SCOMM

#34:23

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

POUCH Y · STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM February 16, 1984

SUBJECT: Sectional analysis of House Bill 609 - State debt

TO: Representative Rick Uehling
Chairman, House Special Committee on Loans

FROM: Billy G. Berrier BGB
Director
Division of Legal Services

You have requested a sectional analysis of House Bill 609 relating to state debt.

Sec. 37.15.110 changes the composition of the state bond committee and places it for administrative purposes in the Department of Revenue. Current law does not locate the committee for administrative purposes. Two members are added to the committee, the commissioner of the Department of Community and Regional Affairs and a member of the board of directors of a public corporation which issues debt. The member of the board is appointed by the governor and serves at his pleasure.

Sec. 37.15.110(a) makes the commissioner of revenue instead of the Commissioner of Commerce and Economic Development the chairman of the state bond committee. (b) allows meeting by electronic means if there is public notice, right to hear and participate in the meeting and copies of materials are available. (e) provides this type of meeting has the same legal effect as a meeting in person. (d) Allows 24 hour notice of a meeting to authorize issuance of bonds. The provisions of (b), (e) and (d) which are added to existing law are substantially identical to provisions of AS 18.56.040 concerning meetings of the board of the Alaska Housing Finance Corporation.

Sec. 37.15.140 adds to the duties of the state bond committee. These added duties are:

Representative Rick Uehling
Page 2
February 16, 1984

1. Preparation and submission of an annual report concerning state debt to the legislature and governor. The material required to be included is specified. The committee is given the power to require it be furnished with information required for the report.

2. Development of guidelines concerning debt management is required. The guideline are informational to the debt issuing agencies. Required guidelines are set out but the guidelines are not restricted to those set out.

3. Requirement that all financial advisors be paid on a fee rather than a percent basis.

4. Requirement that all debt issuing agencies determine the lowest bid based on true interest costs. True interest cost is defined essentially as the sum of interest payments discounted to present value and the bid price.

5. Requirement of an annual calendar of all debt proposed to be issued by each debt issuing agency during the year showing the amount and type of debt and the month of issuance.

The term debt issuing entities is defined as the state, each agency of the state and municipalities thereby making the requirements of the section applicable to each of them.

Sec. 37.15.150 allows employment of an executive director and staff and places the employees in the partially exempt service.

*Section 5 amends AS 39.25.120 to add employees of the state bond committee to the list of employees in the partially exempt service in conformity with Sec. 37.15.150.

*Section 6 provides an immediate effective date.

BGB:ojb
J3/109

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

MEMORANDUM

TO: All Members of the Legislature
FROM: Representative Rick Uehling, R.A.U.
DATE: February 21, 1984

RE: Special Hearing of the State Loans Committee on HB 609

I have scheduled a special hearing on HB 609, "An Act relating to debt of the state, its agencies, and municipalities; ED." for February 25, 1984 in Anchorage. The hearing will begin at 10 a.m. in the Legislative Information Office; we will recess for lunch from approximately noon to 1:30 p.m. and we will meet again from 1:30 to about 3:30 p.m.

HB 609 is an outgrowth of the interim work of the House Loans Committee, and would implement many of the recommendations contained in "The Review of Debt Capacity and Debt Management for the State of Alaska" which was prepared for the Legislative Budget and Audit Committee and which was the subject of one of the interim hearings, as you recall. Mr. Wesley Hough from the Municipal Finance Officers Association has been invited to participate at the hearing.

I would welcome your participation at the Anchorage hearing or at any of the teleconference sites.

RAU/as

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on
State Loans

M E M O R A N D U M

Date: March 23, 1984

To: Members, House Finance Committee

From: Representative Rick Uehling

Subject: CS HB 609 (Loans)

I have asked my staff to prepare the following Sectional Analysis of CS HB 609 (Loans).

Section 37.15.110 changes the composition of the State Bond Committee and places it for administrative purposes in the Department of Revenue. Current law does not locate the Committee for administrative purposes. Two members are added to the Committee, a Chief Fiscal Officer of a city or borough, and a member of the board of directors of a public corporation which is an instrumentality of the State. These two additional members are appointed by the Governor and serve at his pleasure.

Section 37.15.130 makes the Commissioner of Revenue instead of the Commissioner of Commerce and Economic Development the Chairman of the State Bond Committee. (b) allows meeting by electronic means if there is public notice, right to hear and participate in the meeting and copies of materials are available. (e) provides this type of meeting has the same legal effect as a meeting in person. (d) allows 24 hour notice of a meeting to authorize issuance of bonds. The provisions of (b), (e) and (d) which are added to existing law are substantially identical to provisions of AS 18.56.040 concerning meetings of the board of the Alaska Housing Finance Corporation.

Section 37.15.140 adds to the duties of the State Bond Committee. These added duties are:

1. Preparation and submission of an annual report concerning state debt to the legislature and Governor. The material required to be included is specified. The Committee is given the power to require it be furnished with information required for the report.

2. Development of written policies concerning management of State Debt is required. The development of written informational guidelines for the use of debt issuing entities of the State is also required. Required policies and guidelines include recommended level of debt, debt management bidding procedures, bid awards, and compensation for financial services.

3. Requirement of an annual calendar of debt proposed to be issued during the calendar year by each debt issuing entity of the State. The report will show the amount and type of debt to be issued and will be updated on a monthly basis.

The term debt issuing entities is defined as the State, each agency of the State and municipalities thereby making the requirements of the section applicable to each of them.

The term debt is defined as (1) long term bonded indebtedness secured by the full faith and credit of the government unit, (general obligation debt), (2) long-term bonded indebtedness secured by a mortgage or lien on specific properties or receivables (revenue supported debt), (3) short-term notes, (4) warrants, and (5) capital lease obligations. However, debt is not defined as debt owed within the entity or to another debt issuing entity.

Section 37.15.150 allows employment of an executive director and staff and places the employees in the partially exempt service.

Section 5 amends AS 39.25.120 to add employees of the State Bond Committee to the list of employees in the partially exempt service in conformity with Section 37.15.150.

Section 6 provides an immediate effective date.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

Date: March 12, 1984

To: House Special Committee on State Loans
Committee Members

From: Rep. Rick Uehling, Chair RAU
House Special Committee on State Loans

Subject: CS HB609 (Loans)

I have asked staff to prepare the following comparison of CS HB609 (Loans) to the original HB609.

CS HB609 (Loans)

Section 1.

Line 15, In place of the Commissioner of Community and Regional Affairs, the Chief Financial Officer of a city or borough has been added. This position would be appointed by the Governor. This is in response to comments by many of the municipalities that a local government official would be more responsive to their concerns on the State Bond Committee.

Line 20, The Language "who is a Commissioner" has been added to respond to concerns by legislators that only Commissioners be allowed to designate an alternate in their absence. Apparently questions have arisen on other Board's as to the authority of a public member to designate an alternate to act in their place.

Section 2.

There are no changes in Section Two from the original bill.

Section 3.

(a) Line 21, 22,
"issued on behalf of the State" This wording has been added to clarify that the existing statute relates to bonds issued on behalf of the State. This change addresses concerns expressed by the municipalities.

(b) No change.

(c) Section (c) has been rewritten. The State Bond Committee will develop written policies for its own internal use in the management of State Debt, it will also develop written informational guidelines concerning the management of debt by the municipalities and debt issuing agencies such as AHFC and AIDA. Additionally, sections (d) and (e) from the original bill have been dropped and in their place "bidding procedures and bid awards and compensation for financial service" have been added to the areas for which informational guidelines will be written. In testimony given before the Committee concern had been expressed that while sections (d) and (e) may have been good public policy that placing them in statute could be too restrictive, especially for some of the smaller municipalities.

d) An updating mechanism has been added to the bond calendar. New language has been added which would require that a monthly report of any proposed changes in the scheduled issuance of bonds be submitted to the State Bond Committee. In testimony given before the Committee, by Commerce and Economic Development, it was felt that without an updating mechanism the Bond Calendar would be of little use.

(f) First, a new section has been added to respond to concerns that for the purposes of this section, a definition for "debt" was necessary. The definition has been provided by Wesley Hough of the Government Finance Research Center. Additionally, in order to respond to specific concerns about inter- agency debt it is specifically excluded.

Section 4.

Page 4, Line 13,
The word State has been added in order to respond to municipal concerns that the intent of the original statute might be changed.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

M E M O R A N D U M

Date: February 23, 1984

To: Members, House Special Committee on State Loans

From: Representative Rick Uehling

Subject: HB 609

The following is an outline of the background and provisions of HB 609:

The Background

As a part of the Interim work of the House Special Committee on State Loans, the Committee examined a recent report to the Legislative Budget and Audit Committee by the Government Finance Research Center entitled "A review of the Debt Management and Debt Capacity of the State of Alaska." The House Special Committee on State Loans held a major hearing in Anchorage, at which Wesley Hough, Manager of the Government Finance Research Center and the author of the report, presented it to the Committee.

The report makes a series of recommendations concerning the State's Debt Management practices. In addition, the report speaks specifically to the General Obligation Debt capacity of the State. HB 609 is an attempt to institute many of the report's recommendations for managing State Debt.

There has been a growing concern on the part of both the Legislature and the public with the amount of debt that is being incurred by the State of Alaska. As the State looks to financing many large projects that are important to the State, the capacity of the State to issue General Obligation bonds becomes an increasingly important factor. Additionally, a great deal of attention has focused on the "debt issuing entities" of the State, the municipalities and agencies which are authorized to incur debt.

This attention has focused on the Alaska Housing Finance Corporation and the North Slope Borough which together have issued almost four times the amount of State General Obligation debt.

While the debt that is incurred by the Alaska Housing Finance Corporation (AHFC) is supported by mortgage revenues, and the debt of the North Slope Borough is supported by the property tax revenues of the borough, there remain concerns about the State's ultimate moral obligation. Furthermore there is the overriding question of at what point the growing debt issuance of the AHFC and the North Slope Borough will negatively impact the overall capacity of the State to issue debt.

While HB 609 contains many of the provisions called for by the GFRC report, it <u>does not</u> provide for some of more controversial recommendations such as a ceiling on municipal debt or new provisions controlling the School Debt Retirement Program. It is a first step towards the Legislature recognizing the need to maintain an active role in the management of the debt issuance of the State, its municipalities and agencies.

<u>The Provisions</u>

Section 37.15.110:

This section expands the committee from its current three member composition of the Commissioners of the Department of Commerce and Economic Development, the Department of Administration, and the Department of Revenue to include the Commissioner of Community and Regional Affairs and a member of the Board of Directors of a Debt Issuing Public Corporation such as AHFC or AIDA. Additionally, this section places the State Bond Committee within the Department of Revenue for administrative purposes. These changes are made at the recommendation of the GFRC report. It is felt that the Department of Revenue is a the logical place for the State Bond Committee to reside as they are more intimately involved with the day to day finances and the long term revenue projections of the State.

Section 37.15 110(a):

This section makes the Commissioner of Revenue the Chair of the State Bond Committee replacing the Commissioner of Commerce and Economic Development.

This section also provides at the request of the Department of Revenue provisions allowing for meetings to be held by electronic means and a special provision allowing 24 hour notice of a meeting for the purpose of authorizing the issuance of bonds. These provisions are substantially the same as those concerning meetings of the Board of Directors of AHFC.

Section 37.15.140:

This section adds to the duties of the State Bond Committee the following:

1. The preparation of an annual report to the Legislature and the Governor outlining the current status of outstanding State debt. The material required to be included in the report is very specific in accordance with the recommendation of Wesley Hough of the GFRC.

2. The State Bond Committee is required to develop written guidelines concerning the management of all debt by each debt issuing entity of the State. These guidelines are meant to be informational in nature and shall include recommended levels of debt, the structuring of debt offerings and the manner in which repayments should be scheduled.

3. The State Bond Committee shall require that a person who provides financial assistance in connection with the issuance of debt by a debt issuing entity of the State shall be compensated for services on a determined fee basis that may not be based on the amount of debt to be issued. This provision is meant to address an apparent conflict of interest on the part of financial advisors. It is not meant to restrict payment on a percentage basis for the services of underwriters .

4. The State Bond Committee shall require that the debt issuing entities of the State determine the lowest bid on the sale of bonds based on true interest cost. True interest cost is defined as the sum of interest payments discounted to present value and the bid price. True interest cost is a manner of determining the cost of bonds to the State in which the interest costs are more accurately represented. The True Interest Cost takes into account the time-value of money (discount rate) that will be needed for future interest payments.

5. The State Bond Committee will require that each debt issuing entity provide to the committee an annual calendar of proposed debt including the amount and type of debt, and the month of issuance. This provision is intended to help the different municipalities and debt issuing entities plan their bond issuances in a manner which does not conflict with each other.

Section 37.15.150:

This section gives the State Bond Committee the authority to employ an executive director and staff as necessary.

Section 5:

Employees of the State Bond Committee are in the partially exempt service.

Section 6:

HB 609 has an immediate effective date.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

February 27, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

The amendments to HB 609 that I suggested at your February 25, 1984 hearing are:

1. Page 3, line 2: "long-term lease obligations" should read "lease-purchase obligations"

2. Page 3, line 22: delete "sum of the following:"

3. Page 3, line 23: delete "(1) the"

4. Page 3, line 25: delete ";"

5. Page 3, line 26: delete "(2)"

Number one would change the reference from a term that could include true leases, which are not necessarily security for nor associated with a project's financing, to a term of art, "lease-purchase obligations" which references the types of obligations which are viewed as debt by the rating agencies and are part of a project's financing. Parenthetically, lease-purchase obligations are not necessarily considered debt of the state for purposes of requiring voter approval under the constitution.

The remaining amendments reshape the definition of true interest cost to that used in the enclosed "Notice of Sale" for informing potential bidders on state bonds of the manner of awarding the bids.

Sincerely,

Milt Barker

Milt Barker
Deputy Commissioner

MB:mw

Enclosure

04-D12LH

Alaska HOUSING FINANCE CORPORATION

MAR 2 1984

February 28, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

Representative Walt Furnace has requested the total fees paid to financial advisors for Fiscal Years 1982 through 1984 and I have listed these amounts below:

FY '82	FY '83	FY '84
$563,223	$748,626	$407,835

The FY '84 figure is the total fees that have been paid to date. AHFC has plans for only one more taxable bond sale this fiscal year and does not plan to use a financial advisor on this sale. There is the possibility of a $100 million bond sale for mobile homes and if that occurs, the FY '84 total is estimated to be $445,335.

