.2	\$20,711.3	
water & sewer	105	7.39%	\$22,183.1	\$18,485.9	\$18,485.9	\$18,485.9	\$14,788.7	\$12,570.4	
	1420	100.00%							
Category	Total Amount	Percentage	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Total
schools	560	39.44%	\$115,197.1	\$100,000.0	\$100,000.0	\$100,000.0	\$76,760.5	\$68,042.3	\$560,000.0
university	228	16.06%	\$50,281.8	\$38,732.3	\$38,732.3	\$38,732.3	\$34,225.4	\$27,295.8	\$228,000.0
hwy, ferry & airport	299	21.06%	\$63,084.5	\$52,640.8	\$52,640.8	\$52,640.8	\$42,112.7	\$35,880.3	\$299,000.0
harbors	55	3.87%	\$18,204.2	\$9,683.1	\$9,683.1	\$9,683.1	\$7,746.5	\$0.0	\$55,000.0
public facilities	173	12.18%	\$35,049.3	\$30,457.7	\$30,457.7	\$30,457.7	\$23,366.2	\$23,211.3	\$173,000.0
water & sewer	105	7.39%	\$18,183.1	\$18,485.9	\$18,485.9	\$18,485.9	\$15,788.7	\$15,570.4	\$105,000.0
	1420	100.00%	\$300,000.0	\$250,000.0	\$250,000.0	\$250,000.0	\$200,000.0	\$170,000.0	\$1,420,000.0
									\$1,420,000.0

Deferred Maintenance Task Force

Building Alaska for the 21st Century

FINANCING PLAN INTEGRATION INTO FIVE YEAR BUDGET STRATEGY										
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues										
Unrestricted Revenues	2,057.3	1,968.8	1,898.9	1,950.1	1,971.8	1,978.3				
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)				
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1				
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0				
General Fund Balance Forward	66.8									
CBRF Appropriated to Gen. Fund	91.5	172.8	230.9	202.5	174.7	165.9				
Remaining New Revenues	40.6	46.0	38.4							
Total Revenues	2,283.5	2,218.6	2,193.7	2,180.3	2,180.3	2,180.3				
Expenditures										
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2				
Debt Service	<i>Moved to Capital Fund</i>									
Capital	100.0	90.0	90.0	90.0	90.0	90.0				
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1				
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0				
Total Expenditures	2,283.5	2,218.6	2,193.7	2,180.3	2,180.3	2,180.3				
Projected Surplus or (Gap)	0.0	0.0	0.0	0.0	0.0	0.0				
CBRF Beginning Balance	3,297.4	3,515.1	3,734.0	3,908.9	3,926.7	3,939.6	3,957.7	3,960.4	3,963.3	3,966.4
Projected Earnings	236.1	251.7	267.4	279.9	281.2	282.1	283.4	283.6	283.8	284.0
Transfers to General Fund	(91.5)	(172.8)	(230.9)	(202.5)	(174.7)	(165.9)	(165.9)	(165.9)	(165.9)	(165.9)
Transfers to Capital Fund	(87.4)	(90.0)	(91.5)	(84.6)	(118.6)	(123.0)	(139.8)	(139.8)	(139.8)	(139.8)
Additional Settlement Deposits	160.5	230.0	230.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
CBRF Fund Ending Balance	3,515.1	3,734.0	3,908.9	3,926.7	3,939.6	3,957.7	3,960.4	3,963.3	3,966.4	3,969.6
Capital Fund Beginning Balance		21.3	27.8	28.0	12.9	18.9	12.5	9.0	6.5	6.9
Revenue from Tobacco Tax	21.3	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF	87.4	90.0	91.5	84.6	118.6	123.0	139.8	139.8	139.8	139.8
Capital Fund Debt Service		(30.0)	(55.0)	(80.0)	(105.0)	(125.0)	(142.0)	(142.0)	(142.0)	(142.0)
Current Debt Service	(87.4)	(85.5)	(68.3)	(51.7)	(39.6)	(36.4)	(33.3)	(32.3)	(29.4)	(21.9)
Capital Fund Ending Balance	21.3	27.8	28.0	12.9	18.9	12.5	9.0	6.5	6.9	14.8

→ Arbitrage File

This is a trend, I believe, and is significant for the "Deferred Maintenance Revenue Bond" scheme.

Forest Brown
11-26-97

CC: Annalee Mc C

Wilson C

Ron K

Dennis De V ✓

THE BOND BUYER®

THE DAILY NEWSPAPER OF MUNICIPAL FINANCE

Wednesday, November 19, 1997

New York, N.Y.

IRS Bond Audit Ruling Indicates That Innovation Can No Longer Shield Deals

By Michael Stanton

WASHINGTON — Being the first to bring an innovative transaction to market may no longer be enough for issuers to avoid an Internal Revenue Service crackdown, bond lawyers are saying in response to an IRS audit ruling released Monday.

"The way things seem to have gone in this business is that, until it's specifically addressed by regulations, whoever gets a deal to market is okay," said David Walton, a partner with Jones Hall in San Francisco.

"I think this ruling says those days are over," Walton said.

In the ruling, known as a technical advice memorandum, the IRS concluded that a "window refunding" bond issue sold by a city and backed by revenues from its sewer system took advantage of an "artifice or device" to obtain an arbitrage profit in violation of the tax code's limits on such income.

Under the IRS' bond audit guidelines, the ruling represents a formal declaration from the agency that the bonds are tax

Please turn to IRS page 4

WASHINGTON

IRS Issues Ruling: City's Window Refunding Is Taxable

Continued from front page

able, and is the last formal step in the audit process before the IRS moves to tax bondholders. However, issuers are still able to settle the charges through a closing agreement.

The IRS, citing taxpayer secrecy laws, did not identify the issuer involved in the ruling. However, some bond counsel, noting that more than six months have passed since the ruling was written, said they believe the issuer has likely already settled the charges.

The transaction being audited apparently closed sometime between the passage of the Tax Reform Act of 1986 and the publication of new IRS arbitrage regulations in 1993.

In the case the IRS was auditing, the issuer sold zero-coupon bonds with no principal or interest payments due for eight years.

The IRS contends that the issuers then, on the same day, "entered into an agreement to use sewer revenues that would otherwise have been used to pay debt service on the

bonds ... to invest in a forward contract at a yield ... which is materially higher than the yield on the bonds" — the basic definition of an arbitrage profit.

Despite the city's contention that the transaction was conducted for other purposes, the IRS, using its broad powers to stop "abusive" transactions, concluded that the substance of the deal was to obtain the arbitrage profit.

"This reflects an aggressiveness in the IRS audit program" said **David Miller**, a partner with **Arter & Hadden** here. "This shows that, as they develop new concepts, they are willing to apply them retroactively."

Richard Chirls, a partner with **Orrick, Herrington & Sutcliffe** in New York, said the ruling was unlikely to have any immediate practical market impact because issuers stopped executing window refundings after the 1993 regulations took effect.

In addition, several market participants said the ruling is unlikely to unleash a slew of similar enforcement cases because only a handful of similar deals ever closed.

But at least one of those is already under review by the IRS.

Last November, the **Camden County, N.J., Municipal Utilities Authority** acknowledged, as part of the disclosure for a separate bond sale, that it was being audited for a 1990 advance-refunding issue that critics have long contended provided the authority with an arbitrage profit.

That issue drew fire from then-Rep. **Beryl Anthony**, D-Ark., who proposed legislation to stop the practice. Although Anthony's proposal never became law, the MUA deal was widely credited by market participants for inspiring the 1993 IRS regulations.

Previously it seemed that "until it's specifically addressed by regulations, whoever gets a deal to market is okay," says Jones Hall's David Walton.

Representatives of the agency and its bond counsel on the 1990 deal, **Chapman & Cutler**, could not be reached for comment yesterday on the status of that audit.

While the ruling's conclusions were generally accepted by bond lawyers, several attorneys did raise questions about the IRS' analysis of the legal questions underlying the decision — especially its decision to cite a pre-1986 regulation in support of its findings.

"They said there were four reasons for declaring the bonds taxable and, in some way, that dilutes their arguments by indicating that they weren't completely certain about their arguments on any one of those issues," said **David Caprera**, a partner with **Kutak Rock** in Denver.

An IRS spokeswoman stressed yesterday, however, that technical advice memoranda, by definition, apply only to the cases they are issued about, and declined to comment on whether the ruling marks any new focus by the enforcement program. □

REPORT

CORRECTION

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Rev. 6/98

Central Microfilm Services
Department of Education
State of Alaska

REPORT

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DEFERRED MAINTENANCE TASK FORCE

Capitol Building, Room 501 • Juneau, Alaska 99801 • Phone (907) 465-2647 • FAX (907) 465-3518

Building an Alaska for the 21st Century **Task Force Unveils Deferred Maintenance Recommendations**

Anchorage -- Members of the Legislative Deferred Maintenance Task Force Friday unveiled several recommendations to address Alaska's ongoing maintenance needs.

The Deferred Maintenance Task Force visited 16 communities, 16 schools, 3 University campuses, 3 prisons, 3 harbors, 8 airports, 13 other public buildings and hundreds of miles of state highways. The Task force held over 60 hours of public hearings. In addition, the Task Force members visited with hundreds of Alaskans during various site visits.

The Deferred Maintenance Task Force Thursday concluded a heavy schedule of public hearings, public testimony, and site visits throughout the state. The Task Force tentatively adopted several recommendations along with a six-year a plan to finance the needs to repair Alaska's infrastructure for the 21st Century.

"This has been the most active interim task force I've ever served on," Representative Eldon Mulder, Co-Chair of the Task Force said. "We have been able to see much of what needs repair and heard reasons why our facilities have gotten into such bad repair. Finger pointing won't solve this problem. We have a solid financing plan for legislative consideration along with recommendations to prevent the problem happening again."

The Deferred Maintenance Task Force developed criteria for prioritizing almost \$1.5 billion of projects over a six-year period. The criteria includes health and safety concerns, preservation of educational programs, economic development, history of maintenance and other criteria. The criteria will be used to create a list of projects to be funded by the "Build Alaska - Public Facilities Construction Fund".

"I am encouraged by the bipartisan cooperation shown to address this major problem," said Senator Tim Kelly, Task Force Co-Chair. "We have identified over \$1 billion of needs for repair of our schools, highways, airports, buildings and the University of Alaska. Our financing proposal - "Build Alaska" - addresses these critical needs over a six year period. The plan protects the Permanent Fund and doesn't require any new state taxes. We can use the investment opportunities of the Constitutional Budget Reserve without reducing the principal in the fund."