Although the amount of bonds issued has risen, the costs have been reduced because of lower fees and not using a financial advisor on all issues.

If you or the committee members have further questions please give me a call.

Sincerely,

Michael S. Lynch
Executive Director

MSL:sel

ccc: Representative Walt Furnace
Representative Jerry Ward
Representative Ron Wendte
Representative Nilo Kopenen

Telephone (907) 276-5599
235 East 8th Avenue
Third Floor
P.O. Box 101020
Anchorage, Alaska 99510

THE HEART OF THE MATANUSKA VALLEY

CITY OF PALMER

COUNCIL-MANAGER GOVERNMENT
P.O. BOX 1368 • PHONE (907) 745-3271
PALMER, ALASKA 99645

February 22, 1984

The Honorable Rick Uehling, Chairman
House Special Committee on State Loans
ALaska State Legislature
Pouch V
Juneau, Alaska 99811

RE: HB 609

Dear Representative Uehling,

As I interpret HB 609, the State of Alaska may be approaching the bonded indebtedness' problem in a manner which has some merit.

However, as is the case of the City of Palmer, our charter restricts our indebtedness to fifteen (15%) percent of our assessed valuation.

The real crux of the problem is those municipalities who have issued millions upon millions of dollars of bonds which protracted over the long run may jeopardize all municipalities bonding capabilities. And to this as I read HB 609 is not fully answered.

Section 37.16.140 Duties of State Bond Committee (c) stipulates that guidelines shall include recommended level of debt. To put a harness on the problem, there has to be a formula or other mechanism which can be enforced. Other states Outside do the exact same thing as we are trying to do.

Should you have any questions, please contact me.

Yours truly,

David L. Soulak
City Manager
City of Palmer

DLS/cac

Municipality of Anchorage

POUCH 6-650
ANCHORAGE, ALASKA 99502-0650
(907) 264-6610

TONY KNOWLES,
MAYOR

MAR 8 1984

DEPARTMENT OF FINANCE
Fiscal Administration

March 5, 1984

The Honorable Rick Uehling
Chairman, House Special Committee
on State Loans
Pouch B
Juneau, Alaska 99811

Dear Representative Uehling:

I appreciate the opportunity to comment on proposed legislation HB 609 (an Act relating to debt of the State, its agencies and municipalities; and providing for an effective date). Inasmuch as the Municipality of Anchorage is a major issuer of all types of debt, we are - of course - vitally interested in any proposed legislation that could affect our ability to prudently issue and manage this debt.

The Municipality of Anchorage is in complete support of efforts to promote sound fiscal management of bonded indebtedness, for all local government as well as the State of Alaska and its agencies. The credit of each debt issuing entity of the State is directly related to the perceived fiscal policies and debt issuing capabilities of the State and each of its political subdivisions. The Municipality can appreciate your concern for proper administration and oversight responsibilities of all statewide debt.

The following comments concerning HB 609 were presented to your Committee at the hearing in Anchorage on February 25, 1984. In addition to specific comments on individual sections, I would like to make the following general observations on the proposed legislation:

(1) Although the Municipality supports the intent of the legislation, we are concerned that certain technical restrictions are being imposed on local government unnecessarily. If there have been abuses in the past that would warrant legislative restrictions, we are not aware of such abuses and feel that more study should be accomplished by the State Bond Committee to determine the necessity of such legislation.

(2) As a result of the substantial amendments proposed by HB 609, the original language of the statute can now be interpreted to mean something other than what is actually intended. I will point out these sections later in the memo.

(3) The definition of "debt" should be further defined to mean "long-term bonded indebtedness". We believe the concern of the legislature is with long-term debt and not with relatively short-term and minor amounts that municipalities may incur from time to time.

Section 37.15.110:

The expansion of the State Bond Committee to five members may be appropriate as a result of the increased workload and responsibilities proposed by this legislation. With this amendment, the State Bond Committee will have four Commissioners appointed by the Governor and one Director from a state agency. Under HB 609, the State Bond Committee, for the first time, will become greatly involved in local government debt matters. For this reason, it would appear reasonable that at least one member of the Committee should be a public official presently employed in some capacity by a local government.

Section 37.15.140 (a):

This is language retained from the original statute that has now taken on new meaning as a result of amendments that include state agencies and local government. Obviously, the State Bond Committee should not be adopting resolutions and preparing documents necessary for the issuance, sale and delivery of bonds for those entities that are now legally empowered to issue debt.

Section 37.15.140 (c):

Although guidelines concerning the issuance and management of long-term debt should certainly be a function of the State Bond Committee, the specifics of such guidelines should be left to the discretion of the Committee following appropriate study and public hearings. At this point, this is a new project for the Committee and, until such time as the entire subject of state-wide debt has been properly reviewed, it would not be appropriate to specify specific items of these guidelines. Legislation can always be imposed at a later date if the State Bond Committee so recommends.

Section 37.15.140 (d):

The determination of compensation for financial services should be the prerogative of local government and should be determined on the basis on what is in the best interests of the issuing agency. There may be times when the restrictive language of this section may not necessarily be in the best interests of the issuing agency, but the ability to use a more desirable method of compensation would be prohibited regardless of the benefits. The method of compensation could very well be included in the State Bond Committee's efforts in developing guidelines for issuing bonds. Legislation could be recommended by the Committee at a later date if abuses become apparent.

Section 37.15.140 (e):

As with Section (d) above, this section attempts to legislate only one method of calculating interest. "True interest costs" is a relatively recent method for calculating interest that is being used more frequently by many jurisdictions. However, there may be situations where "true interest costs" may not necessarily be the most beneficial means of calculating interest for the issuing entity. The determination for calculating interest should be a recommendation included in the Bond Committee's guidelines following the normal process of review and public hearings. If there are, in fact, abuses, corrective action can be taken through legislation at a later date upon the recommendation of the Committee.

Section 37.15.140 (f):

Although a calendar of state-wide debt may be of value to issuers as well as the Legislature, I would like to point out two concerns:

(1) It would be a rare occasion if a major issuer of debt could project the exact amount and time for each debt issuance during the coming year. Most Anchorage debt issuance is for the Municipally-owned public utilities for which the need and ability to issue debt is constantly changing. A means of amending the calendar should be developed to insure that a municipality is not locked into the original schedule.

(2) Although the intent of a debt calendar is presumably to encourage voluntary changes to sale dates that may be in conflict, the possibility of an arbitrary Committee-imposed priority determination could arise.

Section 37.15.150:

The second sentence is another instance where the original wording of the statute has been left intact; however, the meaning has changed substantially as a result of the other amendments. This sentence reads that the Committee could hire professional assistance to assist in the sale of bonds with the cost of such assistance being paid for from the proceeds of the bond sale. We are concerned that this wording could be interpreted to mean that the Municipality's ability to contract for professional advice would either be taken over by the Bond Committee or we would end up paying for both our professional advice and the State Bond Committee's professional advice on the same sale.

Section 6 provides that this act would take effect immediately upon passage. If HB 609 is enacted as presently written, the Municipality of Anchorage and perhaps other agencies would be immediately in contract violation with its financial advisors on financing projects that are presently underway but not yet completed. It is our recommendation that at least a sixty to ninety day effective date be placed on this legislation.

I would again like to thank you for the opportunity to express our thoughts on HB 609 and hope that the above comments can be of value to you.

Sincerely,

Robert M. Nelson

Robert M. Nelson
Chief Fical Officer

RMN:ps

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

THE SEAL OF THE STATE OF ALASKA

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

March 9, 1984

Mr. Robert Nelson
Chief Fiscal Officer
Pouch 6-650
Anchorage, Alaska 99502-0650

Dear Mr. Nelson,

Enclosed is a copy of the latest Committee Substitute for HB 609 (Loans), for your review. Please look it over, as David Cobb , my professional assistant, will be contacting you on it.

Cordially,

Rick

Rep. Rick Uehling

MAR 5 1984

GOVERNMENT
FINANCE
RESEARCH
CENTER

MUNICIPAL FINANCE
OFFICERS ASSOCIATION

February 29, 1984

Honorable Rick Uehling
Chairman
House Special Committee
on State Loans
Alaska State Legislatures
Pouch V
Juneau, AK 99811

Dear Rick:

I greatly appreciated the opportunity to testify in support of HB 609 before the House Special Committee on State Loans. Those testifying at the hearing on Saturday, February 25th raised several technical concerns with the bill, but overall I was exceptionally pleased with the broad support the legislation appears to have.

I expect to stay in touch with David Cobb as he prepares the Committee substitute to HB 609. If there is anything the Government Finance Research Center can do to help during the legislative process (such as write a letter of endorsement) please do not hesitate to ask.

The months of March and April are Washington's most beautiful -- the weather is mild and the famous cherry blossoms et al. are in bloom. I hope you will get a hold of me if you decide to visit.

Best regards,

Wes

Wesley C. Hough
Manager

WCH:ncs

JAN 30 1984

January 24, 1984

GOVERNMENT FINANCE RESEARCH CENTER

MUNICIPAL FINANCE OFFICERS ASSOCIATION

The Honorable Rick Uehling
Chairman, House Special Committee
on State Loans
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

I appreciate the opportunity to comment on the legislation being proposed by your office that would, among other things, expand the duties of the State Bond Committee and the Municipal Bond Bank. The thrust of the proposed legislation is positive and, if enacted, will go far to improve the State's debt management practices as described by the Government Finance Research Center's (GFRC) report to the Legislative Budget and Audit Committee. There are certain changes to the draft bill (dated 1-19-84), however, which I believe would improve the legislation's effectiveness.

I have organized my comments to correspond sequentially with the sections of the draft legislation.

Section 1 - I have a problem with defining those communities that are eligible to have the Bond Bank requirement waived based upon the most recent (i.e., past) bond rating of the city or borough. Such a criterion would exclude, perhaps unecessarily, cities or boroughs in the following two situations:

a. Those communities that have been able to improve their credit standing since they were last evaluated by the bond rating agencies to a level equal to or better than the Bond Bank's; and

b. Those communities that have purchased municipal bond insurance or other forms of external credit support for the issue under consideration that might lower the long-term cost of borrowing below that of other non-insured bonds of the community. For example, an otherwise Baa-rated community may issue insured school construction bonds that are rated AAA.

I believe that these two concerns could be addressed by the addition of a subsection (e), (3) that would give the State Bond Committee the ability to waive the requirement if, in their judgement, the long-term cost to the State would be less if the community did not use the Bond Bank. I also would recommend that line 21 of subsection (e) (1) be amended to read "recent issue of general obligation bonds".

The use of the term "nationally recognized rating organization", without being more specific, concerns me. At present the Bond Bank is rated by two firms, Moody's and Standard and Poors. These two firms are also concerned about the large amounts of debt that have been issued by certain localities in the State and their ratings indicate this fact. The third rating agency that is nationally recognized, Fitch, is very "bullish" on Alaska and rates Alaskan localities much higher than Moody's or S&P does. If Fitch were ever to rate the Bond Bank, it is possible that the majority of local governments would have ratings as good as that of the Bond Bank. You may wish to specify a particular rating agency or "the top two" nationally recognized firms to avoid problems.

Section 4 - The consolidation of State-wide debt-related statistics into one report is a good idea. Much of this information is already collected by various State departments (such as the Deparments of Revenue, Administration, and Community and Regional Affairs) and its compilation into one report should not be difficult.

(b) I would like to see the legislation describe in more detail the type of analysis that the annual report should contain. I would recommend that the report clearly indicate those long-term obligations that are tax-supported and those that are revenue-supported. It should also include long-term lease obligations and the volume of short-term debt issued and retired during the year. The report should also highlight those obligations for which the state has pledged some form of indirect credit support such as its moral obligation.

You may wish to use more specific language when speaking about the "anticipated impact on the finances and credit of the State". I would recommend that you use the words "long-term debt capacity".

(c) The guidelines developed by the Bond Committee should also include a review of the ultimate sources of repayment for the obligations and address the question of whether the State has pledged directly or indirectly to repay the bonds. Here again I believe that the guidelines should distinguish between debt that is tax-supported and debt that is truely revenue-supported. Lease and other long-term financial obligations should also be included in the scope of this review.

(d) It is my understanding that "financial programming or marketing assistance" is directed at financial advisors and not the underwriters in a transaction. It is normal and acceptable for underwriters to be compensated on the basis of the amount of bonds issued.

(e) My only comment here is technical, I do not believe that generally accepted accounting principals address the question of what is "true interest cost". Therefore, I recommend that this subsection read as follows:

The State Bond Committee shall require that true interest cost (TIC) be the basis for determining the lowest bid on debt that is sold competitively by debt issuing entities of the state. True interest cost is defined as the annual interest rate that when compounded semi-annually will discount the principal and interest payments on the debt obligation from their payment dates to the dated date and the price bid to the issuer.

(f) An annual bond calendar listing proposed debt issuance by amounts and approximate months would be useful to all issuers in the State in planning the timing of their own debt issues. We recommended that the State prepare an annual bond calendar to improve coordination of debt issuance - especially to benefit smaller localities. I do not believe that the interests of the State or its localities are well served when all debt issuers must inform the Bond Committee of each bond issue or of changes in the amount to be sold. This type of requirement extends beyond the coordinative function of the bond calendar to limit local and State agency flexability. It is not uncommon for bond issuers to change the amount of a particular bond issue as late as the day of sale because of changes in the bond market or the financial requirements of the issuer.

To emphacise the coordinative function of the bond calendar concept and ensure that the bond calendar idea not be viewed as a restrictive one, I would recommend that the second sentance of this subsection be dropped.

(g) I believe that there are inconsistencies in the text of the bill when reference is made to "debt issuing entities". It is important that the word "bond" not replace "debt" because many debt obligations are not bonds, i.e., short-term notes and leases.

The comments above are based on an initial reading of the draft legislation I received today. Because of the importance of this legislation, I wanted you to receive my comments as soon as possible. If I have additional comments I will forward them to your office at a later date.

I appreciate the opportunity to comment on the proposed legislation. Please keep me informed of your progress on this bill and don't hesitate to call if I can clarify the issues raised above or respond to other questions.