-more-

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-more-

The Task Force tentatively adopted a list of recommendations including a \$1.42 billion Build Alaska - Public Facilities Financing Plan, draft legislation to require maintenance programs for public facilities, separate budget appropriations for maintenance, and the use of prototypical schools. The task force will ask several standing committees to review issues such as lighter weight studs in tires and their impact on maintenance of our roads, and regulatory standards that unnecessarily increase the cost of construction.

"As sponsor of the Resolution that created the Task Force and as a member, I can tell you that it has responded to its charter. We have developed a list of what needs repair, recommendations to keep from falling back into the same quagmire of not maintaining our facilities, and recommendations for financing repairing our public assets," House Speaker Gail Phillips said.

The Task Force will recommend the administration continue moving toward establishing a rental concept for agencies using state buildings. The concept has been under consideration since the Hickel Administration and is almost ready for a pilot program. The concept will help deal with maintenance responsibility and force a more serious consideration of space needs and use.

"We have identified the problem, we have reviewed the needs, and we have proposed a workable solution," said Representative Mulder. "It is a large problem and includes some of the less popular needs like prisons and state buildings along with schools, the University, and roads. This Task Force addressed a large range of problems, not just the "Photo Opportunity" projects and is recommending a plan to address the full scope."

"I am proud to be the Co-Chair of this Task Force," said Senator Kelly. "This Task Force has been willing to tackle the whole problem and do the "heavy lifting" that actually gets improvements off the planning boards and onto the ground." The work of the Deferred Maintenance Task Force will serve to make Alaska in the 21st century a safer and better place to live."

Legislative leaders have said that consideration of the Deferred Maintenance Task Force's proposal will be one of the top priorities for the next legislative session.

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ISSUES TO RESOLVE

1. Financing Plan
2. Level of Local Financial Responsibility
3. Legislation
 - a) Corporation Concept
 - b) Required Maintenance Program
 - c) Separate Appropriation for Maintenance
 - d) Ballot Measure - Advisory Vote
 - e) Dedicated Funds
 - f) Use of Prototypical Models for Schools
 - g) Expand DOE Ability to Review and Alter Proposed School Siting and Design
 - h) Eliminate hard metal studs in tires
4. Transferring State Ownership of Harbors
5. Transferring Highway Ownership
6. Rent Concept
7. Reduce Unnecessary Regulatory Requirements on State Construction
8. Prioritization
 - a) Components of each year's funding
 - b) Within each category
 - i) Water & Sewer
 - ii) Harbors
 - iii) University
 - iv) Public Facilities
 - v) Roads & Airports
 - vi) Schools
 - vii) New Construction

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DEFERRED MAINTENANCE TASK FORCE

Criteria For Consideration And Prioritization

1. Fiscal impacts on costs and revenues
2. Health and safety effects
3. Distributional effects
4. Historical maintenance of facility
5. Use of available prototypical facilities
6. Feasibility, including public support and project readiness
7. Impact on program operation
8. Ability to transfer ownership
9. Advantages accruing from relationships to other project proposals

DRAFT

MEMORANDUM**State of Alaska**

**Office of the Governor
Office of Management and Budget
Telephone: 465-4660**

October 9, 1997

TO: Administrative Service Directors
Facility Advisory Council Members
DOT/PF Facility Maintenance Employees

FROM: Annalee McConiell, Director, Office of Management and Budget
Mark Boyer, Commissioner, Department of Administration
Joe Perkins, Commissioner, Department of Transportation
and Public Facilities

RE: Facility Update

To some this is an update, while to others this memorandum outlines the Knowles administration's long and short-term goals to effectively manage the state's major fixed assets — facilities. First, we would like to thank everyone who has assisted us throughout this project. We are well aware that without each agency's support, we could not have recognized progress toward these goals.

Long-term Goals

- **Rental Rate Methodology** — A rent structure for facilities would enable the state to receive reimbursement for facilities costs from the federal government and other fund sources, and would provide an incentive for more efficient utilization of facilities. The rate would recover the full costs of operating and maintaining state facilities in accordance with applicable Generally Accepted Accounting Principles, federal guidelines and state policies. We hired an independent consultant who helped us identify the elements needed to develop a facilities chargeback methodology.

We hope to work with the legislature during the 1998 session to establish a Facilities Internal Service Fund (ISF) to implement this rental concept. A facilities fund would isolate facilities financial activity, allow fund balances to carryforward into the next fiscal year and recover sufficient funds to maintain the facilities. The rate would be based on prior year costs plus anticipated repairs divided by square footage. Thus the critical need to capture accurate cost data now.

- **Deferred Maintenance Backlog** — Another advantage of an ISF is to build funds so we can prevent future accumulation of deferred maintenance projects.
- **Consolidate Facility Functions** — Ultimately we think it will be advantageous to merge the facilities functions of the Department of Transportation and Public Facilities (DOT/PF) with

Facility Update
October 9, 1997
Page 2

the leasing and space planning functions of the Department of Administration (DOA). At one point we considered consolidating these functions in the Department of Administration this year. However, given the major initiatives currently underway in both DOA and DOT/PF, we now believe that it is not advisable to proceed with a transfer of facilities responsibilities from DOT/PF to DOA at this time. DOT/PF will continue its current facilities functions for at least the next twelve months. During this time we intend to move forward with the following initiatives to improve facilities operations and maintenance.

Short-term Goals

- **Nome Pilot Project** — This pilot is testing the use of a coordinated maintenance team, the effects of performing scheduled preventative maintenance, and application of an automated maintenance management system to improve the efficiency and effectiveness of facility maintenance. It began July 1 with three participating departments: DOT/PF, Military and Veterans' Affairs, and Corrections.
- **AKSAS Account Structure** — Departments were to begin tracking facility costs in the five work categories identified by the Facility Council no later than August 1, 1997. These categories are Operations, Leasing, Routine Maintenance and Repair, Renewal and Replacement, and Renovation and Remodeling. Accurately tracking costs in these categories by building or other Facility Council approved method is vital to the rate development process.
- **Facilities Rent Structure Pilot** — As the first phase of establishing a rent structure for state facilities, we are developing a simulated rate on one facility using the rate methodology established by the independent consultant. Our objective is to establish a rent structure that can be evaluated for possible incorporation in the FY 2000 budget cycle.

We hope this facility update clarifies our goals and objectives for improving the maintenance of our state facilities. If you have any questions or comments, contact Keith Gerken (DOA) at 465-5683, Rod Wilson (DOT/PF) at 465-6962 or Kym Gertner (OMB) at 465-4666.

CRITERIA

Criteria For Consideration And Prioritization

The Deferred Maintenance will use the following criteria for prioritizing the almost \$ 1.5 billion of deferred maintenance and replacement needs over a six year period. The Task Force will use these criteria and work with the administration to create a list of projects to be funded by the Build Alaska - Public Facilities Construction Fund

1. Health and safety effects
2. Preservation of educational programs
3. Impact on program operation
4. Economic development
5. Feasibility, including public support and project readiness
6. Existence and implementation of a maintenance program
7. Historical maintenance of facility
8. Use of available prototypical facilities
9. Fiscal impacts on costs and revenues
10. Distributional effects
11. Ability to transfer ownership
12. Advantages accruing from relationships to other project proposals

Working Definition of Deferred Maintenance

The Task Force uses the following definition in collecting its data and considering projects for funding as deferred maintenance needs.

"The aggregation of unfunded routine maintenance and repair and replacement which was not performed in a timely manner due to lack of available funding, lower priority, management decisions to use maintenance funds for other purposes or other recognized delaying factors. "

SPREAD SHEETS

Deferred Maintenance Task Force
BUILDING ALASKA FOR THE 21ST CENTURY

Expenditures for Public Facility Repair and New Construction

Basic SIX-YEAR financing plan will support:

Repair

Schools	\$296,000,000
University	\$188,000,000
Highways, Marine	
Highway, Airports	\$299,000,000
Harbors	\$55,000,000
Public Facilities	\$173,000,000
Water & Sewers	\$105,000,000
Subtotal	<u>\$1,116,000,000</u>

New

New Schools and University Buildings	\$304,000,000
Subtotal	<u>\$1,420,000,000</u>

Total available in financing plan

New Schools, University Buildings, and Other New Construction	\$80,000,000
Total	<u>\$1,500,000,000</u>

NOTE: Sale of the Four Dam Pool and a blend of 15 and 20 year bonds could easily net an extra \$200 million from the proposed funding plan.

Deferred Maintenance Task Force
Building Alaska for the 21st Century

New Capital Spending and Debt Service										
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TOTAL
New Debt Service	30,000.0	25,000.0	25,000.0	25,000.0	20,000.0	17,000.0				142,000.0
Cumulative Annual Debt Service	30,000.0	55,000.0	80,000.0	105,000.0	125,000.0	142,000.0	142,000.0	142,000.0	142,000.0	963,000.0
Capital Funds Available from Debt	300,000.0	250,000.0	250,000.0	250,000.0	200,000.0	170,000.0				1,420,000.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
Totals	390,000.0	340,000.0	340,000.0	340,000.0	290,000.0	260,000.0				2,230,000.0
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
New Debt Service										0.0
Cumulative Annual Debt Service	142,000.0	142,000.0	142,000.0	142,000.0	142,000.0	142,000.0	112,000.0	87,000.0	62,000.0	1,113,000.0
Capital Funds Available from Debt										0.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
Totals	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
	FY 2017	FY 2018	FY 2019							
New Debt Service										0.0
Cumulative Annual Debt Service	37,000.0	17,000.0	0.0							54,000.0
Capital Funds Available from Debt										0.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0							270,000.0
Total	90,000.0	90,000.0	90,000.0							270,000.0