Sincerely,

Wes Hough

Wesley C. Hough
Manager

CITY OF CORDOVA
INCORPORATED 1909

Box 1210 602 Railroad Avenue
Cordova, Alaska 99574
Phone: (907) 424-3237
or 424-3238

"The Friendly City"

Leonard V. Pingatore
Mayor

Council Members
Joe Gunderson
Phyllis Day
Oliver Osborn
Lew L. Cochran
Danny R. Glasen
John Wheeler

February 24, 1984

Representative Rick Uehling
House of Representatives
Pouch V
Juneau, AK 99811

RE: HB 609

Dear Representative Uehling:

I have reviewed your proposed legislation to create order out of chaos regarding the issuance of long-term debt within the State. It is long overdue. The following are my comments on the bill which I believe would be a more useful tool for debt management.

1. I believe the board should have one member specifically representing cities and boroughs. This person probably should not be an elective official, but instead, a financial director or manager. This would make a six-man board which is not unwieldy, and at the same time would provide a member that is intimately acquainted with local debt management policies as well as another member that is acquainted with the (local) political aspects of debt issuance.

2. Section 37.15.140(b) (Reporting). Change the first sentence to read, "The state bond committee shall prepare an annual report for the prior fiscal year ended June 30 to be submitted to the Governor before January 31 of each year."

   As most entities have a fiscal year running from July 1 through June 30, the gathering of information can be completed after close of the fiscal year rather than on an interim basis. Using a date certain for the report cutoff date will allow a realistic calendar to be developed for the submittal of required information.

3. Section 37.15.130(d). I strongly support 37.15.130(d). There should never be a fee based on the amount of bonds issued. At the same time, there should not be a fee promulgated by the committee as the complexity of marketing will vary widely dependent on the issue and the overall economic conditions at the time of issue.

4. Section 37.15.130(f). I do not believe the calendar will accomplish anything. Often from the State level on down, a calendar will not, or cannot, be followed. There will be delays and/or new issues made which were not planned at the time the calendar was prepared. Without any enforcement teeth, the calendar will become a very frivolous item.

Rather than a calendar, I would recommend that the bill require that each proposed issue be submitted to the State at least 90 days prior to the proposed date of sale for review and certification be made by the Director that the issue meets (does not meet) the guidelines as promulgated by the committee, and that any advertising of the sale note this fact.

Although a home-rule community could still sell bonds without meeting the guidelines as promulgated, the lack of certification would certainly mean that the issue would be less attractive to the buyer of such bonds. You might call this de facto enforcement of committee guidelines.

There is only one other matter which the bill, as proposed, does not make clear, and that is special assessment financing. Was it your intent that such debt be included in the public debt management system? In reading the bill, it appears to me it was your intent not to include this type of debt, but this is not clearly stated.

If you have further questions on my comments, please do not hesitate to call.

I would appreciate you keeping me informed as to the progress of this bill.

Sincerely,

Jack Ference

Jack P. Ference
Finance Director

March 2, 1984

GOVERNMENT
FINANCE
RESEARCH
CENTER

MUNICIPAL FINANCE
OFFICERS ASSOCIATION

David Cobb
c/o Representative Rick Uehling
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear David:

I enjoyed seeing you again in Anchorage last weekend. I hope my comments and presence at the hearing will prove to be helpful in enacting HB 609. As I indicated on Saturday, I have a few additional comments to make regarding the bill. You may find these helpful in drafting the Committee Substitute to HB 609.

Section 1: You may recall there was some discussion concerning the new members of the Bond Committee. Two basic concerns were addressed: (1) that municipal interests be represented by a local official, not the DCRA, and (2) that the public authority board member is redundent because other Commissioners already on the Bond Committee also sit on the Boards of AIDA, AHFC, etc. I feel is important that local interests are represented on the Bond Committee--if to do nothing more than symbolize the interrelationship of state and local concerns regarding public finance. I would not be concerned over who provides the local input--be it DCRA, the head of the Municipal Bond Bank, or the finance director of Anchorage. I think it is a lot to ask of a local official to sit on the Bond Committee, though, given the frequency and importance of its meetings. The Bond Bank's Executive Director may be a reasonable compromise--someone at the state level who is not a Commissioner, but appointed solely to serve local finance officers.

In the debt management report we were clearly thinking about a "public" member of a state corporation to make up the fifth member. I feel this is good policy, but not as important as the local issue.

Section 3:

(a) I've checked with a few attorneys and "all long-term financing lease obligations" is best here.

(c) We saw the "guidelines" as bringing a measure of state management to debt issuers, without giving the Bond Committee full responsibility to approve all debt. Perhaps this sentiment is reflected better in the wording "Guidelines shall be developed on the maximum amount of outstanding debt and the debt issuance practices of (1) the state and its agencies, (2) state public corporations that are authorized to issue debt, and (3) other debt issuers for which the state provides credit support. Such guidelines must cover the nature of any state obligation that may be pledged behind the debt."

Language of this type focuses the intent on state agencies and local debt such as school construction bonds. I don't believe that the state should write guidelines for general municipal bonds. The Committee may wish next year to introduce legislation expanding the scope of the Municipal Bond Bank to employ staff and provide technical assistance to localities in the area of public finance. This is where such guidelines would be better placed.

(d) Change to read "financial advisor or bond counsel".

(f) I'm struggling with the bond calendar idea. As I indicated at the hearing, the calendar is only useful to local issuers if it is updated regularly. However, as you saw from my earlier remarks on this subject, I don't believe that issuers should be required to give 30 days notice of an issue before being permitted to issue the bonds. The State of Maryland requires all issuers to notify the State quarterly of their issuance plans for the quarter. Perhaps this would be an acceptable alternative because it does not require issuers to notify the State of changes in this schedule.

As far as the entities affected by the bill, I believe that the state and the public corporations should be the major targets. Localities should be excluded from Section 3(c) except for school debt or other state-supported debt. Local debt should be included in 3(a), however, and subject to 3(d), (e), and (f).

I hope these comments are helpful. As I mentioned in my letter to Rick, I'd be happy to write a formal letter of support for you if that would be useful. We would also be interested in talking with you more about (1) the AHFC state-guaranteed debt proposal and its impact on the state's credit, and (2) providing on-going financial advice to your commitee or LBA. I believe the GFRC could provide an outside, independent, and professional opinion on many public finance matters that face the State. Please keep in touch with me regarding these areas.

In the meantime, I hope the rest of the legislative session goes well, and that you will accept my invitation to return the hospitality you've shown me in Alaska if you ever get out to D.C.

Fondly,

Wes

Wesley C. Hough
Manager

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
(907) 586-6526

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

February 24, 1984

The Honorable Rick Uehling
State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

Thank you for bringing HB 609 to my attention. The continued authority to sell, and the ability to market low interest bonds to finance municipal capital projects is a major concern of the League and its member municipalities. As the state continues to grow and develop, its municipalities are facing increasing needs and complex problems with decreasing financial assistance from the state, e.g. shortfalls in the Municipal Assistance and State Revenue Sharing Programs and decreasing state assumption of debt for schools. Many of our municipalities are also facing hard economic times, especially the coastal communities which rely on the fishing industry.

Municipal bonding is an important mechanism to provide necessary community facilities such as schools, libraries, etc. HB 609 does not appear to threaten the current system and the information provided as a result of expanding the State Bond Committee and its duties may help us insure the future solvency of the state and, therefore, good bond ratings and low interest.

The League does not have a clear or specific position on this particular bill. However, the reporting requirements probably would not be objectionable because the information requested is no doubt already available. What may be objectionable are the actions that could be taken based on the information gathered.

The League opposes any unnecessary restrictions on municipalities' ability to issue or market bonds. It supports legislation which would raise the level of bonded indebtedness for the Municipal Bond Bank to $300 million and approve a suitable level of bonded indebtedness for revenue bonds.

The League urges the Legislature to support approved school capital projects at full construction level and to fund this amount annually. The League also urges the Legislature to assume the total state approved school capital indebtedness incurred by municipalities. Public capital facilities are necessary not only to provide for the needs of our current residents, but also to attract new business and industry to the state and its communities. These facilities must be funded with the help of the state, either through the capital budget process or through debt retirement.

I have notified our members of the bill and the hearing scheduled for February 25, 1984. They may have additional specific comments later. I did contact Jim Kennedy, Juneau City-Borough Finance Director and Lynn Rice, Fairbanks North Star Borough Finance Director. Mr. Kennedy, after a quick review, did not anticipate any problems with providing the information. Ms. Rice provided the following comments:

p.2, line 22 - Clarify that duties relate to state bonds e.g. "...delivery of state bonds".

p.3, subsection (d) - There may be a problem with "...a determined fee basis...". Ms. Rice believes the firms most municipalities use charge on the basis of a percentage of the bond issue.

p.4, add new subsection (h) - The committee shall have no power to adjust the proposed debt issuance schedule submitted by municipalities.

Again, the Alaska Municipal League has no policy addressing the specifics of HB 609, but I hope my general comments are helpful. Having alerted the municipalities to the bill, they may send comments to you in addition to those from Juneau and the Fairbanks North Star Borough.

Thank you for your interest and support of the League. If you have any further questions about this or any other legislation which may affect municipalities, please contact me.

Sincerely,

Scott A. Burgess
Executive Director

cc: Jim Kennedy
Lynn Rice

CHAIRMAN:
LANCE ANDERSON

BOARD MEMBERS:
ROBERT HEATH
MARK LEWIS
WINTHROP HOVEY
LARRY URBACH

601 WEST FIFTH AVENUE
SUITE 420
ANCHORAGE, ALASKA 99501
(907) 274-7366

EXECUTIVE DIRECTOR:
PERRY T. DAVIS

ALASKA MUNICIPAL BOND BANK AUTHORITY

January 17, 1984

Representative Rick Uehling
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Uehling:

My preliminary comments on your work draft of a bill dated January 9, 1984 relating to local debt are as follows:

With respect to Section 1 of the proposed legislation I suggest that some objective criteria be established on the waiver to avoid subjective and a perhaps time consuming decision making process. For example, the second sentence might read as follows:

> The state bond committee established under AS 37.15.110 [may] shall waive this requirement if (i) a municipality received a bond rating on its most recent issue of bonds from Moody's Investor's Services or Standard & Poor's equal to or higher than the most recent rating given the Alaska Municipal Bond Bank Authority from the comparable rating service; (ii) the Alaska Municipal Bond Bank Authority is unable to issue such bonds because of inadequate funding of its reserve fund established under AS 44.85.170, or (iii) the limit imposed pursuant to AS 44.85.180(c) will be exceeded by the issuance of the bonds for which the waiver is sought.

With regard to Section 2 of the bill I suggest the "10 percent" formula may be too restrictive for several small communities. This is particularly so in light of the fact that some of these communities are close to the limit now and they would be prevented from issuing further debt. Remember that such a calculation will include school debt, a major portion of which is reimbursed by the state. If there is strong sentiment for this, perhaps the calculation of the ratio should exclude school debt to the extent it is paid from the school debt reimbursement program.

Refinancing of local debt under Section 3 of the bill in a manner such that annual debt service is increased may actually be a good idea if it conforms to future revenue projections. An example is the 1983 refunding accomplished by the City of Valdez. This refunding shortened the maturities on a long term issue so it would conform to revenue projections of the City which showed drastic decline after 20 years. Thus, maybe this section ought to be deleted. As to school debt reimbursed by the State see AS 14.11.100(j)(2).

As indicated in my suggested language if the Bond Bank is going to be issuing bonds for more schools we will need substantially increased reserves and authorization.

Finally, we note that if this bill is to be made applicable to home rule municipalities then AS 29.13.100 should be amended as well.

Very truly,

Perry T. Davis
Executive Director

PTD:ac

STATE
G.O. SECTIONS

Department of Commerce & Economic Development
Written Testimony Before the
House Special Committee on State Loans
February 25, 1984

We applaud and support the Committee for its interest and concern with debt management. We have no problems with some parts of the bill and simply wish to express some concerns about other sections of the bill.

HB 609 "An Act relating to debt of the state; its agencies and municipalities; and providing for an effective date."

1. We have no problem with making the Commissioner of Revenue the chair and to conducting business by electronic media. (Section 2(a) and (b)).

2. The Department of Revenue has always provided staff support to the Committee and we support that department's efforts, now and in the future, to staff appropriately to accomplish the Committee's objectives. (Section 4).

3. We have no problem with the State Bond Committee developing written information guidelines concerning area's related debt levels or bond ratings. (Section 3(c)).

4. The State Bond Committee and debt issuing agencies of the State currently use the "true interest cost" for determining lowest bid as described in Section 3(e).

5. The State Bond Committee plans to retain a financial advisor who would be paid on a basis that is not related to debt issuance as suggested in Section 3(d).

6. We support the concept of an annual report essentially as outlined in Section 3(b) and the compilation of a debt calendar.

However, we would like to express some concerns about the bill.

1. We think the present board structure works well and we see no reason to alter its composition. (Section 1).

2. We would limit guidelines to debt levels and/or rating issues since debt structures and repayment schedules may vary with each debt issue and may vary with innovation in the bond market. We suggest that the Legislature consider the value of guidelines in light of the fact that rating agencies and bond buyers appear to be as effective as relatively arbitrary guidelines.

3. We are concerned that an "independent" financial advisor may not be appropriate for each debt-issuing entity in the State just because the State Bond Committee has decided to use one. Also, we urge the Legislature to consider Sections 3(d) and 3(e) to determine if the State Bond Committee has the legal standing to enforce them. It might be that such limitations to the powers of municipalities would be placed better in a different statute.

4. We do not object to compiling a debt calendar as mentioned in Section 3(f), but caution that an annual calendar, as described, would become obsolete quickly. To be useful, an information calendar would have to be compiled monthly as a minimum.

5. Finally, while we believe that the Department of Revenue should staff adequately to assist the State Bond Committee in its obligations, we do not believe that the staff should be staff of the Committee itself. We understand staff in a line agency and staff in an independent authority, but we do not undertand staff to a committee within a line agency.

We thank you for the opportunity to provide input into the bill. We hope, of course, that you will consider the current version of the bill in light of our concerns.

saL/8
22484b

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

BILL SHEFFIELD, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

March 2, 1984

The Honorable Rick Uehling
Chairman
House Special Committee on Loans
Pouch V
Juneau, AK 99811

Dear Representative Uehling:

In response to questions raised at your committee's hearing on HB 609 on February 25, 1984, I am submitting the following information which I believe may be of interest:

1. a survey of other states' use of financial advisors for debt issuance and management;

2. a summary of limited information currently available to the Treasury Division on the terms of bond counsel and financial advisor contracts of Alaskan municipalities;

3. regarding the roles of bond counsel, financial advisors, and underwriters, a memorandum from the Department of the Treasury for the State of New Jersey and excerpts from the Government Finance Research Center study, A Review of Debt Capacity and Debt Management for the State of Alaska on this subject.

In regard to the last point, the roles of bond counsel, financial advisor, and underwriter may be briefly stated as follows:

1. bond counsel - through the final approving opinion of the bonds, assures bond buyers of the legality of the issue; counsel prepares all legal documents;

2. financial advisor - assists the issuer in deciding on timing, amount, and structure of bond sales, in securing bond ratings, and in marketing bonds; the advisor prepares the official statement (bond prospectus) and may assist in formulation of debt policy;

04-D12LH

3. underwriter - in a competitive sale, the underwriter is the firm with the low bid which purchases and resells the bonds to investors; in a negotiated sale the underwriter performs the same wholesaling function as well as assisting the issuer in deciding on timing, amounts, and structure of the issue.

Sincerely yours,

Milt Barker

Milt Barker
Deputy Commissioner

MB:mw

Enclosure

Municipal Contract Terms
for
Financial Advisor, Bond Counsel, & Underwriter

The following indicates the number of firms known to the Treasury Division on contract with municipalities for a given period of time versus on contract for a single issue:

	Number of Firms	Term Contracts	Issue Contracts
Financial Advisor	4	1	2
Bond Counsel	5	3	1
Underwriter	3	?	?

In general, state bonding authorities contract for these services for a specified term.

The Treasury Division does not have information on the methods of compensation being used in these contracts.

STATE OF ALASKA
SURVEY
OF
USE OF FINANCIAL ADVISORS
IN STATE DEBT ISSUANCE

The attached questionnaire was mailed to all other 49 states on January 6, 1984. As of February 28, 1984, responses had been received from 35 states.

Of those states responding, the following do not currently issue bonds for constitutional, statutory, or policy reasons:

Colorado
Indiana
Kansas
Nebraska
Texas

Of those responding, the following do not employ a financial advisor, at least for general obligation bond issues:

Georgia
Hawaii
Louisiana
Maryland
Minnesota
New Jersey
North Carolina
North Dakota
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Virginia

The responses of the states utilizing advisors are tabulated in the attached tables. Some respondents did not answer all questions, the answer was unclear or the question was inappropriate to them. In such cases, the table was left blank.

The results of the survey may be summarized as follows:

1. states generally reimburse advisors with a dollar amount or percent per bond issue; retainers are not uncommon; hourly fees are used sporadically;

2. reimbursement is generally contingent on sale although it is almost by definition not contingent on sale where retainers are used;

3. most advisors perform some research or policy work although many respondents stress that policy decisions are the state's purview;

4. there is a slight tendency for larger or more frequent issuers to utilize retainer fees;

5. retainer fees do not seem to be inherently more expensive but rather track fairly well the amount and type of work being provided; however, no advisors on retainer are prohibited from serving as advisor or underwriter for other state agencies or municipalities which would undoubtedly require increased compensation;

6. reimbursement is generally paid from bond proceeds and in some cases agency budgets;

7. a few respondents prohibited the state advisor from serving as such for other state agencies; however, none restricted advisory work for municipalities; likewise, underwriting activities were not restricted at all except for prohibitions to underwrite issues on which a firm served as financial advisor;

8. several states do not use investment banking firms as financial advisors; these and a couple others use advisors independent of the investment banking industry;

9. a few states appear to use multiple advisors; one in particular seeks second opinions on all refunding bond issues;

10. as might be expected retainer contracts have a fixed term, frequently one year, while advisory work paid on a per issue basis usually have contracts on a per issue basis;

11. it might be suspected that states which do not use advisors for debt issuance are larger or more frequent issuers; however, these respondents generally did not go ahead and indicate the amounts or numbers of their bond issues.

FINANCIAL ADVISOR QUESTIONNAIRE

Please return this form to:

Debt Manager
State of Alaska
Department of Revenue
Treasury Division
Pouch SB
Juneau, AK 99811

1. Person Responding

   Name: ______________________________

   Address: ______________________________

   ____

   Phone: ______________________________

2. Method of Reimbursement

   How is your financial advisor reimbursed? Retainer, percent of bonds issued, dollar amount per bonds issued, hourly basis?

   ____

   ____

   ____

   ____

3. Is reimbursement contingent on successful sale of bonds?

   ____

   ____

   ____

   ____

4. Does the advisor perform significant policy or research work?

   ____

   ____

   ____

   ____

5. What is the level of your bonding activity? Specifically, how many general obligation and how many revenue bond issues would the advisor be responsible for in an average year?

____

____

____

____

6. What total amount of fees are paid for advisory services annually?

____

____

____

____

7. What is the source of funds for reimbursement? Bond proceeds, agency budget, special appropriation?

____

____

____

____

8. Do you have an independent advisor? That is, may the advisor also serve as:

   advisor to other state agencies in your state:____________________

   ____

   advisor to municipalities or local government in your state:__________

   ____

   underwriter for state agencies:____________________________

   ____

   underwriter for municipalities or local government:________________

   ____

9. Are investment banking firms or others who might have a vested interest in bond issuance excluded from advising on debt capacity and policy questions or is other independent advice obtained for such questions?

____

____

10. **Are multiple advisors used?**

11. **What term of contract is used for advisors?**

12. **Any other comments?**

State of New Jersey
DEPARTMENT OF THE TREASURY

KENNETH R. BIEDERMAN
STATE TREASURER

OFFICE OF FINANCIAL MANAGEMENT
10 CHANCERY LANE, CN 214
TRENTON, NEW JERSEY 08625

ELIZABETH B. FELKER
DIRECTOR

January 18, 1984

MEMORANDUM TO: Greg Stevens

FROM: Elizabeth B. Felker EBF

RE: Underwriting, Bond Counsel, and Auditor Compensation

Several weeks ago, we prepared for you a summary of the compensation earned by professionals in the above categories for the calendars years 1982 and 1983. In reviewing this report myself, I realized that it may be very difficult for you to assess the relative value of the business done by these professionals with the State without some understanding of how this compensation can be earned. I have prepared an interpretation of each type of compensation to lend perspective in sorting out the various claims and complaints of those who aspire to maintain, enhance, or initiate such relationships with the State and its agencies.

jb

cc: Kenneth R. Biederman

bcc: George J. McElroy

Received 1/19/84
14-84

UNDERWRITER COMPENSATION

Underwriters are compensated almost always on a transaction basis. They may work for many years on a single transaction and receive no fee until it is completed. On the other hand, there are some transactions which are readily accomplished and require very little time. There is not necessarily a relationship between size of compensation and amount of time it takes to earn it.

PUBLIC OFFERINGS

Underwriters of public offerings are compensated in three ways. Each of these forms of compensation is included in the "gross spread" or "discount," which is the amount of money the underwriters retain from the proceeds of a public sale of stock, bonds, notes, etc. In every public offering there are certain underwriters who are selected by the issuer (the State, the authority, etc.) to be managers. Their work differs from the others in that they structure the offering and bear the brunt of the risk. Usually there is one manager among them who is deemed to be the senior manager, and the senior manager takes on the task of the structuring of the transaction. In fact, the senior manager usually refuses to allow any of the other managers to help because this position is important and jealously guarded by the senior manager.

The managing group shares among itself a portion of the gross spread called the management fee. This is shared among them in a ratio which the issuer may establish as part of the assignment of underwiters. If the issuer does not do this, the senior manager generally decides how much of these management fees each underwriter will get. Those fees are computed on a dollars-per-bond basis. A bond is equivalent to one thousand dollars of an offering; so, for a \$100 million offering, there are one hundred thousand bonds, and the management group will receive \$250,000 to \$400,000, since a typical management fee is in the \$2.50- to \$4.00-per-bond range. The senior manager generally receives 40 percent or more, depending upon the number of co-managers. On the \$100 million transaction just mentioned, the senior manager would earn from \$100,000 to \$160,000 and the co-managers would split the balance. There are many fees which exceed this range. It is up to the issuer to negotiate a fair fee with the managers.

The second portion of the underwriters compensation is the risk component, also known as the underwriting fee. This is the money which the underwriters are paid to compensate them for the risks they undertake when they purchase the bonds of the issuer and undertake to resell them. Sometimes, the actual risk is minimal because there are many ready purchasers. Sometimes, the risk is extreme because the market might move in a direction unfavorable to the issue which has just been priced. If no one buys the bonds, they are left "on the shelf," and the underwriters must themselves finance the purchase of the issue until they can resell it. This compensation is generally in the area of $1.00 to $1.25 per bond. Of course, it is in the issuer's interest to obtain the lowest possible interest rate when a bond is priced. This increases the underwriter's risk. The underwriting fee also is a subject of negotiation between the issuer and the management group.

The amount of bonds on which each underwriter receives the fee is equivalent to the amount which is underwritten. This is not the amount of bonds which that particular underwriter might sell. The managers may underwrite as much as 40-50 percent of the issue. In our $100 million example, total underwriting compensation may be $100,000 to $125,000, with $4,000 to $62,500 shared among the managers. The underwriting syndicate led by the managers is arranged in tiers, with the senior managers each underwriting the same amount of bonds, the underwriters of the next tier underwriting a smaller amount, etc. In very large offerings, there can be hundreds of members in the syndicate. The membership in the syndicate is determined by the senior manager in consultation with his co-managers. If the issuer wishes to have a firm included in the underwriting syndicate in a particular tier (tiers are also called brackets), it is within the issuer's prerogative to request this.

The selling of the bonds is compensated for in the "take-down" or "selling concession," which is the largest portion of the gross spread. These monies are paid directly or indirectly to the sales personnel who locate investors for the bonds. The compensation level is justified based on the difficulty of selling the particular bonds. Longer maturities and bonds with poor credit ratings may require a higher compensation than shorter maturities, and an offering which is expected to appeal only to retail investors (individuals) might call for a higher selling compensation than one which is sold only to institutions where transactions are very large, so it is not necessary to put so much compensation on each bond. The selling expense is usually computed on an "average takedown," which may range in the area of $10 to $25 per bond. In our example, the selling expense would range from $1,000,000 to $2,500,000. It is in the interest of the issuer to minimize the amount of this compensation, but it is a trade-off against the interest rate, and it is usually better to look for the lowest interest rate; even if the compensation for the selling work needs to be higher. The underwriters are compensated for selling in proportion to the number of bonds which they acutally do "take down" from the issue and sell. Sometimes the managers will sell no bonds, or one manager will sell the bulk of the bonds. This is a function of how well the manager has mobilized his sales force; how good that sales force is; and, frankly, how much he wants to impress the issuer.

MANAGEMENT EVALUATION OF COMPENSATION

The reporting of the amount of the discount and its breakdown is not routinely made to the Treasurer or the Governor by the authorities issuing bonds in a form which would enable us to understand the relative performance and pay which each underwriter receives. Sometimes, authorities do not even question the components of the proposed gross spread, but simply accept it as a "given." Where we have some influence over the pricing of a transaction, my office counsels the issuer's executive director and board if they are interested in what would constitute an agressive negotiation position. Infrequent issuers cannot possibly know where the real market compensation levels have been and can be fooled into agreeing to an unnecessarily large spread.

UNDERWRITER RELATIONSHIPS

Underwriting relationships are established within a complex system of trade-offs of political and personal loyalties; performance; product innovation; and, sometimes, luck. Wall Street keeps close track of who has been in management groups for each issuer, what the relative position of each member is; when there are changes, it creates a great deal of fuss. The relative position of the underwriters and their very presence in an account seem to mean more to them than the dollars they might earn on an assignment. Therefore, we will often receive pleas from a firm to simply be included as a manager, regardless of the fact that there are already enough firms in the account to do the job. Of course, the discount must be divided more ways; and the smaller the net compensation received, the less real incentive there is to work on the transaction. To place large numbers of underwriters in a group simply to keep them quiet is not very sensible since no one is heavily committed over the long run to the issuer. Conversely, a large group builds pressure for a larger discount.

PRIVATE PLACEMENTS

Not every securities offering is sold to the public. Many smaller issues are placed directly with investors, usually institutions, by an underwriter. The underwriter receives a fee for this placement, which is usually computed as a percentage of the total dollars placed. This might range in the area of 1/2 to 1 percent. There is no underwriting fee because the underwriter is not taking the risk of purchasing and then reselling bonds, but is simply acting as placement agent. Such transactions occur frequently at New Jersey EDA with corporate industrial development bonds. Some of the hospital financings of the Health Care Facilities Financing Authority are done as private placements. The staff of that Authority itself sometimes arranges placements and, since there is no underwriter involved, no placement fee is paid.

COMPETITIVE BIDS

General obligations bonds, which are sold on the full faith and credit of a state or local government, are usually sold at competitive biddings. Not only do the statutes require this, but evidence shows that unless an issuer is in financial trouble and needs much hand-holding to get into the market successfully, competitive bidding produces the lowest cost of money. In a competitive bid, the underwriters form groups and bid on the securities on the basis of the net interest cost which the issuer must pay. They need not reveal the amount of discount they take for underwriting and selling, but the fees are generally much smaller than for negotiated public offerings. Underwriters will argue passionately that negotiated sales are better for the issuer because they can time the offerings adeptly and work out a better arrangement for the structure of the bonds and for the other documentation which goes along with the deal. They are frequently correct in this assessment when it comes to revenue bonds of a complex nature. Even some revenue bonds can be and have been sold at competitive bidding; the State itself sells its general obligation bonds at competitive bidding. When we do a refunding negotiation of the State general obligation bonds, we will most likely request proposals for negotiation of the issue because of the intricate financial computations which must take place on the transaction. There are considerably more variables in a refunding than there are in a new issue. We will also be offering for bids certificates of participation in State installment purchases of equipment.

FINANCIAL ADVISORS

There is another class of financial service, sometimes rendered by those who do public underwritings and sometimes by firms organized specifically for this purpose. This is called "financial advisory work" and is generally compensated on a lower level than management fees or public offerings. There are times when financial advisors charge very large amounts of money, especially to bail out troubled cities like Cleveland, Chicago, and New York, but generally fees are more modest. Financial advisors can be compensated on an annual retainer basis or on a per-transaction basis as a function of issue size. The retainer is preferable because it does not induce the financial advisors to recommend larger financings than might really be called for. There are very few capable independent financial advisors. Underwriting firms will sometimes offer to provide financial advisory services without compensation or for very low compensation. The danger in permitting this is that when it comes time to do a public offering, they have been known to resign as financial advisor and leave the issuer with no one to guide them.