Deferred Maintenance Task Force

Building Alaska for the 21st Century

CAPITAL FINANCING PLAN INTEGRATION INTO FIVE YEAR BUDGET STRATEGY

	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 2003				
Revenues	2070.9	2000.4	1976.1	1979.0	1959.7	1919.8				
Unrestricted Revenues	2,057.3	1,968.8	1,898.9	1,950.1	1,971.8	1,978.3				
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)				
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1				
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0				
General Fund Balance Forward	66.8									
CBRF Appropriated to Gen. Fund	161.1	236.3	277.2	232.2	192.3	180.3				
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	32.0	32.0				
Remaining New Revenues	40.6	46.0	38.4							
Total Revenues	2,370.9	2,314.1	2,272.0	2,242.0	2,229.9	2,226.7				
Expenditures										
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2				
Debt Service	87.4	85.5	68.3	51.7	39.6	36.4				
Capital - Cash	100.0	90.0	90.0	90.0	90.0	90.0				
Capitol to Bond Debt Service		10.0	10.0	10.0	10.0	10.0				
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1				
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0				
Total Expenditures	2,370.9	2,314.1	2,272.0	2,242.0	2,229.9	2,226.7				
Expenditure Reduction		56.8	42.1	30.0	12.1	3.2				
							FY 2004	FY 2005	FY 2006	FY 2007
CBRF Beginning Balance	3,297.4	3,515.1	3,734.0	3,908.9	3,926.5	3,939.6	3,957.7	3,960.4	3,963.3	3,966.3
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Transfers to General Fund	(161.1)	(236.3)	(277.2)	(232.2)	(192.3)	(180.3)	(165.9)	(165.9)	(165.9)	(165.9)
Transfers to Capital Fund	(17.8)	(26.5)	(45.2)	(55.1)	(100.8)	(108.6)	(139.8)	(139.8)	(139.8)	(139.8)
Additional Settlement Deposits	160.5	230.0	230.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
CBRF Fund Ending Balance	3,515.1	3,734.0	3,908.9	3,926.5	3,939.6	3,957.7	3,960.4	3,963.3	3,966.3	3,969.6
Capital Fund Beginning Balance	0.0	17.8	24.3	24.5	9.4	15.4	9.0	5.5	3.0	3.4
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF and operations	87.4	90.0	91.5	84.6	118.6	123.0	139.8	139.8	139.8	139.8
Capital Fund Debt Service		(30.0)	(55.0)	(80.0)	(105.0)	(125.0)	(142.0)	(142.0)	(142.0)	(142.0)
Current Debt Service	(87.4)	(85.5)	(68.3)	(51.7)	(39.6)	(36.4)	(33.3)	(32.3)	(29.4)	(21.9)
Capital Fund Ending Balance	17.8	24.3	24.5	9.4	15.4	9.0	5.5	3.0	3.4	11.3

Majority Five Year Plan

Capital Six Year Plan

Deferred Maintenance Task Force

Building Alaska for the 12th Century

Notes and Assumptions

- 1 Debt service was adjusted to reflect the latest Alaskan Public Debt Report information less Bank of America income offset
- 2 Debt Service has been moved from the Expenditures component to the Capital Fund. The CBRF appropriation supporting the current debt has also been moved to Capital Fund.
- 3 Capital (cash) was reduced from operating expenditure budget by \$10 million annually. Beginning in FY 1999 that will be used for debt service. (Possible from savings on cash appropriations to Water & Sewer and schools and funded in new bonding proposal.)
- 4 The CBRF rate of return was calculated at 7.16% beginning in FY 1998, reflecting Dept. of Revenue's latest projections.
- 5 Tobacco tax revenue is deposited directly into the Capital Fund to support school bonds
- 6 Tobacco tax revenues utilize Department of Revenue's latest projections
- 7 No interest earnings were calculated on the Capital Fund balance.
- 8 The CBRF principal is not reduced by the capital program in this scenario
- 9 A blend of 15 and 20 year bonds and/or more favorable rates could net nearly \$1.5 billion from \$125 million in debt service
- 10 Sale of the Four Dam Pool at \$100 million, deposited in the CBRF, could generate an additional \$7 million in earnings to service \$70 million in debt in the Capital Fund.

Deferred Maintenance Task Force
Building Alaska for the 21st Century

New Capital Spending and Debt Service										
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007	TOTAL
New Debt Service	30,000.0	25,000.0	25,000.0	25,000.0	20,000.0	17,000.0	1,000.0	3,000.0	7,000.0	142,000.0
Cumulative Annual Debt Service	30,000.0	55,000.0	80,000.0	105,000.0	125,000.0	142,000.0	142,000.0	142,000.0	142,000.0	963,000.0
Capital Funds Available from Debt	300,000.0	250,000.0	250,000.0	250,000.0	200,000.0	170,000.0				1,420,000.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
Totals	390,000.0	340,000.0	340,000.0	340,000.0	290,000.0	260,000.0				2,230,000.0
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
New Debt Service	2,000.0	6,000.0	100.0	100.0	800.0	500.0	4,500.0	2,800.0	2,800.0	
Cumulative Annual Debt Service	142,000.0	142,000.0	142,000.0	142,000.0	142,000.0	142,000.0	112,000.0	87,000.0	62,000.0	1,113,000.0
Capital Funds Available from Debt										0.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
Totals	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	90,000.0	810,000.0
	FY 2017	FY 2018	FY2019							
New Debt Service	2,400.0									2,400.0
Cumulative Annual Debt Service	37,000.0	17,000.0	0.0							54,000.0
Capital Funds Available from Debt										0.0
Capital Funds Available from General Fund Cash	90,000.0	90,000.0	90,000.0							270,000.0
Total	90,000.0	90,000.0	90,000.0							270,000.0
<i>New Debt service in italics is potential new debt from reduction in current state debt service in that year</i>										
<i>It is not included in any totals.</i>										

Deferred Maintenance Task Force

Building Alaska for the 21st Century

CAPITAL FINANCING PLAN INTEGRATION INTO FIVE YEAR BUDGET STRATEGY

	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 2003				
Revenues										
Unrestricted Revenues	2,057.3	1,968.8	1,898.9	1,950.1	1,971.8	1,978.3				
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)				
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1				
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0				
General Fund Balance Forward	66.8									
CBRF Appropriated to Gen. Fund	161.1	256.3	322.2	302.2	287.3	295.3				
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	32.0	32.0				
Remaining New Revenues	40.6	46.0	38.4							
Total Revenues	2,370.9	2,334.1	2,317.0	2,312.0	2,324.9	2,341.7				
Expenditures										
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2				
Debt Service	87.4	85.5	68.3	51.7	39.6	36.4				
Capital - Cash	100.0	90.0	90.0	90.0	90.0	90.0				
Capitol to Bond Debt Service		10.0	10.0	10.0	10.0	10.0				
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1				
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0				
Total Expenditures	2,370.9	2,314.1	2,272.0	2,242.0	2,229.9	2,226.7				
Expenditure Reductions		(56.8)	(42.1)	(30.0)	(12.1)	(3.2)				
							FY 2004	FY 2005	FY 2006	FY 2007
CBRF Beginning Balance	3,297.4	3,515.1	3,734.0	3,908.9	3,926.5	3,939.6	3,957.7	3,960.4	3,963.3	3,966.3
Projected Earnings	236.1	251.7	267.4	279.9	281.1	282.1	283.4	283.6	283.8	284.0
Transfers to General Fund	(161.1)	(256.3)	(322.2)	(302.2)	(287.3)	(295.3)	(165.9)	(165.9)	(165.9)	(165.9)
Transfers to Capital Fund	(17.8)	(6.5)	(0.2)	14.9	(5.8)	6.4	(139.8)	(139.8)	(139.8)	(139.8)
Additional Settlement Deposits	160.5	230.0	230.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
CBRF Fund Ending Balance	3,515.1	3,734.0	3,908.9	3,926.5	3,939.6	3,957.7	3,960.4	3,963.3	3,966.3	3,969.6
Capital Fund Beginning Balance	0.0	17.8	24.3	24.5	9.4	15.4	9.0	5.5	3.0	3.4
Revenue from Tobacco Tax	17.8	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF	87.4	90.0	91.5	84.6	118.6	123.0	139.8	139.8	139.8	139.8
Capital Fund Debt Service		(30.0)	(55.0)	(80.0)	(105.0)	(125.0)	(142.0)	(142.0)	(142.0)	(142.0)
Current Debt Service	(87.4)	(85.5)	(68.3)	(51.7)	(39.6)	(36.4)	(33.3)	(32.3)	(29.4)	(21.9)
Capital Fund Ending Balance	17.8	24.3	24.5	9.4	15.4	9.0	5.5	3.0	3.4	11.3

Majority Five Year Plan

Capital Six Year Plan

98	99	00	01	02
2283.5	2218.6	2193.7	2180.3	
	-64.9	-24.9	-13.4	
BWD ↓ 87.4	+12 85.5	+1 68.3	+10 51.7	
	-1.9	-17.2	-16.6	
	-56.8	32.1	20.0	
need	50	40	30	

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* Commitment to put Doesn't show
move Debt back

* Soft note

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Deferred Maintenance Task Force

Building Alaska for the 21st Century

FINANCING PLAN INTEGRATION INTO FIVE YEAR BUDGET STRATEGY										
	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues										
Unrestricted Revenues	2,057.3	1,968.8	1,898.9	1,950.1	1,971.8	1,978.3				
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)				
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1				
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0				
General Fund Balance Forward	66.8									
CBRF Appropriated to Gen. Fund	91.5	172.8	230.9	202.5	174.7	165.9				
Remaining New Revenues	40.6	46.0	38.4							
Total Revenues	2,283.5	2,218.6	2,193.7	2,180.3	2,180.3	2,180.3				
Expenditures										
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2				
Debt Service	<i>Moved to Capital Fund</i>									
Capital	100.0	90.0	90.0	90.0	90.0	90.0				
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1				
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0				
Total Expenditures	2,283.5	2,218.6	2,193.7	2,180.3	2,180.3	2,180.3				
Projected Surplus or (Gap)	0.0	0.0	0.0	0.0	0.0	0.0				
CBRF Beginning Balance	3,297.4	3,515.1	3,734.0	3,908.9	3,926.7	3,939.6	3,957.7	3,960.4	3,963.3	3,966.4
Projected Earnings	236.1	251.7	267.4	279.9	281.2	282.1	283.4	283.6	283.8	284.0
Transfers to General Fund	(91.5)	(172.8)	(230.9)	(202.5)	(174.7)	(165.9)	(165.9)	(165.9)	(165.9)	(165.9)
Transfers to Capital Fund	(87.4)	(90.0)	(91.5)	(84.6)	(118.6)	(123.0)	(139.8)	(139.8)	(139.8)	(139.8)
Additional Settlement Deposits	160.5	230.0	230.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
CBRF Fund Ending Balance	3,515.1	3,734.0	3,908.9	3,926.7	3,939.6	3,957.7	3,960.4	3,963.3	3,966.4	3,969.6
Capital Fund Beginning Balance		21.3	27.8	28.0	12.9	18.9	12.5	9.0	6.5	6.9
Revenue from Tobacco Tax	21.3	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0	32.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF	87.4	90.0	91.5	84.6	118.6	123.0	139.8	139.8	139.8	139.8
Capital Fund Debt Service		(30.0)	(55.0)	(80.0)	(105.0)	(125.0)	(142.0)	(142.0)	(142.0)	(142.0)
Current Debt Service	(87.4)	(85.5)	(68.3)	(51.7)	(39.6)	(36.4)	(33.3)	(32.3)	(29.4)	(21.9)
Capital Fund Ending Balance	21.3	27.8	28.0	12.9	18.9	12.5	9.0	6.5	6.9	14.8

2/2/97

SPREAD SHEET BACK-UP

To: Dennis DeWitt
Representative Mulder's Office

FACSIMILE

Fax #: (907) 258-5511

Re: Tobacco Tax Revenues

Date: November 4, 1997

Pages: 2, including the cover page.