It has been our policy to require an informal bidding process for financial advisory contracts when State authorities need such advisors. Issuers request proposals from interested candidates and review them for cost, skill, and insight with the issuer's particular needs. A financial advisor must agree not to seek to be an underwriter for the issuer's securities during the term of the contract. Financial advisors are most often used when the issuer does a competitive offering. (The State itself used a financial advisor for its sale of general obligation bonds in April, 1982, and we are using one for the equipment transaction mentioned above.) For very complicated negotiated offerings, the issuer sometimes will engage a financial advisor in addition to a managing underwriter group to "keep the managers honest."

The main responsibility of bond counsel is to give comfort to the marketplace that an issue is legal by rendering an opinion to that effect. Some bond counsel firm's opinions are worth more than others. Some bond counsel are much more capable than others of working out a transaction which is beneficial to the issuer. The complexity of the work of bond counsel varies depending on the type of security to be offered. For a municipal general obligation bond, under normal circumstances, the bond counsel does not have to work very hard. For a housing revenue bond, which is undertaken within a complex system of federal and State statutory and regulatory strictures, bond counsel must be very adroit and expert at tax law, as well as securities law and State statutory law.

The bond counsel is not the only attorney who works on a transaction. In a negotiated issue, and often for private placements, the underwriters engage a counsel of their choice. This can be helpful if there are several firms with which the issuer wishes to do business, but only one bond counsel is needed and/or all are not equally qualified. It is also possible to find a role for a special counsel or local counsel to do some of the non-financing work, such as determining the legality of the corporate structure of the issuer. Bond counsel are compensated per transaction and generally submit a fee which includes payment for their time and a separate bill for their expenses. Guidelines can and are established for the levels of such compensation, i.e., how much per hour should be paid for each type of lawyer who works on the deal, as well as overall limits on what a total transaction may cost. Issuers are successful at doing this sometimes, but not uniformly so.

In selecting bond counsel, our overriding concern must be that they are truly equipped to provide a marketable opinion, one which will not come back to haunt us later on when it could be discovered that there were legal problems and we end up in court defending the tax-exemption of the issue.

AUDITORS

All independent public authorities engage an outside auditing firm to review their books and to give opinions on their financial statements. For authorities which issue bonds to the public, it is generally felt that the auditor should be a recognized accounting firm which credit analysts will view as trustworthy. If an authority's financials are certified by an accountant without such standing, their ability to issue bonds and the perception of the market of their credit worthiness is affected. This does not mean that only the big-eight accounting firms can do authority audits, but issuers should not go to very small firms without national standing.

Another key role which public accounting firms often play in authority financings is the generation of a feasibility study. Underwriters of most revenue bonds require an evaluation by an expert of the likelihood that revenues generated by the projects being financed will be sufficient to cover the debt service on the bonds being sold, in order to market securities. Credit ratings depend on the quality of feasiblity studies. The studies can be quite expensive - six-digit fees are not uncommon. Feasibility consultants should be chosen by appraising first, which firms are qualified to give a thorough analysis of the project, and an honest assessment of where it is likely to stand in future years; and second, whether the firm is recognized for its expertise in this area.

Feasibility consultants are not only accounting firms; certain engineering firms are also in the business. Consultants often have specialties, such as hospital or transportation projects. The firm that audits an issuer's books is not necessarily the firm to choose to do the feasibility study, although there is no conflict involved if one has both assignments.

PRO BONO WORK

A common tactic for underwriters, and sometimes for bond counsel, seeking to improve their market penetration is to volunteer to work without compensation (less delicately, "on the come") for an issuer or government trying to create a new issuer. Hoping later to earn sizeable fees, these firms will invest their time in drafting legislation and advising on financial alternatives. New Jersey's Governor's Office has made extensive use of such volunteers. A cautionary note: if the selection of the volunteer is meant to be a final determination of the manager of the business, some care ought to be given to ensure that the volunteer has pertinent experience and will not lead us up blind alleys. On the theory that you get what you pay for, an alternative method to design and develop new financings may at times be superior.

jb

Selection, Use, and Compensation of Financial Advisors and Underwriters

When bonded indebtedness is sold, a fixed-cost contract is established that will be valid for many future years. It is important, therefore, that the interest rate payable on the bonds and any bond covenants result in the lowest possible cost to the issuer. Because of the dynamics and volitility of interest rates, the shifting objectives of bond buyers, and the variety of funding sources and methods that are available it is essential that issuers obtain the most current expert advice when structuring and marketing a bond sale. A financial advisor is a specialist who is able to assist issuers with knowledge of current trends and market conditions, and the bond issuance process in general. An underwriter is a representative of an investment or commercial banking firm that acts as the intermediary between the issuer and the ultimate purchaser of the bonds.

The Use of a Financial Advisor

The services of a financial advisor will vary, depending upon such factors as the nature and size of the bond issuer, the frequency with which bonds are issued, and the competence level of the government's own staff in the debt field. Services commonly provided may include: developing a financial plan, assisting in securing voter approval, designing the features of the bond issue, and assisting in marketing the bonds. Other areas in which a financial advisor can be of assistance are:

- choosing the type of security to pledge and the credit market position to be accorded the debt;
- presentation to the rating agencies;
- deciding upon the timing of the sale;
- preparing the official statement;
- selecting and evaluating bond counsel services;
- assessing the probable range of interest costs for alternative means of financing;
- analysing pay-as-you-go vs. bond financing;
- commenting on the reasonableness of fees for other specialized services;
- assessing the suitability of fees for the underwriters;
- designing call provisions appropriate for the issue;
- assuring conformance to bidding requirements and other terms of sale are met;
- conducting negotiated sales;
- evaluating bids on a competitive sale; and
- evaluating the performance of members of the syndicate in negotiated financings.

Professional assistance in each of these phases can improve an issuer's chances of securing a favorable credit rating and obtaining lower interest costs.

State governments, which frequently issue debt, can do most of the preparation for the sale of general obligation bonds with their own in-house staff. Thus, Alaska may use the financial advisor only in technical areas, such as timing the issuance of the bonds, constructing the maturity schedule, and presenting the State's credit to the rating agencies. Other governments benefit most from the services of a financial advisor if they are infrequent users of debt or if a limited liability or revenue bond is being issued. A limited liability or revenue bond is more complex than a general obligation issue and, as such, requires special assistance. Financial advisors are also important in a negotiated sale to represent the issuer in the transaction.

There are three types of firms which provide financial advisory services:

1. investment banking firms;

2. commercial banking firms; and

3. independent consultants who do not trade in municipal bonds.

The first two sources, investment banking firms and the municipal departments of commercial banks trading in bonds, may provide financial advice for a fee or, as is often the case, they will not directly charge for services in exchange for the exclusive right to purchase the bonds without competitive bidding through a negotiated sale. These advisor's services are often paid for out of its profit (a component of the underwriting spread, described below) made in reselling the bonds. Alternatively, the public finance department of one of these firms may be hired to provide financial advice independent of underwriting the bonds. The State of Alaska currently follows this approach because its financial advisor is also an investment banking firm and is not paid from the underwriter's spread. In the later case, compensation should be based upon the services provided.

The third source of assistance is the independent consultant who does not trade in municipal bonds but, for a fee, agrees to help plan, design, and market the issue. The issue can be sold at a public sale to the lowest bidder, to a third party in a privately negotiated sale, or through a negotiated underwriting with investment bankers. Independent advisors typically provide technical assistance only; they do not buy, sell, or trade tax-exempt securities nor do their fees derive from such activity. Since a conflict of interest may arise when the same firm provides advice on the structuring of tax-exempt bond issue, on the one hand, and then markets the same bond issue, some governments as a matter of policy elect to separate the advisory function from the underwriting function. This can be accomplished either by contractually prohibiting the advisor from an active role or participation in the buying or trading of the government's securities in the primary market during such period as the firm acts as advisor, or by utilizing the services of an independent financial advisor. The Alaska State Bond Act (AS 37.15) prohibits firms which provide financial advice under contract to the State from bidding on or otherwise participating in an underwriting syndicate which purchases the bonds. Furthermore, AHFC and the Municipal Bond Bank preclude their advisors, because they currently are investment banking firms, from an underwriting role on bond issues for which the firms serve as advisor. These are responsible practices and should be continued.

Selection of Financial Advisors

The generally preferred method of selecting firms to provide financial advice is to solicit proposals from as diverse a body of potential firms as possible. A Request for Proposals (RFP) should be written and sent to those advisors who have the general qualifications to do the work. Several sources of assistance are available in identifying financial advisors to whom the RFP can be sent are:

1. state and national associations of governmental units or public officials;

2. governments in the region which have had extensive experience with fiscal advisors; and

3. Directory of Municipal Bond Dealers of the U.S., which lists both dealers and municipal finance consultants. This is prepared annually by the Bond Buyer. Note that this directory does not include all financial advisors and should only be used as a supplement to firms otherwise identified. Advisors are listed by state locations, but generally serve a national clientele.

The RFP for consulting services should cover all the particular job requirements. On the basis of the proposals received, the state government can then decide on the most qualified fiscal advisor and write a contract for the work. Alaska has generally used the RFP approach in selecting advisors and appears to evaluate responses and make contract awards in a manner that is consistent with sound business practices.[18]

Compensation of Financial Advisors

The fee paid an independent advisor can be structured as fixed, hourly compensation, a minimum guarantee (or retainer) plus an hourly amount, or a flat fee based upon an estimate of necessary services. The compensation for financial advice should be based upon the services provided, regardless of whether an underwriting firm or an independent firm is providing these services, and not upon the size of the bond sale (amount of issue) or the successful delivery of the bonds. Tying the advisor's compensation to the amount of bonds sold or to the successful delivery of the bonds builds in an unnecessary risk of conflict of interest. Obviously, the quality, motivation, and impartiality of advice might be questioned if the advisor's compensation is directly related to either the amount of bonds or to the completion of the sale. For example, it may not be in the issuer's best interests to finance a certain project through the sale of bonds, or to enter the market at a period of high interest rates; however, a financial advisor whose compensation depends upon the successful completion of bond sales may not recommend alternative financing techniques, such as using current revenues, or postponement of the bond sale.

The industry standard, however, has been to calculate compensation as a certain percentage of the amount of bonds sold (for example, $1 per $1,000 of bonds sold or .1 percent). This standard is due to the preponderance of commercial and investment banking firms that also act as financial advisors. These firms are accustomed to payment through the underwriting spread and the charge per bond for financial advice is similar to this method. However, independent financial advisory firms, and certain investment banks, often charge hourly rates, just as do many bond counsels and other professionals, regardless of the amount of bonds sold. Although the work required to advise on a $100 million bond sale is generally greater than on a $10 million sale, the level of effort required can be estimated in advance, making it unnecessary to compensate advisors on a percentage basis.

In our review of selected financial advisory (and bond counsel) contracts, we noted that compensation of advisors to the State and its agencies has historically been tied to a rate per bond or a fixed percentage of the principal amount sold. Such a method of compensating those providing financial and other advice may not be in the State's best interest. The State should review its existing financial advisory contracts to determine the method of compensation used and seek to provide for compensation arrangements that do not encourage situations where conflicts may arise between advisory services and the payment thereof. Flat fee or hourly compensation is most appropriate for professional and impartial financial advice.

Compensation and Use of
Negotiating Underwriter

In a competitive bond sale the underwriting firm which purchases the issuer's bonds is the firm whose bid results in the lowest overall borrowing cost to the State. If for whatever reason (as discussed above) the sale is to be negotiated, the underwriting firms or syndicate of firms must be selected in advance of the sale by criteria different from a competitive sale. One method of selection is to solicit proposals from underwriting firms detailing their expertise in selling and structuring the type of bonds to be sold. Factors to consider when evaluating negotiating underwriters are described above on page 182.

Underwriters are compensated by the "spread" between what they pay the issuing government for its bonds and the price at which they are able to re-sell the bonds to investors. This is true of both competitive and negotiated underwritings. However, in a negotiated sale, the spread is negotiated along with the terms of sale (maturity structure, coupon rates). In a competitive sale, the spread is included in the price and interest rates bid for the bonds.

The syndicate divides the spread among four purposes. First, a provision will be made for expenses which are incured by the syndicate in the form of bills from other parties. Second, the managing underwriters will receive a management fee for putting the bond issue together and bringing it to market. These two components compensate the underwriter for any financial advice provided in conjunction with the issue; however, if a firm independent from the transaction provides this advice, its fee will not be included in the spread. Third, a selling concession (often called a "take-down allowance") will be paid to syndicate members in proportion to the amount of bonds sold by each. The selling concession is the source of funds from which the individual salesmen are compensated for their efforts. Fourth, the underwriting profit will be divided among members of the syndicate in proportion to the underwriting participation taken by each firm at the time of the purchase of the bonds.

The expenses customarily incured by the underwriting syndicate, which will be passed on to the issuer in the spread are:

- Legal fees of underwriter's counsel;

- Certain printing costs for syndicate documents such as the agreement among underwriters, bond purchase agreement, institutional lists, blue sky survey, and legal investment memorandum, letter of instructions, etc.;

- Expenses of advertising for the bond issue, both presale ads and the final "tombstone" ad;

- Costs of securing a day loan and/or Federal funds to pay for the bonds at the closing;

- Reasonable computer costs for computation of debt service schedules, performing cash flow analysis, and calculating net interest cost for the bond issue;

- Out-of-pocket expenses for travel, lodging and meals incurred by the managing underwriters;

- Communications expenses such as telegraphic notice to syndicate members of pricing information; and

- Certain other minor expenses relating to the marketing and delivery of the bonds.

Normally, neither the syndicate nor the managing underwriters undertake to pay the following expenses. These costs must generally be covered by the issuer.

- Fees of bond counsel;

- o Costs of printing of the bond resolution, final official statements, and other legal documentation for the transaction;

- o Fees of auditors of the issuer; or

- o Fees of independent financial advisors.

The procedure in a negotiated bond sale normally follows along the following lines. When the bond issue is ready for sale, the underwriter will present a preliminary bond purchase proposal to the issuer. The proposal will be made after careful assessment of the acceptability of the bonds through "pre-marketing" feedback from prospective purchasers. The proposal will state the interest rate or rates to be borne by the bonds, the re-offering prices, the purchase price, and the spread. It will also state the division of the spread among the four purposes. Detailed information about interest rates and spreads on other comparable bond issues sold under similar bond market conditions should be made available.

The issuer will then consider the preliminary proposal, ask questions and respond with approval, comments, or suggested changes. Negotiations on the preliminary terms of the bond issue ensue until the underwriting syndicate is comfortable that the bonds can be successfully marketed, and the issuer is convinced that it is receiving an equitable and competitive pricing.

After the preliminary terms have been negotiated, the underwriter will release the terms to all members of the underwriting syndicate. After a day or two of promoting the sale, the managing underwriters will review the investors' reactions. This "test marketing" will be discussed with the issuer, and adjustments to the bond issue's terms which fit actual market conditions will be negotiated. For example, if the entire issue is "oversubscribed" (i.e., pre-sale orders exceed the amount of bonds to be sold), then the underwriting profit should be reduced to reflect the syndicate's low risk of being left with unsold bonds.

Since bond market conditions change rapidly, the spread necessary to place a bond issue is not finally determined until the pricing is complete. Depending upon the size of the issue and prevailing market conditions, a representative revenue bond spread (or "underwriters' discount") and its components are as follows:

Item	Per $1,000
Expenses	$ 2.50
Management Fee	4.50
Selling Concession or Takedown	12.50
Underwriting Profit or Risk Factor	1.50
TOTAL	$21.00

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3/14/84

REQUEST
Bill/Resolution No: CS HB 609 (Loans)
Title: Debt of the State, Agencies, and Municipalities
Sponsor: House Loans
Requestor: House Loans
Date of Request: 3-14-84

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program or Subprogram(s) Affected: State Bond Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	50.0	50.0	50.0	50.0	50.0
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	-	50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Funds are requested to provide for the annual report and guidelines.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Phone: 465-2350
Division: Treasury
Date: 3-14-84

Approved by Commissioner: [signature]
Date: 3/14/84
Agency: Revenue

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 3/14/84

REQUEST
Bill/Resolution No: CS HB 609 (Loans)
Title: Debt of the State, Agencies, and Municipalities
Sponsor: House Loans
Requestor: House Loans
Date of Request: 3-14-84

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program or Subprogram(s) Affected:
State Bond Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	50.0	50.0	50.0	50.0	50.0
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Funds are requested to provide for the annual report and guidelines.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Phone: 465-2350
Division: Treasury
Date: 3-14-84

Approved by Commissioner: [signature]
Date: 3/14/84
Agency:

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date

REQUEST
Bill/Resolution No: CS HB 609 (Finance)
Title: Debt of the State, Agencies & Municipalities
Sponsor: House Finance
Requestor: House Rules
Date of Request: 3-30-84

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected:
BRU, Program or Subprogram(s) Affected: State Bond Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	50.0	50.0	50.0	50.0	50.0
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	-	50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Funds are requested to provide for the annual report and guidelines.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Phone: 465-2350
Division: Treasury
Date: 3-30-84

Approved by Commissioner: Thomas Botello
Date: 4/2/84
Agency:

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date ________

REQUEST
Bill/Resolution No: HB 609
Title: Debt of the State, Agencies, and Municipalities
Sponsor: Uehling
Requestor: House Loans
Date of Request: 2-16-84

FISCAL DETAIL
Agency Affected: Revenue
Program Category Affected: ________
BRU, Program of Su[illegible]rogram(s) Affected:
State Bond Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	50.0	50.0	50.0	50.0	50.0
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND	-	50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	1	1	1	1	1
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB — Phone: 465-2350
Division: Treasury Division — Date: 2-21-84

Approved by Commissioner: [signature] — Date: 2/23/84
Agency: Revenue

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

HB 609
Fiscal Note Analysis

Funds are requested to provide for the annual report and guidelines.

IN THE HOUSE BY UEHLING

HOUSE BILL NO. 609.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date."

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

* Section 1. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created <u>within the Department of Revenue</u> a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, [AND] the commissioner of revenue<u>, the commissioner of community and regional affairs, and a member of the board of directors of a public corporation which is an instrumentality of the state authorized to issue bonds. The board member is appointed by the governor and serves at the pleasure of the governor</u>. If a member of the committee is absent or otherwise unable to act, the member's designee [IN THE DEPARTMENT] shall act as a member of the committee in the member's place.

* Sec. 2. AS 37.15.130 is amended to read:

Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. <u>(a)</u> The commissioner of <u>revenue</u> [COMMERCE AND ECONOMIC DEVELOPMENT] is the chairman of the state bond committee [AND THE COMMISSIONER OF REVENUE IS THE SECRETARY]. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue.

(b) The committee may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audio-visual materials are reasonably available to participants and to the public.

(c) A meeting by electronic media as provided in this section has the same legal effect as a meeting in person.

(d) For the purposes of this chapter public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 3. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds.

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before January 31 of each year. The report must show (1) all outstanding debt of debt issuing entities of the state; (2) the anticipated impact on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness resulting from that debt; (3) which long-term debt is tax supported and which is supported only by revenues

attributable to the project being financed by the debt; (4) all long-term lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. The committee may require that any information needed to prepare the report be furnished by debt issuing entities of the state at a time determined by the committee.

(c) The state bond committee shall develop written informational guidelines concerning management of all debt by each debt issuing entity of the state. The guidelines shall include recommended level of debt, structuring of debt offerings, and repayment schedule.

(d) The state bond committee shall require that a person who provides financial programming or marketing assistance in connection with the issuance of debt of debt issuing entities of the state shall be compensated for services on a determined fee basis that may not be based on the amount of the debt issued.

(e) The state bond committee shall require that true interest costs be the basis for determining the lowest bid on debt issued by debt issuing entities of the state. "True interest cost" means the sum of the following:

(1) the annual interest rate that when compounded semi-annually will discount the principal and interest payments on the debt obligation from their payment dates to the issue date; and

(2) the price bid to the issuer.

(f) The state bond committee shall require the debt issuing entities of the state to prepare and submit to the committee by January 15 of each year a calendar of all debt proposed to be issued showing the amount and type of the debt and the month in which issuance is proposed.

(g) For purposes of this section the term "debt issuing entities of the state" includes the state, each agency or instrumentality of the state authorized to issue tax exempt obligations, and each municipality of the state.

* Sec. 4. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may with approval of the committee select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. If the [STATE BOND] committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise.

* Sec. 5. AS 39.25.120 is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).

13-1619
Berrier
2/7/84
Version 1✓

DRAFT

IN THE HOUSE BY UEHLING

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date."

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

* Section 1. AS 14.11.125 is amended by adding a new subsection to read:

(e) To be eligible to receive funds under AS 14.11.105 - 14.11.135 for payments made for the retirement of principal and interest on bonds, notes, or other indebtedness incurred after the effective date of this Act, boroughs and cities that are school districts must issue and sell the bonds, notes, or other indebtedness through the Alaska Municipal Bond Bank Authority under the provisions of AS 44.85. The state bond committee established under AS 37.15.110 shall waive this requirement if

(1) the borough or city received a bond rating on its most recent issue of general obligation bonds from a nationally recognized rating organization that equals or exceeds the rating given by the organization to the Alaska Municipal Bond Bank Authority;

(2) the Alaska Municipal Bond Bank Authority is unable to issue the bonds because the amount in the reserve fund established by AS 44.85.270 is inadequate or because issuance of the bond would cause the limit imposed by AS 44.85.180(c) to be exceeded; or

(3) in the opinion of the committee the cost to the state over the life of the bonds would be less if the bonds were issued by

the borough or city.

* Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

(48) AS 29.58.360 (Compliance with requirements of the state bond committee.)

* Sec. 3. AS 29.58 is amended by adding a new section to read:

Sec. 29.58.360. COMPLIANCE WITH STATE BOND COMMITTEE REQUIREMENT. A home rule or general law municipality shall comply with requirements established by the state bond committee under AS 37.15.140.

* Sec. 4. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created within the Department of Revenue a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, [AND] the commissioner of revenue, the commissioner of community and regional affairs, and a member of the board of directors of a public corporation which is an instrumentality of the state authorized to issue bonds. The board member is appointed by the governor and serves at the pleasure of the governor. If a member of the committee is absent or otherwise unable to act, the member's designee [IN THE DEPARTMENT] shall act as a member of the committee in the member's place.

* Sec. 5. AS 37.15.130 is amended to read:

Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. (a) The commissioner of revenue [COMMERCE AND ECONOMIC DEVELOPMENT] is the chairman of the state bond committee [AND THE COMMISSIONER OF REVENUE IS THE SECRETARY]. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue.

(b) The committee may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audio-visual materials are reasonably available to participants and to the public.

(c) A meeting by electronic media as provided in this section has the same legal effect as a meeting in person.

(d) For the purposes of this chapter public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 6. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds.

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before January 31 of each year. The report must show (1) all outstanding debt of debt issuing entities of the state; (2) the anticipated impact on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness resulting from that debt; (3) which long-term debt is tax supported and which is supported only by revenues attributable to the project being financed by the debt; (4) all long-term lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. The committee may require that any information needed to prepare the report be furnished by debt issuing entities of the state at a time determined by the committee.

(c) The state bond committee shall develop written informational guidelines concerning management of all debt by each debt issuing entity of the state. The guidelines shall include recommended level of debt, structuring of debt offerings, and repayment schedule.

(d) The state bond committee shall require that a person who provides financial programming or marketing assistance in connection with the issuance of debt of debt issuing entities of the state shall be compensated for services on a determined fee basis that may not be based on the amount of the debt issued.

(e) The state bond committee shall require that true interest costs be the basis for determining the lowest bid on debt issued by debt issuing entities of the state. "True interest cost" means the sum of the following:

(1) the annual interest rate that when compounded semi-annually will discount the principal and interest payments on the debt obligation from their payment dates to the issue date; and

(2) the price bid to the issuer.

(f) The state bond committee shall require the debt issuing entities of the state to prepare and submit to the committee by January 15 of each year a calendar of all debt proposed to be issued showing the amount and type of the debt and the month in which issuance is proposed.

(g) For purposes of this section the term "debt issuing entities of the state" includes the state, each agency or instrumentality of the state authorized to issue tax exempt obligations, and each municipality of the state.

* Sec. 7. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may with approval of the committee select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. If the [STATE BOND] committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise.

* Sec. 8. AS 39.25.120 is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 9. AS 44.85.180(c) is amended to read:

(c) Notwithstanding the provisions of (a) and (b) of this section, the total amount of bond bank authority bonds and notes outstanding at any one time, except bonds or notes issued to fund or refund bonds or notes, may not exceed $300,000,000 [$200,000,000].

* Sec. 10. This Act takes effect immediately in accordance with AS 01.10.070(c).

Original sponsors: Uehling, Hayes,
Adams, et al

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 609 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date."

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

* Section 1. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created within the Department of Revenue a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, [AND] the commissioner of revenue, the chief fiscal officer of a city or borough, and a member of the board of directors of a public corporation which is an instrumentality of the state authorized to issue bonds. The chief fiscal officer and board member are appointed by the governor and serve at the pleasure of the governor. If a member of the committee who is a commissioner is absent or otherwise unable to act, the member's designee [IN THE DEPARTMENT] shall act as a member of the committee in the member's place.

* Sec. 2. AS 37.15.130 is amended to read:

Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. (a) The commissioner of revenue [COMMERCE AND ECONOMIC DEVELOPMENT] is the chairman of the state bond committee [AND THE COMMISSIONER OF REVENUE IS THE SECRETARY]. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue.

(b) The committee may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audio-visual materials are reasonably available to participants and to the public.

(c) A meeting by electronic media as provided in this section has the same legal effect as a meeting in person.

(d) For the purposes of this chapter public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 3. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds issued on behalf of the state.

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before January 31 of each year. The report must show (1) all outstanding debt of debt issuing entities of the state; (2) the anticipated impact on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness resulting from that debt; (3) which long-term debt is tax supported and which is supported only by revenues

attributable to the project being financed by the debt; (4) all long-term capital lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. The committee may require that any information needed to prepare the report be furnished by debt issuing entities of the state at a time determined by the committee.

(c) The state bond committee shall develop written policies concerning debt of the state and debt of instrumentalities of the state authorized to issue tax exempt obligations. The committee shall develop written informational guidelines for management of debt of municipalities of the state. The policies and guidelines shall include recommended level of debt, debt management, bidding procedures and bid awards and compensation for financial service.

(d) The state bond committee shall require the debt issuing entities of the state to (1) prepare and submit to the committee by January 31 of each year a calendar of all debt proposed to be issued during the calendar year showing the amount and type of the debt and the month in which issuance is proposed, and (2) prepare and submit monthly a report showing all proposed changes to the calendar submitted.

(e) In this section the term "debt issuing entities of the state" includes the state, each agency or instrumentality of the state authorized to issue tax exempt obligations, and each municipality of the state.

(f) In this section the term "debt" means (1) long-term bonded indebtedness secured by the full faith and credit of the government unit, (2) long-term bonded indebtedness secured by a mortgage or lien on specific properties or receivables, (3) short-term notes, (4) warrants, and (5) capital lease obligations; but "debt" does not include debt owed within the debt issuing entity or to another debt issuing entity.

* Sec. 4. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may with approval of the committee select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. If the [STATE BOND] committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the state bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise.

* Sec. 5. AS 39.25.120 is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Original sponsors: Uehling, Hayes, Adams, et al

Version 2
Approved

IN THE HOUSE

BY THE HOUSE SPECIAL COMMITTEE ON STATE LOANS

3/20

CS FOR HOUSE BILL NO. 609 (Loans)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date."

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

* Section 1. AS 37.15.110 is amended to read:

Sec. 37.15.110. CREATION AND MEMBERSHIP OF STATE BOND COMMITTEE. There is created within the Department of Revenue a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, [AND] the commissioner of revenue, the chief fiscal officer of a city or borough, and a member of the board of directors of a public corporation which is an instrumentality of the state authorized to issue bonds. The chief fiscal officer and board member are appointed by the governor and serves at the pleasure of the governor. If a member of the committee who is a commissioner is absent or otherwise unable to act, the member's designee [IN THE DEPARTMENT] shall act as a member of the committee in the member's place.