Comments The only change in revenues from the fiscal note which passed with SB 13 is for FY 98. The estimate of new revenue from the tax increase was decreased by \$3.2 million dollars, to \$17.8 million. The decrease is due entirely to the effect of stockpiling of cigarettes and tobacco products in the months leading up to the tax increase. FY 99 revenue estimates have not changed.

Please call to discuss the attached schedule.

Thanks

From the desk of...

Bob Bartholomew
Deputy Director
Department of Revenue
PO Box 110420
Juneau, AK 99811-0420

(907) 465-4773
Fax: (907) 465-2375

**Alaska Department of Revenue
Income and Excise Audit Division
Fund Sources for Draft Projected Revenue From Cigarette Taxes
Reconciliation with CSSB 13 Fiscal Note and Stockpiling Effect**

	FY96	FY97
Cigarettes		
School Fund		
School Fund Revenue with change in rate	\$23,948,848	\$34,616,315
Stockpiling Effect	(\$4,001,050)	\$0
Total School Fund Revenue with change in rate and stockpiling	<u>\$19,945,798</u>	<u>\$34,616,315</u>
 School Fund Revenue without change in rate	 (\$2,607,915)	 (\$2,607,915)
Increase to School Fund	<u>\$17,337,883</u>	<u>\$32,008,400</u>
 General Fund		
General Fund Revenue with change in rate	\$11,460,308	\$10,931,468
Stockpiling Effect	\$198,316	\$0
Total General Fund Revenue with change in rate and stockpiling	<u>\$11,658,624</u>	<u>\$10,931,468</u>
 General Fund Revenue without change in rate	 (\$12,517,990)	 (\$12,517,990)
Increase to the General Fund	<u>(\$859,366)</u>	<u>(\$1,586,522)</u>
 Total Increase From Cigarettes	<u><u>\$16,478,517</u></u>	<u><u>\$30,421,878</u></u>
 Tobacco Products		
General Fund		
General Fund Revenue with change in rate	\$3,402,794	\$4,286,154
Stockpiling	(\$389,693)	\$0
	<u>\$3,013,101</u>	<u>\$4,286,154</u>
 General Fund Revenue without change in rate	 (\$1,636,073)	 (\$1,636,073)
Increase to General Fund	<u>\$1,377,028</u>	<u>\$2,650,081</u>
 Total Increase from Tobacco Products	<u><u>\$1,377,028</u></u>	<u><u>\$2,650,081</u></u>
 NET INCREASE CIG. AND TOB. PROD. OVER FY96	<u><u>\$17,855,545</u></u>	<u><u>\$33,071,959</u></u>
 Total General Fund Revenue with change in rates and Stockpiling	\$14,671,725	\$15,217,622
Total General Fund Revenue from Spring 97 Rev. Sources Book	<u>\$14,000,000</u>	<u>\$14,000,000</u>
Total General Fund Increase over Spring 97 Rev. Sources Book	<u>\$671,725</u>	<u>\$1,217,622</u>
 Total General Fund Increase over FY96 ACTUAL	<u><u>\$517,662</u></u>	<u><u>\$1,063,559</u></u>

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LEGISLATIVE MAJORITY
TWENTIETH ALASKA LEGISLATURE
FIVE YEAR BUDGET STRATEGY
As of May 11, 1997

*FY 98 oil price
75¢. 18.43*

	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<u>Revenues</u> (1)					
Unrestricted Revenues (2)	2,480.5	2,057.3	1,968.8	1,898.9	1,950.1
Adjustments (3)	(60.1)	(58.7)	(58.1)	(63.8)	(63.8)
Trans Alaska Pipeline Liability Fund (4)	0.0	15.6	0.0	0.0	0.0
Trans Alaska Pipeline System Tariff Settlement (5)	0.0	25.0	0.0	0.0	0.0
AHFC Dividend (6)	50.0	70.0	72.1	74.3	76.5
AIDEA Dividend (7)	15.0	16.0	15.0	15.0	15.0
General Fund Balance Forward (8)	0.0	66.8	0.0	0.0	0.0
CBRF Earnings Appropriated to General Fund (9)	0.0	163.8	247.4	262.6	258.0
Remaining New Revenues (10)	0.0	0.0	46.0	38.4	0.0
<u>Total Revenues</u>	<u>2,485.4</u>	<u>2,355.8</u>	<u>2,293.2</u>	<u>2,225.4</u>	<u>2,235.8</u>
<u>Expenditures</u> (1)					
Operating (11)	2,193.1	2,151.5	2,096.5	2,071.6	2,058.2
Debt Service (12)	93.1	72.3	77.2	62.1	45.5
Capital (13)	100.1	100.0	100.0	100.0	100.0
Specials/Transfers/Fund Capitalizations (14)	15.4	15.5	15.1	15.1	15.1
Supplementals (15)	16.9	16.5	17.0	17.0	17.0
<u>Total Expenditures</u> (16)	<u>2,418.6</u>	<u>2,355.8</u>	<u>2,305.8</u>	<u>2,265.8</u>	<u>2,235.8</u>
<u>Expenditure Reduction from Previous FY</u>	<u>(70.3)</u>	<u>(62.8)</u>	<u>(50.0)</u>	<u>(40.0)</u>	<u>(30.0)</u>
As a % of Total Expenditures	-2.8%	-2.6%	-2.1%	-1.7%	-1.3%
<u>Projected Surplus (Fiscal Gap)</u> (17)	<u>66.8</u>	<u>0.0</u>	<u>(12.6)</u>	<u>(40.4)</u>	<u>0.0</u>
<u>CBRF Beginning Balance</u>	<u>2,518.0</u>	<u>3,297.4</u>	<u>3,529.2</u>	<u>3,748.6</u>	<u>3,936.2</u>
Projected Earnings (18)	200.5	235.7	247.4	262.6	275.9
Additional Settlement Deposits (19)	511.5	160.5	230.0	230.0	25.0
General Fund Payback (20)	66.8	0.0	0.0	0.0	0.0
Net of Sweep Provisions (21)	0.6	0.0	0.0	0.0	0.0
Direct Appropriations to Operating (1)	0.0	(0.6)	0.0	0.0	0.0
Earnings Appropriated to General Fund (9)	0.0	(163.8)	(247.4)	(262.6)	(258.0)
Principal To Fill Fiscal Gap	0.0	0.0	(12.6)	(40.4)	0.0
<u>CBRF Ending Balance</u>	<u>3,297.4</u>	<u>3,529.2</u>	<u>3,748.6</u>	<u>3,936.2</u>	<u>3,979.1</u>
<u>Total Required CBRF Appropriations</u> (22)	<u>0.0</u>	<u>164.4</u>	<u>260.0</u>	<u>303.0</u>	<u>258.0</u>
<u>PF Earnings Reserve Beginning Balance</u> (23)	<u>104.0</u>	<u>100.0</u>	<u>139.0</u>	<u>185.0</u>	<u>223.0</u>
Income	1,900.0	1,326.0	1,425.0	1,492.0	1,562.0
To Dividend Fund	(730.0)	(741.0)	(774.0)	(822.0)	(798.0)
To Principal - Inflation Proofing	(485.0)	(535.0)	(593.0)	(620.0)	(648.0)
To Principal - Amerasia Hess	(9.0)	(11.0)	(12.0)	(12.0)	(13.0)
To Principal - Legislative Deposit	(680.0)	0.0	0.0	0.0	0.0
<u>PF Earnings Reserve Ending Balance</u>	<u>100.0</u>	<u>139.0</u>	<u>185.0</u>	<u>223.0</u>	<u>326.0</u>
<u>Change to PF Reserves from Previous FY</u>	<u>(4.0)</u>	<u>39.0</u>	<u>46.0</u>	<u>38.0</u>	<u>103.0</u>

LEGISLATIVE MAJORITY
TWENTIETH ALASKA LEGISLATURE
NOTES TO FIVE YEAR BUDGET STRATEGY
As of May 11, 1997

- (1) All values are reflected in millions of dollars. Revenues reflect General Fund (GF) unrestricted plus other transfers to the GF. With the exception of FY 98, when the Legislature made direct appropriations from the CBRF to the Department of Revenue, all expenditures are GF.
- (2) FY 97-99 GF Unrestricted Revenue forecast per the Spring 1997 Revenue Sources Book prepared by the Alaska Department of Revenue, as updated by information provided by the Department of Revenue as of May 1, 1997. FY 00-01 GF Unrestricted Revenue forecast per the Fall 1996 Revenue Sources Book as supplemented by information provided January 16, 1997 by the Department following the Department's Revenue Overview presentation to the Senate Finance Committee.

FY 97-01 GF Unrestricted revenues have also been adjusted to reflect the reclassifications that will occur with the anticipated enactment of SB 55, related to designated program receipts. The portion of the additional revenues that will be deposited to the GF with anticipated enactment of SB 13, related to tobacco taxes, have also been included. The GF portion of the revenue increases is \$1.8 million for FY 98 and \$2.6 million for each of FY 99-01.

- (3) As reflected in the Fall 1996 Revenue Sources Book, the GF Unrestricted Revenue forecast includes GF program receipts. Accordingly, no adjustment is required to add these receipts to the unrestricted revenues in computing available revenues as was necessary prior to the Fall 1996 forecast.