* Sec. 2. AS 37.15.130 is amended to read:

Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. (a) The commissioner of revenue [COMMERCE AND ECONOMIC DEVELOPMENT] is the chairman of the state bond committee [AND THE COMMISSIONER OF REVENUE IS THE SECRETARY]. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue.

(b) The committee may meet and transact business by electronic media if

(1) public notice of the time and locations where the meeting will be held by electronic media has been given in the same manner as if the meeting were held in a single location;

(2) participants and members of the public in attendance can hear and have the same right to participate in the meeting as if the meeting were conducted in person; and

(3) copies of pertinent reference materials, statutes, regulations, and audio-visual materials are reasonably available to participants and to the public.

(c) A meeting by electronic media as provided in this section has the same legal effect as a meeting in person.

(d) For the purposes of this chapter public notice of 24 hours or more is adequate notice of a meeting of the committee at which the issuance of bonds is authorized.

* Sec. 3. AS 37.15.140 is amended to read:

Sec. 37.15.140. DUTIES OF STATE BOND COMMITTEE. (a) The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds issued on behalf of the state.

(b) The state bond committee shall prepare an annual report to be submitted to the governor and legislature before January 31 of each year. The report must show (1) all outstanding debt of debt issuing entities of the state; (2) the anticipated impact on the finances and credit of the state, including the effect on long-term debt capacity and creditworthiness resulting from that debt; (3) which long-term debt is tax supported and which is supported only by revenues

attributable to the project being financed by the debt; (4) all long-term capital lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. The committee may require that any information needed to prepare the report be furnished by debt issuing entities of the state at a time determined by the committee.

(c) The state bond committee shall develop written policies concerning management of state debt and written informational guidelines concerning management of all debt by each debt issuing entity of the state. The policies and guidelines shall include recommended level of debt, debt management, bidding procedures and bid awards and compensation for financial service.

(d) The state bond committee shall require the debt issuing entities of the state to (1) prepare and submit to the committee by January 31 of each year a calendar of all debt proposed to be issued during the calendar year showing the amount and type of the debt and the month in which issuance is proposed, and (2) prepare and submit monthly a report showing all proposed changes to the calendar submitted.

(e) In this section the term "debt issuing entities of the state" includes the state, each agency or instrumentality of the state authorized to issue tax exempt obligations, and each municipality of the state.

(f) In this section the term "debt" means (1) long-term bonded indebtedness secured by the full faith and credit of the government unit, (2) long-term bonded indebtedness secured by a mortgage or lien on specific properties or receivables, (3) short-term notes, (4) warrants, and (5) capital lease obligations; but "debt" does not include debt owed within the debt issuing agency or to another debt issuing agency.

* Sec. 4. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may with approval of the committee select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. If the [STATE BOND] committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the state bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise.

* Sec. 5. AS 39.25.120 is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).

STATE FINANCIAL ADVISOR SURVEY

(1)	(2)			(3)	(4)	(5)		
	Method of Reimbursement			Reimbursement	Research or	Level of Bond Issuance		
State	Hourly	Retainer	$ or % Per Bond Issue	Contingent on Sale	Policy Work by Advisor	Less than 3 or $200 Million	3 - 5 or $200 to $500 Million	Over 5 or $500 Million
Alabama			X	YES	YES			
Connecticut	X	X	X	NO	YES			X
Iowa		X	X	NO	YES	X		
Kentucky			X	YES	NO			X
Michigan		X		YES	YES		X	
Missouri			X	YES	YES		X	
Montana						X		
Nevada	X			YES	YES	X		
New Hampshire		X	X	NO	YES	X		
New York		X		NO	YES		X	
Ohio			X	YES	YES	X		
Oregon	X		X	YES	YES			X
Utah			X	YES	NO	X		
Washington			X	YES	NO		X	
West Virginia		X		NO	YES			
Wyoming			X	YES	NO	X		

STATE FINANCIAL ADVISOR SURVEY

(1)	(6)			(7)			(8)			
	Amount of Annual Advisory Fees			Source of Reimbursement			Advisor May Serve As			
							Advisor		Underwriter	
State	Less Than $100,000	$100,000 to $200,000	More Than $200,000	Bond Proceeds	Agency Budget	Special Appropriation	Agencies	Municipalities	Agencies	Municipalities
Alabama				X			NO			
Connecticut			X	X	X		YES	YES	YES	YES
Iowa	X			X			YES	YES		
Kentucky			X	X			NO			
Michigan		X		X		X	YES	YES	YES	YES
Missouri		X		X			YES	YES	YES	YES
Montana										
Nevada	X			X			YES	YES	YES	YES
New Hampshire	X			X			YES	YES	YES	YES
New York	X				X		YES	YES	YES	YES
Ohio	X				X		YES	YES	YES	YES
Oregon				X			YES	YES	YES	YES
Utah	X			X			YES	YES	YES	YES
Washington		X		X			YES	YES	YES	YES
West Virginia					X		YES	YES	YES	YES
Wyoming	X			X			NO	YES		

STATE FINANCIAL ADVISOR SURVEY

(1) State	(9a) Investment Banking Firms Excluded as Advisor	(9b) Independent Advisor Used	(10) Multiple Advisors	(11) Term of Contract: Single Issue	Fixed Term (Years)	Open
Alabama	NO	NO	YES	X		
Connecticut	NO	YES	YES	X	1	
Iowa	YES	YES	NO		4	
Kentucky	NO		NO	X		
Michigan	NO		NO	X	1	
Missouri			NO	X		
Montana	YES	YES	NO			
Nevada	YES	YES	NO	X		
New Hampshire	NO		NO		1	
New York	NO		NO		1	
Ohio	YES	YES	NO	X		
Oregon	NO	YES	YES		2	
Utah	NO	NO	NO			X
Washington	NO		NO		1.5	
West Virginia			YES	X		
Wyoming	NO		NO			

Introduced: 2/13/84
Referred: House Special Committee
on State Loans and Finance

BY UEHLING, HAYES, ADAMS,
BETTISWORTH, ABOOD, FULLER,
GOLL, LINDAUER, RINGSTAD
AND SHULTZ

IN THE HOUSE

HOUSE BILL NO. 609

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

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Sec. 37.15.130. OFFICERS, RECORDS AND PROCEEDINGS. (a) The commissioner of revenue [COMMERCE AND ECONOMIC DEVELOPMENT] is the chairman of the state bond committee [AND THE COMMISSIONER OF REVENUE IS THE SECRETARY]. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue.

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'True lease
-Financial lease'

attributable to the project being financed by the debt; (4) all long-term lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. The committee may require that any information needed to prepare the report be furnished by debt issuing entities of the state at a time determined by the committee.

(c) The state bond committee shall develop written informational guidelines concerning management of all debt by each debt issuing entity of the state. The guidelines shall include recommended level of debt, structuring of debt offerings, and repayment schedule.

Gallagher definition

(d) The state bond committee shall require that a person who provides financial programming or marketing assistance in connection with the issuance of debt of debt issuing entities of the state shall be compensated for services on a determined fee basis that may not be based on the amount of the debt issued.

(e) The state bond committee shall require that true interest costs be the basis for determining the lowest bid on debt issued by debt issuing entities of the state. "True interest cost" means the sum of the following:

(1) the annual interest rate that when compounded semi-annually will discount the principal and interest payments on the debt obligation from their payment dates to the issue date; and

(2) the price bid to the issuer.

(f) The state bond committee shall require the debt issuing entities of the state to prepare and submit to the committee by January 15 of each year a calendar of all debt proposed to be issued showing the amount and type of the debt and the month in which issuance is proposed.

(g) For purposes of this section the term "debt issuing entities of the state" includes the state, each agency or instrumentality of the state authorized to issue tax exempt obligations, and each municipality of the state.

* Sec. 4. AS 37.15.150 is amended to read:

Sec. 37.15.150. STAFF AND [COMMITTEE MAY EMPLOY] SPECIAL SERVICES. The state bond committee may appoint an executive director who may with approval of the committee select and employ additional staff as necessary. Employees of the committee are in the partially exempt service under AS 39.25.120. If the [STATE BOND] committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise.

* Sec. 5. AS 39.25.120 is amended by adding a new paragraph to read:

(19) employees of the state bond committee.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).

Continuity changes with change in AS 37.15 Bond Comm from responsibility only for State GO Bonds to greater responsibility

Furnace

get together tomorrow
& resolve difficulties
on HB609

Sterling Gallagher
q & a with Furnace.
on municipalities debts.

Billy Berrier
acted like he
wanted to speak.

? on definition of 'debt.'
'internal - interagency -
vs. debt of the state.

? from Wendte on calendar -
"next" year.
word should be taken out.
page 3 lines. 16 - 17

Done.

Testimony from Bob Nelson -
Version 1 - March date.

top of page 4 - "of the state"

? on Exec Director authorization
AHSHA - AIDA does that already.

costs the Corp. money on occassion.
Bond Counsel says the authority rests with
the agency ?
The market can move 1/2 a point in a
couple of days.

Sec. 6 - "limits"

? on Sec 3 - owner occupied.
ambiguity arises when a person already has a loan - circumstances change & he/she reapplies for another loan.

AHFC -

Theresa Walker
P9. 1 line 14 - intention to give more authority.
line 27 - lower & moderate income.
does it include Mobile Homes.
28% - vs. 25%.
(The higher it is the better off they are -).
Has a problem when a State agency has the ability to buy & sell without public input.

HB 664 - dedicated funds
Still an unanswered question.
HB 666

HB 665 - Financial advisor from - New York requested. -
Lynch said he could get someone from Solomon Bros - etc.

LEGISLATIVE TELECONFERENCE NETWORK SIGN IN SHEET

Legislative Information and Teleconference Networks

Start time: 10:15am
End time:
Address:
Bin Number:

DATE: February 25, 1984
LOCATION: Anchorage
SPONSOR/SUBJECT: House Special Committee on Loans HB 609, State Bond Committee

PLEASE PRINT

NAME/REPRESENTING	ADDRESS	PHONE	Here to Testify	Here to Observe
Phil Blumstein / Birch, Horton	1127 W. 7th Ave	276-1550		X
Bob Heath DOR	Juneau	465-2300	X	
Michael S. Lynch AHFC	Anchorage AK	243-5176	X	
Gerald N. Davidson - North Slope Borough	Barrow AK	852-2611		X
JOHN H. LEWIS - North Slope Borough	BARROW AK	852-8750		X
Lloyd Ahvakana NSB	Barrow AK	852-2611		X
BOB NELSON - Municipality of Anchorage		264-6660	X	
John Moore - Foster & Marshall	205 Columbia Seattle	206-344-5880		X
Jerry Davis	AMBB	274-7366		X
Wes Haugh - GFRC/MFOA	Washington DC	202-416-2824	X	

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

Stanton

MEMORANDUM

To: House Special Committee on State Loans
From: Rep. Rick Uehling, Chairman
Date: February 23, 1984
Subject: Schedule for the Loans Committee

The tentative schedule for the next two weeks is as follows;

February 25,	HB 609 Hearing in Anchorage	10 am
February 28,	HB 627, Loans for Forest Products Work Sessions - Budget Analysis Commerce & Economic Development Loans Alternative Technology & Energy Commercial Fishing Loan Act	5 pm
March 1,	HB 640 Historical Grants Work Sessions - Budget Analysis Scholarship Loan Program	5 pm
March 5,	Work Session - Budget Analysis Alaska Housing Finance Corporation	8 am
March 6,	Work Session - Budget Analysis Community & Regional Affairs Housing Assistance Loans	5 pm

Alaska State Legislature

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REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

SPECIAL COMMITTEE ON STATE LOANS
Saturday February 25, 1984
10 o'clock a.m.
Anchorage Legislative Information Office

Agenda

Call to Order

HB 609, "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date.

Remarks by the Chairman, Rep. Uehling

Presentation by Speaker of the House, Representative Joe Hayes

1 Presentation by Mr. Wes Hough, Manager Government Finance Research Center

Others to testify;

Dep. Comm.
~~Commissioner Lyon,~~ Department of Commerce & Economic Development.
2 Commissioner Heath, Department of Revenue.
Mr. Scott Burgess, Alaska Municipal League
Mr. Mike Lynch, Alaska Housing Finance Corporation
3 Mr. Bert Wagnon, Alaska Industrial Development Authority.
Senator Arliss Sturgulewski
Representative Mae Tischer
Representative John Lindauer
Senator Fritz Pettyjohn
Mr. Sterling Gallagher
Ms. "Ski" Olsonoski"

Other participants

Alaska State Legislature

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House Special Committee on State Loans

MEMORANDUM

TO: Members
House Special Committee on State Loans

FROM: Rep. Rick Uehling, Chair R.A.U.
House Special Committee on State Loans

DATE: March 13, 1984

SUBJECT: CS HB609

As per my announcement on the Floor, HB 609 will be heard tomorrow night March 14, 1984 at 5:00 p.m. in C118 instead of tonight. Here is the Committee Substitute for your review.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

March 26, 1984

House Special Committee on State Loans

Testimony before House Finance Committee on HB609

Chairman, Members of the Finance Committee, I appreciate the opportunity to testify before you on HB609. As you may be aware, as a part of the Interim work of the House Special Committee on State Loans, the Committee reviewed a recent report to the Legislative Budget and Audit Committee by the Government Finance Research Center (GFRC), which was entitled " A Study of the Debt Management and Debt Capacity of the State of Alaska". In addition, to speaking specifically to the General Obligation Debt Capacity of the State, the report makes a series of recommendations concerning the State's Debt Management practices. The Committee Substitute for HB609, (Loans) is an attempt to institute many of the reports recommendations for the management of State Debt.

There has been growing concern on the part of both the Legislature and the public with the amount of debt which is being incurred by the State of Alaska. As the State looks to financing many large projects, the capacity of the State to issue General Obligation bonds becomes an increasingly important factor. While HB609 contains many of the provisions called for by The GFRC report, it does not provide for some of the more controversial recommendations, such as a ceiling on Municipal Debt, or new provisions controlling the School Debt Retirement Program. Instead, it is a first step towards the Legislature recognizing the need for it to maintain an active role in the management of the debt issuance of the State, its municipalities, and agencies.