FY 97-99 Adjustments have been taken from Table 3 on page 12 of the Spring 1997 Revenue Sources Book. The Department of Revenue's adjustments include receipts from the Trans-Alaska Pipeline Liability Fund, one-time AHFC Mortgage Insurance Fund receipts and AHFC and AIDEA dividends to the GF. The Majority's strategy separately identifies the amounts to be transferred from AHFC and AIDEA. Accordingly, these one time payments as well as the Corporation dividends have been eliminated from the Adjustments line, and are reflected as separate lines at the levels proposed by the Legislative Majority. See Notes (4), (6) and (7).

On February 28, 1997 the Governor announced that instead of depositing the AIDEA dividend into the GF he proposed to directly spend the FY 98-01 AIDEA dividends on capital projects, the Spring 1997 Revenue Sources Book reports them as other restricted receipts.

Per the Division of Legislative Finance's January 16, 1997 summary of the Governor's budget plan issuer, the Department of Revenue unnecessarily deducted Salmon & Seafood Marketing receipts in Table 4 on page 12 of the Fall 1996 Revenue Sources Book. Accordingly, \$3.6 million is added back into the FY 99-01 Adjustment amounts.

- (4) The GF portion of up to \$20.0 million in additional receipts from the Trans Alaska Pipeline Liability Fund as described by the Division of Legislative Finance on page 4 of their January 15, 1997 analysis of the Department of Revenue's January 1997 Revenue update.
- (5) Settlement announced May 2, 1997 by the Attorney General.
- (6) Per Ch 103 SLA 1995, page 35, estimated available amounts are \$103.0 million from FY 97 through FY 00. Assumes a 3% annual increase in contributions to the GF starting in FY 99. The Governor's plan assumes only a \$50.0 million AHFC dividend to the GF in each of FY 98-01.
- (7) Per OMB, AIDEA announced a \$16.0 million FY 98 dividend. OMB projects a \$15.0 million dividend in each of FY 99-01 based on the provisions of AS 44.88.088 enacted by Ch 111 SLA 1996 (HB 526).
- (8) Projected FY 97 GF balance available in FY 98 with the passage of the CBRF sweep reversal.
- (9) Use of CBRF Earnings as a revenue source currently requires a three-quarter vote of the Legislature under the provisions of Article IX, Section 17(c) of the Alaska State Constitution.

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- (10) Remaining New Revenues are those projected in the Nineteenth Alaska Legislature Legislative Majority's February 12, 1996 Five Year Budget Strategy, reduced for increased revenue projections resulting from the acceleration of field development (Northstar and West Sak) and the development of new fields (Alpine, and Satellites) not previously included. The Department of Revenue has already included in their Spring 1996 Revenue Source Book the following projected new revenues for Northstar and the other fields (West Sak, Alpine, and satellite fields).

	<u>Northstar</u>	<u>Other Fields</u>
FY 98		\$16.5 million
FY 99		\$19.4 million
FY 00	\$13.4 million	\$15.6 million
FY 01	\$41.7 million	\$37.3 million

Since these new revenues are now included in the Department's Revenue forecast, remaining new revenues are less than those proposed February 12, 1996 by the above amounts. In the case of FY 98 and FY 01, new revenues already included in the Unrestricted Revenue line exceed the New Revenue projections included February 12, 1996. Consequently, no remaining new revenues are reflected for either fiscal year.

- (11) Includes fiscal notes for all new legislation, but does not include shared taxes or fisheries enhancement taxes statutory pass-throughs.
- (12) FY 98 reflects the Governor's request. FY 99-01 are from the Department of Revenue's January 1997 Alaska Public Debt, page 62, with a \$8.7 million reduction to FY 98 identified by OMB. Values are exclusive of University of Alaska debt of \$.2 million in each of those years.
- (13) The FY 98 capital budget includes additional capitalization of the Alaska Clean Water Fund at \$1.1 million and \$5.4 capitalization of the Alaska drinking Water Fund.
- (14) Includes
- a) GF transfers to the Oil & Hazardous Substance Release Prevention and Response Fund;
 - b) transfers from the Prevention and Response Mitigation Accounts;
 - c) transfer of Storage Tank Registration Fees to the Storage Tank Assistance Fund; and
 - d) capitalization of the Alaska Clean Water Fund at \$1.5 million for each of FY 97-01.
- (15) Excludes FY 97 GF Revised Programs of \$3.9 million, actual GF RPL's approved through the January 13, 1997 Legislative Budget & Audit Committee meeting. FY 98-01 GF Revised Programs, projected to be \$3.0 million each year, are also excluded.
- (16) Total FY 97 expenditures is the amount authorized, including operating authorizations carried forward from previous fiscal years, per the Division of Legislative Finance's January 15, 1997 All Funds Fiscal Summary.
- (17) This update reflects the projected fiscal gap as a negative number instead of a positive number, as did the February 12, 1996 Five Year Budget Strategy.
- (18) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book. FY 99-01 earnings are computed using the CBRF beginning balance multiplied by an annualized rate of return. As reflected in his January 16, 1997 testimony to the Senate Finance Committee, Robert D. Storer of the Department of Revenue, Treasury Division current projects a 7.01 % average annual rate of return for FY 99-01.
- (19) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book. Billings subject to deposit in the CBRF as of September 30, 1996 totaled \$1,465.7 million, excluding the \$350.0 million settlement amount received in December 1996 from BP.

LEGISLATIVE MAJORITY
TWENTIETH ALASKA LEGISLATURE
NOTES TO FIVE YEAR BUDGET STRATEGY
As of May 11, 1997

- (20) Article IX, Section 17(d) of the Alaska State Constitution requires the annual "sweep" of GF account balances at the end of each fiscal year to repay previous amounts appropriated from the CBRF if GF revenues exceed expenditures in any fiscal year. The amount included as a repayment is exclusive of the sweep reversal transaction described in Note (21) below.
- (21) Represents the net of:
- a) prior year sweep amounts for certain operational accounts repaid to the GF (prior fiscal year sweep reversal) at the beginning of the fiscal year; and
 - b) GF sweep amounts for those same accounts deposited into the CBRF at the end of the fiscal year.
- (22) Represents the total draw from the CBRF, exclusive of the netting of the sweep provisions described in Note (21) above.
- (23) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book . FY 99-01 projections are from the Permanent Fund Corporation's December 31, 1996 Financial Projections.

Deferred Maintenance Task Force

Financing Proposal

Expenditures for Public Facility Repair and New Construction

Basic financing package will support:

Repair

Public Facilities	\$190,000,000
Highways, Marine	
Highway, Airports	\$300,000,000
University	\$170,000,000
Schools	\$296,000,000
Harbors	\$55,000,000
Water & Sewers	\$105,000,000
Subtotal	\$1,116,000,000

New

New Schools, University	
Buildings, and Other	
New Construction	\$184,000,000

New Schools, University	
Buildings, and Other	
New Construction	\$200,000,000
Total	\$1,500,000,000

NOTE: Sale of the Four Dam Pool and a blend of 15 and 20 year bonds could easily net an extra \$200 million from the proposed debt service.

Deferred Maintenance Task Force Financing Proposal

<u>Capital Spending and Debt Service</u>						
	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>TOTAL</u>
New Debt Service	20,000.0	20,000.0	20,000.0	40,000.0	30,000.0	
Cumulative Annual Debt Service	20,000.0	40,000.0	60,000.0	100,000.0	130,000.0	
Capital Funds Available from Debt	200,000.0	200,000.0	200,000.0	400,000.0	300,000.0	1,300,000.0
Capital Funds Available from General Fund Cash	93,000.0	93,000.0	93,000.0	93,000.0	93,000.0	465,000.0
Totals	293,000.0	293,000.0	293,000.0	493,000.0	393,000.0	1,765,000.0

Deferred Maintenance Task Force

Financing Proposal

Notes and Assumptions

- 1 Debt service was adjusted to reflect the latest Alaskan Public Debt Report information less Bank of America income offset
- 2 Capital (cash) was reduced from operating expenditure budget by \$7 million annually beginning in FY 1999 that will be used for debt service
- 3 The CBRF rate of return was calculated at 7.16% beginning in FY 1998, reflecting Dept. of Revenue's latest projections.
- 4 Tobacco tax revenues utilize Department of Revenue's latest projections
- 5 New fuel tax revenues were calculated as follows utilizing Department of Transportation estimates:
 - 3 cents on Highways (on and off road)
 - 3 cents on Marine (on and off)
 - 1 cent on Aviation
- 6 Sale of the Four Dam Pool at \$100 million, deposited in the CBRF, could generate an additional \$7 million in earnings to service \$70 million in debt in the Capital Fund
- 7 No interest earnings were calculated on the Capital Fund balance.
- 8 A blend of 15 and 20 year bonds and/or more favorable rates could net nearly \$1.5 billion from \$125 million in debt service
- 9 The CBRF principal is not reduced by the capital program in this scenario

Deferred Maintenance Task Force

Financing Proposal

INTEGRATION INTO FIVE YEAR BUDGET STRATEGY								
	FY 1998	FY 1999	FY 2000	FY2001	FY 2002	FY 2003	FY 2004	FY 2005
Revenues								
Unrestricted Revenues	2,057.3	1,968.8	1,898.9	1,950.1	1,971.8	1,978.3		
Adjustments	(58.7)	(56.1)	(63.8)	(63.8)	(60.0)	(60.0)		
AHFC Dividend	70.0	72.1	74.3	76.5	78.8	81.1		
AIDEA Dividend	16.0	15.0	15.0	15.0	15.0	15.0		
General Fund Balance Forward	66.8							
CBRF Appropriated to Gen. Fund	178.9	261.3	302.5	257.5	217.6	205.6		
Remaining New Revenues	40.6	46.0	38.4					
Total Revenues	2,370.9	2,307.1	2,265.3	2,235.3	2,223.2	2,220.0		
Expenditures								
Operating	2,151.5	2,096.5	2,071.6	2,058.2	2,058.2	2,058.2		
Debt Service	87.4	85.5	68.6	52.0	39.9	36.7		
Capital	100.0	93.0	93.0	93.0	93.0	93.0		
Special/Transfers/Fund Capitalization	15.5	15.1	15.1	15.1	15.1	15.1		
Supplementals	16.5	17.0	17.0	17.0	17.0	17.0		
Total Expenditures	2,370.9	2,307.1	2,265.3	2,235.3	2,223.2	2,220.0		
Projected Surplus or (Gap)	0.0	0.0	0.0	0.0	0.0	0.0		
CBRF Beginning Balance	3,297.4	3,515.1	3,728.5	3,915.9	3,956.8	3,994.5	4,004.9	4,008.7
Projected Earnings	236.1	251.7	267.0	280.4	283.3	286.0	286.8	287.0
Transfers to General Fund	(178.9)	(261.3)	(302.5)	(257.5)	(217.6)	(205.6)	(210.0)	(210.0)
Transfers to Capital Fund		(7.0)	(7.0)	(7.0)	(53.0)	(95.0)	(98.0)	(98.0)
Additional Settlement Deposits	160.5	230.0	230.0	25.0	25.0	25.0	25.0	25.0
Net of Sweep Provisions								
Direct CBR Earnings								
CBRF Fund Ending Balance	3,515.1	3,728.5	3,915.9	3,956.8	3,994.5	4,004.9	4,008.7	4,012.7
Capital Fund Beginning Balance		21.3	40.3	39.3	18.3	3.3	0.3	0.3
Revenue from Tobacco Tax	21.3	32.0	32.0	32.0	32.0	32.0	32.0	32.0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from CBRF	0.0	7.0	7.0	7.0	53.0	95.0	98.0	98.0
Capital Fund Debt Service		(20.0)	(40.0)	(60.0)	(100.0)	(130.0)	(130.0)	(130.0)
Capital Fund Ending Balance	21.3	40.3	39.3	18.3	3.3	0.3	0.3	0.3

Sheet1

Priority #	dist	students	City	School	cost	deferred maint
28	3-4		Juneau	Marie Drake Roof Replacement	\$1,189,354	\$1,189,354
29	3-4	512	Juneau	Auke Bay Roof Replacement	\$847,817	\$847,817
45	3-4	1702	Juneau	High School Heating & Ventilation	\$106,663	\$106,663
48	3-4	610	Juneau	Floyd Dryden Gym Floor Replacement	\$183,654	\$183,654
64	3-4	1702	Juneau	High School Gym Floor Replacement	\$129,197	\$129,197
69	3-4	365	Juneau	Gastineau Heating Coil Replacement	\$183,236	\$183,236
66	3-4	1702	Juneau	Cover for JDHS/UAS Overpass	\$201,614	\$0
69	3-4	751	Juneau	Dzantik'i Heeni Site Development	#####	\$0
					\$6,365,601	\$2,639,921

FAX

TO: Bill Rose
FAX # 907-786-4619

FROM: Denny DeWitt, Legislative Assistant
Representative Eldon Mulder
Phone # 907-465-2647
FAX # 907-465-3518
E-mail: Dennis_DeWitt@legis.state.ak.us

DATE: October 29, 1997

PAGES: 5, including cover

SUBJECT: DMTF Information

COMMENTS: Thanks for taking the time to review my numbers. This is still a work in progress, however, its getting real near being done.

I changed:

1. Deposit to Capitol Fund in 1999 from 105.5 to 90
2. Deposit to Capitol Fund in 2003 from 139.8 to 123
3. New debt service to increase from 30 by increments of 25. to 2003 then by 20 and 17. This gives a more level budget through 2004 which is a concern of Senators Leman and Wilken. The reality is that spending will stretch out to 2007 at least.
4. It appears that we still level our and the CBRF grows a bit more. That creates more flexibility in the out years.

Attached:

1. Bill's financing plan and new capital spending (2 pages)
2. Denny's Adjusted financial plan and new capital (2 Pages)
3. New state debt report as of 10/29/97

Jan.16, 97 no priorities

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
Revenues										
	\$18.94*1.373 bbpd									
Unrestricted Revenues (1)	1,893.0	2,134.5	2,526.0	2,121.3	1,907.5	1,896.3	1,947.5	1,971.8	1,978.3	
Adjustments (2)	(16.5)	16.6	(48.0)	(72.2)	(67.5)	(70.0)	(61.0)	(60.0)	(60.0)	
AHFC Dividend (3)	220.0	70.0	50.0	70.0	72.1	74.3	76.5	78.8	81.1	
AIDEA Dividend (4)	60.0	0.0	15.0	16.0	15.0	15.0	15.0	15.0	15.0	
Required CBRF(5)	287.0	0.0	0.0	190.2	348.4	329.5	276.1	239.9	233.7	
New Revenues ('96 forecast minus sa	109.7	0.0	0.0	49.5	48.6	39.0	0.0	8.6	5.9	
Total Revenues	2,553.2	2,221.1	2,543.0	2,374.8	2,324.1	2,284.1	2,254.1	2,254.1	2,254.0	
Expenditures										
Base spending level				2,434.8	2,374.8	2,324.1	2,284.1	2,254.1	2,254.1	
Operating (7)	2,188.4	2,218.1	2,206.2	2,152.7	2,110.9	2,087.8	2,074.4	2,086.5	2,089.6	
Debt Service (Alaska Public Debt Rep	133.1	109.4	93.1	87.4	85.5	68.6	52.0	39.9	36.7	
Capital	101.3	116.0	100.1	100.0	93.0	93.0	93.0	93.0	93.0	
Specials/Transfers/Fund Capitalizatio	33.0	18.6	15.4	14.7	14.7	14.7	14.7	14.7	14.7	
Revised Programs/Supplementals (10	45.6	28.5	20.0	20.0	20.0	20.0	20.0	20.0	20.0	
Non-recurring expenditures	54.3	14.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Expenditures	2,555.7	2,505.1	2,434.8	2,374.8	2,324.1	2,284.1	2,254.1	2,254.1	2,254.0	
Total Recurring Expenditures	2,501.4	2,490.6	2,434.8	2,374.8	2,324.1	2,284.1	2,254.1	2,254.1	2,254.0	
Expenditure Reduction from Previous FY (11)		(55.8)	(60.0)	(50.0)	(40.0)	(30.0)	0.0	0.0		TARGET?
As a % of Total Expenditures		-2.2%	-2.5%	-2.1%	-1.7%	-1.3%				
Gap or Surplus Using CBRF Income	(160.0)	281.6	35.5	(97.4)	(69.5)	(5.1)	32.0	38.9		
Gap or Surplus Not Using CBRF Income	(284.0)	108.2	(190.2)	(348.4)	(329.5)	(276.1)	(239.9)	(233.7)		
CBRF Beginning Balance										
Projected Earnings (5)	145.1	173.4	225.7	251.0	260.0	271.0	271.9	272.6	272.6	272.6
Transfers to General Fund (5)	(284.0)	0.0	(190.2)	(348.4)	(329.5)	(276.1)	(239.9)	(233.7)	(233.7)	(233.7)
Transfers to Capital Fund				(7.0)	(7.0)	(7.0)	(47.5)	(63.7)	(63.7)	(63.7)
Additional Settlement Deposits (12)	551.5	420.0	250.0	230.0	230.0	25.0	25.0	25.0	25.0	25.0
Net of Sweep Provisions (13)	(21.1)	108.2	0.0	0.0	0.0	0.0				
Direct CBR appropriation	(8.4)									
CBRF Ending Balance	2,518.5	3,220.1	3,505.6	3,631.2	3,784.7	3,797.6	3,807.1	3,807.3	3,807.5	3,807.7
Capital Fund Beginning Balance										
Revenue from Tobacco Tax			0.0	21.3	49.6	47.9	16.2	0.0	0.0	0.0
Revenue from Additional Fuels Tax			21.3	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Transfer from CBRF			0.0	19.3	19.3	19.3	19.3	19.3	19.3	19.3
Debt Service			0.0	7.0	7.0	7.0	47.5	63.7	63.7	63.7
Capital Fund Ending Balance			0.0	30.0	60.0	90.0	115.0	115.0	115.0	115.0
PF Earnings Reserve Beginning Balance										
Income	1,202.6	1,03.5	583.5	654.5	737.5	814.5	959.5	1,158.5		
To Dividend Fund	(642.8)	(706.0)	(715.0)	(746.0)	(793.0)	(768.0)	(764.0)	(805.0)		
To Principal for Inflation Proofing	(407.2)	(465.0)	(514.0)	(571.0)	(597.0)	(624.0)	(652.0)	(681.0)		
To Principal/Amerada Hess	(18.4)	(16.0)	(11.0)	(11.0)	(12.0)	(13.0)	(14.0)	(15.0)		
Escrow Earnings/Law Appropriation	(2.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Legislative Deposits to Principal	(1,842.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PF Earnings Reserve Ending Balance	103.5	583.5	654.5	737.5	814.5	959.5	1,158.5	1,371.5		
Increase to PF Reserves from Previous FY		480.0	71.0	83.0	77.0	145.0	199.0	213.0		

Jan.16, 97 no priorities

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
\$18.94*1.373 bbpd										
<u>Revenues</u>										
Unrestricted Revenues (1)	1,893.0	2,134.5	2,526.0	2,121.3	1,907.5	1,896.3	1,947.5	1,971.8	1,978.3	
Adjustments (2)	(16.5)	16.6	(48.0)	(72.2)	(67.5)	(70.0)	(61.0)	(60.0)	(60.0)	
AHFC Dividend (3)	220.0	70.0	50.0	70.0	72.1	74.3	76.5	78.8	81.1	
AIDEA Dividend (4)	60.0	0.0	15.0	16.0	15.0	15.0	15.0	15.0	15.0	
Required CBRF(5)	287.0	0.0	0.0	190.2	348.4	329.5	276.1	239.9	233.7	
New Revenues ('96 forecast minus sa)	<u>109.7</u>	<u>0.0</u>	<u>0.0</u>	<u>49.5</u>	<u>48.6</u>	<u>39.0</u>	<u>0.0</u>	<u>8.6</u>	<u>5.9</u>	
<u>Total Revenues</u>	<u>2,553.2</u>	<u>2,221.1</u>	<u>2,543.0</u>	<u>2,374.8</u>	<u>2,324.1</u>	<u>2,284.1</u>	<u>2,254.1</u>	<u>2,254.1</u>	<u>2,254.0</u>	
<u>Expenditures</u>										
Base spending level				2,434.8	2,374.8	2,324.1	2,284.1	2,254.1	2,254.1	
Operating (7)	2,188.4	2,218.1	2,206.2	2,152.7	2,110.9	2,087.8	2,074.4	2,086.5	2,089.6	
Debt Service (Alaska Public Debt Rep	133.1	109.4	93.1	87.4	85.5	68.6	52.0	39.9	36.7	
Capital	101.3	116.0	100.1	100.0	93.0	93.0	93.0	93.0	93.0	
Specials/Transfers/Fund Capitalizatio	33.0	18.6	15.4	14.7	14.7	14.7	14.7	14.7	14.7	
Revised Programs/Supplementals (10	45.6	28.5	20.0	20.0	20.0	20.0	20.0	20.0	20.0	
Non-recurring expenditures	54.3	14.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Total Expenditures</u>	<u>2,555.7</u>	<u>2,505.1</u>	<u>2,434.8</u>	<u>2,374.8</u>	<u>2,324.1</u>	<u>2,284.1</u>	<u>2,254.1</u>	<u>2,254.1</u>	<u>2,254.0</u>	
<u>Total Recurring Expenditures</u>	<u>2,501.4</u>	<u>2,490.6</u>	<u>2,434.8</u>	<u>2,374.8</u>	<u>2,324.1</u>	<u>2,284.1</u>	<u>2,254.1</u>	<u>2,254.1</u>	<u>2,254.0</u>	
<u>Expenditure Reduction from Previous FY (11)</u>				(55.8)	(60.0)	(50.0)	(40.0)	(30.0)	0.0	0.0
As a % of Total Expenditures				-2.2%	-2.5%	-2.1%	-1.7%	-1.3%		
<u>Gap or Surplus Using CBRF income</u>	<u>(160.0)</u>	<u>281.6</u>	<u>35.5</u>	<u>(97.4)</u>	<u>(69.5)</u>	<u>(5.1)</u>	<u>32.0</u>	<u>38.9</u>		
<u>Gap or Surplus Not Using CBRF income</u>	<u>(284.0)</u>	<u>108.2</u>	<u>(190.2)</u>	<u>(348.4)</u>	<u>(329.5)</u>	<u>(276.1)</u>	<u>(239.9)</u>	<u>(233.7)</u>		
<u>CBRF Beginning Balance</u>	<u>2,135.4</u>	<u>2,518.5</u>	<u>3,220.1</u>	<u>3,505.6</u>	<u>3,631.2</u>	<u>3,784.7</u>	<u>3,797.6</u>	<u>3,807.1</u>	<u>3,807.3</u>	<u>3,807.5</u>
Projected Earnings (5)	145.1	173.4	225.7	251.0	260.0	271.0	271.9	272.6	272.6	272.6
Transfers to General Fund (5)	(284.0)	0.0	(190.2)	(348.4)	(329.5)	(276.1)	(239.9)	(233.7)	(233.7)	(233.7)
Transfers to Capital Fund				(7.0)	(7.0)	(7.0)	(47.5)	(63.7)	(63.7)	(63.7)
Additional Settlement Deposits (12)	551.5	420.0	250.0	230.0	230.0	25.0	25.0	25.0	25.0	25.0
Net of Sweep Provisions (13)	(21.1)	108.2	0.0	0.0	0.0	0.0				
Direct CBR appropriation	<u>(8.4)</u>									
<u>CBRF Ending Balance</u>	<u>2,518.5</u>	<u>3,220.1</u>	<u>3,505.6</u>	<u>3,631.2</u>	<u>3,784.7</u>	<u>3,797.6</u>	<u>3,807.1</u>	<u>3,807.3</u>	<u>3,807.5</u>	<u>3,807.7</u>
<u>Capital Fund Beginning Balance</u>			0.0	21.3	49.6	47.9	16.2	0.0	0.0	0.0
Revenue from Tobacco Tax			21.3	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Revenue from Additional Fuels Tax			0.0	19.3	19.3	19.3	19.3	19.3	19.3	19.3
Transfer from CBRF			0.0	7.0	7.0	7.0	47.5	63.7	63.7	63.7
Debt Service			0.0	(30.0)	(60.0)	(90.0)	(115.0)	(115.0)	(115.0)	(115.0)
<u>Capital Fund Ending Balance</u>			21.3	49.6	47.9	16.2	0.0	0.0	0.0	0.0
<u>PF Earnings Reserve Beginning Balance</u>	<u>1,202.6</u>	<u>103.5</u>	<u>583.5</u>	<u>654.5</u>	<u>737.5</u>	<u>814.5</u>	<u>959.5</u>	<u>1,158.5</u>		
Income	1,813.6	1,667.0	1,311.0	1,411.0	1,479.0	1,550.0	1,629.0	1,714.0		
To Dividend Fund	(642.8)	(706.0)	(715.0)	(746.0)	(793.0)	(768.0)	(764.0)	(805.0)		
To Principal for Inflation Proofing	(407.2)	(465.0)	(514.0)	(571.0)	(597.0)	(624.0)	(652.0)	(681.0)		
To Principal/Amerada Hess	(18.4)	(16.0)	(11.0)	(11.0)	(12.0)	(13.0)	(14.0)	(15.0)		
Escrow Earnings/Law Appropriation	(2.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Legislative Deposits to Principal	<u>(1,842.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		
<u>PF Earnings Reserve Ending Balance</u>	<u>103.5</u>	<u>583.5</u>	<u>654.5</u>	<u>737.5</u>	<u>814.5</u>	<u>959.5</u>	<u>1,158.5</u>	<u>1,371.5</u>		
<u>Increase to PF Reserves from Previous FY</u>		<u>480.0</u>	<u>71.0</u>	<u>83.0</u>	<u>77.0</u>	<u>145.0</u>	<u>199.0</u>	<u>213.0</u>		

TARGET?

**LEGISLATIVE MAJORITY
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	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
<u>Revenues</u> (1)					
Unrestricted Revenues (2)	2,480.5	2,057.3	1,968.8	1,898.9	1,950.1
Adjustments (3)	(60.1)	(58.7)	(56.1)	(63.8)	(63.8)
Trans Alaska Pipeline Liability Fund (4)	0.0	15.6	0.0	0.0	0.0
Trans Alaska Pipeline System Tariff Settlement (5)	0.0	25.0	0.0	0.0	0.0
AHFC Dividend (6)	50.0	70.0	72.1	74.3	76.5
AIDEA Dividend (7)	15.0	16.0	15.0	15.0	15.0
General Fund Balance Forward (8)	0.0	66.8	0.0	0.0	0.0
CBRF Earnings Appropriated to General Fund (9)	0.0	163.8	247.4	262.6	258.0
Remaining New Revenues (10)	0.0	0.0	46.0	38.4	0.0
<u>Total Revenues</u>	<u>2,485.4</u>	<u>2,355.8</u>	<u>2,293.2</u>	<u>2,225.4</u>	<u>2,235.8</u>
<u>Expenditures</u> (1)					
Operating (11)	2,193.1	2,151.5	2,096.5	2,071.6	2,058.2
Debt Service (12)	93.1	72.3	77.2	62.1	45.5
Capital (13)	100.1	100.0	100.0	100.0	100.0
Specials/Transfers/Fund Capitalizations (14)	15.4	15.5	15.1	15.1	15.1
Supplementals (15)	16.9	16.5	17.0	17.0	17.0
<u>Total Expenditures</u> (16)	<u>2,418.6</u>	<u>2,555.8</u>	<u>2,305.8</u>	<u>2,265.8</u>	<u>2,235.8</u>
<u>Expenditure Reduction from Previous FY</u>	<u>(70.3)</u>	<u>(62.8)</u>	<u>(50.0)</u>	<u>(40.0)</u>	<u>(30.0)</u>
As a % of Total Expenditures	-2.8%	-2.6%	-2.1%	-1.7%	-1.3%
<u>Projected Surplus (Fiscal Gap)</u> (17)	<u>66.8</u>	<u>0.0</u>	<u>(12.6)</u>	<u>(40.4)</u>	<u>0.0</u>
<u>CBRF Beginning Balance</u>	<u>2,518.0</u>	<u>3,297.4</u>	<u>3,529.2</u>	<u>3,746.6</u>	<u>3,936.2</u>
Projected Earnings (18)	200.5	235.7	247.4	262.6	275.9
Additional Settlement Deposits (19)	511.5	160.5	230.0	230.0	25.0
General Fund Payback (20)	66.8	0.0	0.0	0.0	0.0
Net of Sweep Provisions (21)	0.6	0.0	0.0	0.0	0.0
Direct Appropriations to Operating (1)	0.0	(0.6)	0.0	0.0	0.0
Earnings Appropriated to General Fund (9)	0.0	(163.8)	(247.4)	(262.6)	(258.0)
Principal To Fill Fiscal Gap	0.0	0.0	(12.6)	(40.4)	0.0
<u>CBRF Ending Balance</u>	<u>3,297.4</u>	<u>3,529.2</u>	<u>3,746.6</u>	<u>3,936.2</u>	<u>3,979.1</u>
<u>Total Required CBRF Appropriations</u> (22)	<u>0.0</u>	<u>164.4</u>	<u>260.0</u>	<u>303.0</u>	<u>258.0</u>
<u>PF Earnings Reserve Beginning Balance</u> (23)	<u>104.0</u>	<u>100.0</u>	<u>139.0</u>	<u>185.0</u>	<u>223.0</u>
Income	1,900.0	1,326.0	1,425.0	1,492.0	1,562.0
To Dividend Fund	(730.0)	(741.0)	(774.0)	(822.0)	(798.0)
To Principal - Inflation Proofing	(485.0)	(535.0)	(593.0)	(620.0)	(648.0)
To Principal - Amerada Hess	(9.0)	(11.0)	(12.0)	(12.0)	(13.0)
To Principal - Legislative Deposit	(680.0)	0.0	0.0	0.0	0.0
<u>PF Earnings Reserve Ending Balance</u>	<u>100.0</u>	<u>139.0</u>	<u>185.0</u>	<u>223.0</u>	<u>326.0</u>
<u>Change to PF Reserves from Previous FY</u>	<u>(4.0)</u>	<u>39.0</u>	<u>46.0</u>	<u>38.0</u>	<u>103.0</u>

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- (1) All values are reflected in millions of dollars. Revenues reflect General Fund (GF) unrestricted plus other transfers to the GF. With the exception of FY 98, when the Legislature made direct appropriations from the CBRF to the Department of Revenue, all expenditures are GF.
- (2) FY 97-99 GF Unrestricted Revenue forecast per the Spring 1997 Revenue Sources Book prepared by the Alaska Department of Revenue, as updated by information provided by the Department of Revenue as of May 1, 1997. FY 00-01 GF Unrestricted Revenue forecast per the Fall 1996 Revenue Sources Book as supplemented by information provided January 16, 1997 by the Department following the Department's Revenue Overview presentation to the Senate Finance Committee.
- FY 97-01 GF Unrestricted revenues have also been adjusted to reflect the reclassifications that will occur with the anticipated enactment of SB 55, related to designated program receipts. The portion of the additional revenues that will be deposited to the GF with anticipated enactment of SB 13, related to tobacco taxes, have also been included. The GF portion of the revenue increases is \$1.8 million for FY 98 and \$2.6 million for each of FY 99-01.
- (3) As reflected in the Fall 1996 Revenue Sources Book, the GF Unrestricted Revenue forecast includes GF program receipts. Accordingly, no adjustment is required to add these receipts to the unrestricted revenues in computing available revenues as was necessary prior to the Fall 1996 forecast.
- FY 97-99 Adjustments have been taken from Table 3 on page 12 of the Spring 1997 Revenue Sources Book. The Department of Revenue's adjustments include receipts from the Trans-Alaska Pipeline Liability Fund, one-time AHFC Mortgage Insurance Fund receipts and AHFC and AIDEA dividends to the GF. The Majority's strategy separately identifies the amounts to be transferred from AHFC and AIDEA. Accordingly, these one time payments as well as the Corporation dividends have been eliminated from the Adjustments line, and are reflected as separate lines at the levels proposed by the Legislative Majority. See Notes (4), (6) and (7).
- On February 28, 1997 the Governor announced that instead of depositing the AIDEA dividend into the GF he proposed to directly spend the FY 98-01 AIDEA dividends on capital projects, the Spring 1997 Revenue Sources Book reports them as other restricted receipts.
- Per the Division of Legislative Finance's January 16, 1997 summary of the Governor's budget plan issues, the Department of Revenue unnecessarily deducted Salmon & Seafood Marketing receipts in Table 4 on page 12 of the Fall 1996 Revenue Sources Book. Accordingly, \$3.6 million is added back into the FY 99-01 Adjustment amounts.
- (4) The GF portion of up to \$20.0 million in additional receipts from the Trans Alaska Pipeline Liability Fund as described by the Division of Legislative Finance on page 4 of their January 15, 1997 analysis of the Department of Revenue's January 1997 Revenue update.
- (5) Settlement announced May 2, 1997 by the Attorney General.
- (6) Per Ch 103 SLA 1995, page 35, estimated available amounts are \$103.0 million from FY 97 through FY 00. Assumes a 3% annual increase in contributions to the GF starting in FY 99. The Governor's plan assumes only a \$50.0 million AHFC dividend to the GF in each of FY 98-01.
- (7) Per OMB, AIDEA announced a \$16.0 million FY 98 dividend. OMB projects a \$15.0 million dividend in each of FY 99-01 based on the provisions of AS 44.88.088 enacted by Ch 111 SLA 1996 (HB 526).
- (8) Projected FY 97 GF balance available in FY 98 with the passage of the CBRF sweep reversal.
- (9) Use of CBRF Earnings as a revenue source currently requires a three-quarter vote of the Legislature under the provisions of Article IX, Section 17(c) of the Alaska State Constitution.

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- (10) Remaining New Revenues are those projected in the Nineteenth Alaska Legislature Legislative Majority's February 12, 1996 Five Year Budget Strategy, reduced for increased revenue projections resulting from the acceleration of field development (Northstar and West Sak) and the development of new fields (Alpine, and Satellites) not previously included. The Department of Revenue has already included in their Spring 1996 Revenue Source Book the following projected new revenues for Northstar and the other fields (West Sak, Alpine, and satellite fields).

	<u>Northstar</u>	<u>Other Fields</u>
FY 98		\$16.5 million
FY 99		\$19.4 million
FY 00	\$13.4 million	\$15.6 million
FY 01	\$41.7 million	\$37.3 million

Since these new revenues are now included in the Department's Revenue forecast, remaining new revenues are less than those proposed February 12, 1996 by the above amounts. In the case of FY 98 and FY 01, new revenues already included in the Unrestricted Revenue line exceed the New Revenue projections included February 12, 1996. Consequently, no remaining new revenues are reflected for either fiscal year.

- (11) Includes fiscal notes for all new legislation, but does not include shared taxes or fisheries enhancement taxes statutory pass-throughs.
- (12) FY 98 reflects the Governor's request. FY 99-01 are from the Department of Revenue's January 1997 Alaska Public Debt, page 62, with a \$8.7 million reduction to FY 98 identified by OMB. Values are exclusive of University of Alaska debt of \$.2 million in each of those years.
- (13) The FY 98 capital budget includes additional capitalization of the Alaska Clean Water Fund at \$1.1 million and \$5.4 capitalization of the Alaska drinking Water Fund.
- (14) Includes
- a) GF transfers to the Oil & Hazardous Substance Release Prevention and Response Fund;
 - b) transfers from the Prevention and Response Mitigation Accounts;
 - c) transfer of Storage Tank Registration Fees to the Storage Tank Assistance Fund; and
 - d) capitalization of the Alaska Clean Water Fund at \$1.5 million for each of FY 97-01.
- (15) Excludes FY 97 GF Revised Programs of \$3.9 million, actual GF RPL's approved through the January 13, 1997 Legislative Budget & Audit Committee meeting. FY 98-01 GF Revised Programs, projected to be \$3.0 million each year, are also excluded.
- (16) Total FY 97 expenditures is the amount authorized, including operating authorizations carried forward from previous fiscal years, per the Division of Legislative Finance's January 15, 1997 All Funds Fiscal Summary.
- (17) This update reflects the projected fiscal gap as a negative number instead of a positive number, as did the February 12, 1996 Five Year Budget Strategy.
- (18) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book. FY 99-01 earnings are computed using the CBRF beginning balance multiplied by an annualized rate of return. As reflected in his January 18, 1997 testimony to the Senate Finance Committee, Robert D. Storer of the Department of Revenue, Treasury Division current projects a 7.01 % average annual rate of return for FY 99-01.
- (19) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book. Billings subject to deposit in the CBRF as of September 30, 1996 totaled \$1,465.7 million, excluding the \$350.0 million settlement amount received in December 1996 from BP.

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- (20) Article IX, Section 17(d) of the Alaska State Constitution requires the annual "sweep" of GF account balances at the end of each fiscal year to repay previous amounts appropriated from the CBRF if GF revenues exceed expenditures in any fiscal year. The amount included as a repayment is exclusive of the sweep reversal transaction described in Note (21) below.
- (21) Represents the net of:
- a) prior year sweep amounts for certain operational accounts repaid to the GF (prior fiscal year sweep reversal) at the beginning of the fiscal year; and
 - b) GF sweep amounts for those same accounts deposited into the CBRF at the end of the fiscal year.
- (22) Represents the total draw from the CBRF, exclusive of the netting of the sweep provisions described in Note (21) above.
- (23) FY 97-98 projections are from Table 5 on page 14 of the Spring 1997 Revenue Sources Book . FY 99-01 projections are from the Permanent Fund Corporation's December 31, 1996 Financial Projections.

Assumptions and Notes

1. Debt service was adjusted to reflect the latest Alaskan Public Debt Report information less the Bank of America income offset.
2. Capital was reduced by \$7 million annually beginning in FY 1999
3. The CBRF rate of return was calculated at 7.16% beginning in FY 1998 utilizing Department of Revenue's latest information
4. Tobacco tax revenues utilize Department of Revenue's latest projections
5. New fuel tax revenues were calculated as follows utilizing Department of Transportation estimates:
 - 3 cents on Highways (on and off road)
 - 3 cents on Marine (on and off)
 - 1 cent on aviation
6. Sale of the Four Dam Pool at \$100 million could generate an additional \$7 million in debt service if added to the Capital fund at the time of sale.
7. No interest earnings were calculated on the Capital Fund balance. Arbitrage funds are not included.
8. A blend of 15 and 20 year bonds and/or more favorable rates could net nearly \$1.4 billion from \$115 million in annual debt service.
9. Sale of the Four Dam Pool coupled with more favorable rates and blended terms could reach the \$1.5 billion target
10. The CBRF principle is not affected by the capital program in this scenario.

- 1) Money Deferred Maintenance needs in the state
- 2) Fund Deferred Maintenance within the five-year plan
- 3) Long-term solutions/recommendations
- 4) Develop a five-year capital plan/school debt reimbursement
- 5) Address local responsibility
- 6) Relate tobacco tax to Deferred Maintenance on schools
- 7) Shed state responsibility on long-term costs (harbors, roads)
- 8) Expand proto-typical school system statewide
- 9) Protect Permanent Fund & PFD
- 10) Systemic changes to reduce costs (Deferred Maintenance & Capital)
- 11) Screen Deferred Maintenance list (real vs. perceived)
- 12) Appropriate capital budget annually (do not overheat)
- 13) Process for prioritization
- 14) Expand long-term solutions for revenue options

FY96 appropriations			
HB268	Section 6	8,650.0	Aurora, Ursa Minor, Eileson
	12	1,800.0	UAS residence hall reapprop from Marina
	29(a)4	83.2	UAA library materials reapprop from Merrill Field storm trunk
	44		Chugiak High School exterior wall reapprop from Fire Lake water and sewer
	100	400.0	UAA parking facilities reapprop from LB&A
	100	400.0	Anchorage School Dist technology improvements
	106	100.0	SE Island School Dist for Port Protection
	107	300.0	KuspukDist, relocatable in Kalskag
	112	7,000.0	UA deferred maintenance
	135	214.9	Mt. Edgecoubme renovations & equipment
	135	1,400.0	UAA telecommunications
	135	43.0	contaminated sites UA Palmer Dump Site
	135	1,000.0	UAA Machetanz Bldg completion, 500 vetoed
	135	3,500.0	UAF Elvey Bldg
	135	79.9	North Pole HS auditorium sprinkler repair
		44.1	North Pole Middle S Emergency Power
		73.5	Ryan Middle S Emergency Power
		18.4	Two Rivers Elementary Emergency Power
		51.5	West Valley HS Emergency Power
		97.2	Cordova HS Boiler replacement
		20.0	Hooper Bay basketball court construction
		50.0	Tatitlek teacher housing construction
		10.0	Tazlina distance learning/medical link equipment
		10.0	Tazlina hockey rink construction
		5.0	Tazlina school bus stop shelters
HB 137	43	1,989.0	UA Butrovich Bldg panel replacement
		27,339.7	