There are three central provisions contained in the CS HB609 (Loans), the first being:

1. The State Bond Committee is moved for administrative purposes to the Department of Revenue and the Commissioner of the Department of Revenue replaces the Commissioner of Commerce and Economic Development as the Chair. Furthermore, the State Bond Committee is expanded to include the Chief Fiscal Officer of a local municipality and a member of the Board of Directors of a Debt issuing public corporation such as AHFC or AIDA. These members would be appointed by the Governor.

2. The preparation of an annual report to the Governor and the Legislature outlining the current status of outstanding State Debt. This report would bring together information regarding debt of the State, its debt issuing agencies and the municipalities into one report.

3. The establishment of an annual calendar of proposed debt issuance by the State, its agencies and municipalities. This calendar is updated on a monthly basis. The calendar is intended to help the different municipalities and debt issuing entities to plan their debt issuances in a manner which does not conflict with one another.

The Loans Committee Substitute has been drafted in coordination with the Department of Revenue, the Government Finance Research Center and the local municipalities. I believe that this legislation will be the first step in the State maintaining its finances in a responsible manner.

I would be happy to go through the bill on a Section by Section basis if the Chairman wishes.

Thank you.

STATE OF ALASKA

OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT	DIVISION	BILL NUMBER	SPONSOR
Commerce & Econ. Dev.		HB 609	Uehling, Hayes, et al.

DEPARTMENT POSITION
Do not support

PREPARED BY	DATE	COMMISSIONER'S SIGNATURE	DATE
Terry Elder		Richard A. Lyon	2/21/84

SUMMARY

OTHER AGENCIES AFFECTED BY BILL	CONSTITUENT GROUP(S) AFFECTED BY BILL
Department of Administration Department of Revenue Department of Community & Regional Affairs	

ORGANIZATIONAL SUPPORT FOR BILL	ORGANIZATIONAL OPPOSITION TO BILL
Unknown	Unknown

FISCAL IMPACT: ☒ NONE ☐ FISCAL NOTE ATTACHED Fiscal impact to Revenue

BACKGROUND/LEGISLATIVE INTENT

ANALYSIS OF BILL/PROGRAM EFFECTS

See attached Sectional Analysis

RECEIVED
ALASKA DEPARTMENT OF REVENUE
FEB 21 1984
OFFICE OF THE COMMISSIONER

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

01.009 (Rev. 12/83)

BILL ANALYSIS
HB 609

Summary

Generally, while we support much of the thrust of the bill, our position is that the legislation is not needed. If the Administration desires the State Bond Committee to prepare an annual report as described in Section 3(b), then it can be done without legislation by budgeting for appropriate staff and contractual services within the Department of Revenue. In addition to these general concerns, we have some technical reservations about some sections which will be evident in the sectional analysis below.

Section 1

We prefer to retain the present board structure. Adding DC&RA to the board may appear appealing given other sections of the bill, but it would appear that DC&RA's major contribution would be to reflect the concerns of municipalities. We object to the possibility that a public board member of a bond issuing authority could serve on the State Bond Committee. We think that only commissioners should serve on that committee.

Section 2(a) and (b)

We have no objection to making the Commissioner of Revenue the chair and to conducting business by electronic media.

Section 3(b)

We support the concept of an annual report essentially as outlined. However, the report is to be submitted by January 31, but the section does not say what time period the report is to cover. The prior calendar year is the implied period, but if debt issuance is heavy in December, it may be difficult to meet a January 31 deadline.

Section 3(c)

We have no problem with developing written informational guidelines, but we would limit them to areas related to debt levels. Debt structures and repayment schedules may vary with each debt issue, and may vary with innovation in the bond market. Further, the value of guidelines is questionable since debt levels ultimately are tied to factors such as assessed valuation and revenue sources of the issuing entity. Rating agencies will rate issues and the market must absorb the bonds. This would seem to be as effective a debt limit as is necessary.

Section 3(d)

We do not object to the idea that a financial advisor could be paid on a basis which is unrelated to the amount of debt issued, but this section appears to have several problems. First, it would prohibit bond counsel and underwriters from being paid from a spread which is the standard method of payment for such services. Second, it is not clear that the State Bond Committee can enforce this section since it is created only within the chapter that relates to general obligation and revenue debt issued by the State. Finally, even if the section only related to financial advisors, this section could adversely affect entities of lesser wealth which only use a financial advisor to sell bonds anyway.

Section 3(e)

We support the use of "true interest cost." However, it is already in general use by the State and its authorities. As with the previous section, we question whether the State Bond Committee has either the standing or the ability to enforce this section.

Section 3(f)

An annual debt calendar, as described, is useless. In negotiated sales a large inventory may develop without a known date of issuance. Anticipated debt may be cancelled, and unanticipated debt may be issued, making the calendar obsolete soon after tabulation. An informational calendar would have to be compiled monthly as a minimum.

Section 4

We do not believe that the State Bond Committee should have its own staff. The Department of Revenue generally provides staff support and, therefore, should budget for staff requirements within its Treasury area. The committee only exists when it comes together in meetings, and yet the staff work, current and envisioned by this bill, is of an ongoing nature better suited to line organization as employees of the department, and not as employees of a committee.

KW/wfs22184a

Alaska State Legislature

HOUSE CALENDAR

OFFICIAL BUSINESS OF THE HOUSE

EIGHTY-SEVENTH DAY

Wednesday

Reverend Duane Minkler
First Church of God

April 4, 1984
Convenes: 10:00 a.m.

SECOND READING OF HOUSE BILLS

39-0

HB 609 "An Act relating to debt of the state, its agencies, and municipalities; and providing for an effective date."
-Loans report, w/CS(Loans), same title, p. 2994
Fiscal Note, House Supplement No. 111
-Finance report w/CS(Fin), same title, p. 3100

SECOND READING OF SENATE BILLS

HCS CSSB 67 (Rls) "An Act relating to the relocation of utility facilities incident to the construction of highway projects by a municipality; and providing for an effective date."
-Held in second reading w/all pending amendments

CITATIONS

*Honoring - Lawrence E. Heiner by Representative Davis

*Honoring - Yup'ik Antigone by Senators Sackett, V. Fischer, Ferguson, Ray; Representative Vaska, Fuller

ANNOUNCEMENTS

Republican Luncheon Senator Paul Fischer, Speaker	Baranof	Noon
Forest Service Brown Bag Lunch "Search & Rescue"	Centennial Hall	Noon & 1:00 p.m.

Committee Announcements on back -- subject to change.

HOUSE

DAILY COMMITTEE ANNOUNCEMENTS

WEDNESDAY 04/04/84

FINANCE — CAPITOL 519 — 1:30 PM

HB 512 ESTAB AK RAILROAD CORP/MANAGE & OPERATE
HB 543 ACQUIRE AK RAILROAD/NEGOTIATE TRANSFER TERMS
CSSB 370(TRSP)AM ACQUIRE RAILROAD/NEGOTIATE TRANSFER TERMS
DEPARTMENT OF HEALTH & SOCIAL SERVICES CLOSE-OUT

HEALTH, EDUCATION & SOCIAL SERVICES — CAPITOL 112 — 1:15 PM

THE COMMITTEE WILL BEGIN AN INVESTIGATION OF THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES, DIV. OF FAMILY AND YOUTH SERVICES

JUDICIARY — CAPIT[illegible]4 — 1:30 PM

*HB 667 CHILD SUPPORT ENFORCEMENT
*HB 668 CHILD SUPPORT ENFORCEMENT, CREDIT BUREAUS/INFORMATION
HB 693 PRINCIPAL AND INCOME OF TRUSTS
HB 694 ADMINISTRATION OF DECEDENTS' ESTATES
HB 695 RENUNCIATION OF RIGHTS IN DECEDENTS' ESTATES
HB 696 MARRIED PERSONS RIGHTS IN A FAMILY HOME
HB 697 UNIFORM DISPOSITION/CERTAIN PROPERTY RIGHTS AT DEATH
HB 404 MISCELLANEOUS AMENDMENTS TO FISH & GAME CODE.

LABOR AND COMMERCE — BEHRENDS 209 — 8:15 AM

SUNSET REVIEW: BOARD OF PUBLIC ACCOUNTANCY HB 711
*HB 704 AUTOMOBILE CLUBS
CSSB 438(L&C) EXTEND BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS, AND LAND SURVEYORS

RESOURCES — CAPITOL 118 — 3:00 PM

CSSB 371(RES) RELATING TO MINING

STATE AFFAIRS — CAPITOL 102 — 1:15 PM

*HJR 74 MEETING OF POPE JOHN PAUL II AND PRESIENT REAGAN
*HB 709 FEES FOR GUIDED TOURS THROUGH HISTORICAL SITES

TRANSPORTATION — CAPITOL 112 — 8:30 AM

*HB 622 THIS MEETING HAS BEEN CANCELLED AS OF 4/3/84
*HB 644 CANCELLED

* FIRST PUBLIC HEARING

COMMITTEE REPORT

HOUSE

(6)

FURTHER: FINANCE

2/13/84

Date: 3/20/84

The Committee on HOUSE SPECIAL COMMITTEE ON STATE LOANS has had HB 609

"An Act relating to debt of the state, its agencies, and municipaltieis, and providing for an effective date."

under consideration and recommends:

[X] do pass [ ] do not pass

[ ] do pass with attached amendments(s)

[X] replace with CS for HB 609 (Loans) [ ] same title [ ] new title

and recommends

[ ] AND attaches a "Letter of Intent" [X] New Fiscal Note [ ] Zero Fiscal Note Attached

[ ] reports it back without recommendation

[ ] referred to the ______ Committee

MEMBERS SIGNING DO PASS	MEMBERS HAVING OTHER RECOMMENDATIONS:
Rick Uehling	[illegible] NO rec needs amendment
Sam Cotten	[illegible] no rec
Pestinger	

Rick Uehling

CHAIRMAN

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
CHAIRMAN
REPRESENTATIVE WALT FURNACE
REPRESENTATIVE NIILO KOPONEN
REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

THE HOUSE SPECIAL COMMITTEE ON
STATE LOANS

WILL TAKE PUBLIC TESTIMONY ON

HB 609
An Act relating to debt of the state,
its agencies, and municipalities;

February 25, 1984

10:00 to 12:00 am

1:30 to 3:30 pm

HB 609 would establish an expanded State Bond Committee designed to keep the Legislature and the public informed of the state's bond indebtedness. The hearing, scheduled to begin at 10:00 am in the Anchorage Legislative Information Office, will be available by statewide teleconference.

Rep. Rick Uehling, Chairman of the House Loans Committee, said House Bill 609 "is the first step toward setting restraints and control on the bond indebtedness of the state government." The bill would implement many of the recommendations contained in "The Review of Debt Capacity and Debt Management for the State of Alaska", which was prepared for the Legislative Budget and Audit Committee, and which was the subject of an interim hearing of the Loans Committee.

Additional information may be obtained from the House Special Committee on State Loans or from the Legislative Information Offices.

Rick

Rep. Rick Uehling

New law on bond proposed

Associated Press

Juneau — Alaska needs to manage debt more intently and assert more control over the various state entities issuing bonds, said the chairman of the House Special Committee on Loans.

To keep legislators informed of the status of the state's debt, Anchorage Republican Rick Uehling has proposed legislation to expand the scope and role of the State Bond Committee.

"The bill is the first step toward setting restraints and control on the bond indebtedness of state government," Uehling said. The proposal incorporates recommendations of a report prepared for the legislature last year reviewing Alaska's debt management and debt capacity, he said.

An expanded role for the bond committee was one of the report's recommendations. "Recent fluctuations in the worldwide price of oil and the decline of Prudhoe Bay oil production have alerted investors to the boom and bust nature of the Alaska economy," the report said, making it vital the state annually asses it's debt position.

Uehling said he is concerned about the growing debt of the North Slope Borough, and its implications for state government.

The borough has authorized debt of more than $1 billion, more than any local government in Alaska, he said. Legislators have expressed worries that the state's credit rating would suffer if declining oil producition jeopardized the borough's ability to repay its debt.

Uehling's legislation would require review of proposed bond sales by the bond committee. The committee would develop guidelines governing the debt management of each government or entity issuing debt in the state.

The guidelines would recommend a debt level and a repayment schedule.

The legislation is co-sponsored by Reps. Hayes, Adams, Bettisworth, Fuller, Goll, Lindauer, Ringstad and Shultz.

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4821

REPRESENTATIVE RICK UEHLING
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REPRESENTATIVE JERRY WARD
REPRESENTATIVE RON WENDTE

House Special Committee on State Loans

February 13, 1984

FOR IMMEDIATE RELEASE
CONTACT: REP. RICK UEHLING RAU
465-4821

REP. UEHLING INTRODUCES BILL TO ESTABLISH EXPANDED STATE BOND COMMITTEE

JUNEAU - Rep. Rick Uehling has introduced a bill which, if approved, would establish an expanded State Bond Committee designed to keep the Legislature and public informed of the status of the state's bond indebtedness.

Uehling, R-Anchorage, said House Bill 609 "is the first step toward setting restraints and control on the bond indebtedness of the state government."

"Considering that the state's bond indebtedness is now over $6 billion, I feel the Legislature and public need to be kept informed on the status of our bonding situation," said Uehling, chairman of the House Special Committee on State Loans.

Uehling said he became aware of the need for this "watch dog legislation" while hearing testimony from municipal, state and private sector officials during interim committee meetings. Uehling said his legislation also addresses many of the recommendations set forth in a report by the Municipal Finance Officers Association entitled "Review of Debt Capacity and Debt Management for the State of Alaska."

Under Uehling's legislation:

- The bond committee would be expanded from three to five members;

- The commissioner of Department of Revenue would become committee chairman, instead of the commissioner of Commerce and Economic Development;

- A member of a public corporation which has the authority to issue state bonds, such as the Alaska Housing Finance Corporation or the Alaska Industrial Authority, would be added to the board;

- An annual report on the status of the state's bond indebtedness would be issued annually to the Legislature and Governor;

- The bond committee would require an annual calender of all proposed debt issuances for the upcoming year.

"With the large amounts of bonds we're dealing with each year, I'm certain that this legislation is needed to insure that we have capable supervision in coming years," Uehling said.

# # # # # #

A REPORT ON THE
STATE BOND COMMITTEE
GENERAL BONDED DEBT AND DEBT SERVICE

For the Fiscal Year Ended June 30, 1983

Audit Control Number

08-1127-84-R

State Bond Committee

Chairman	Richard A. Lyon, Commissioner Department of Commerce and Economic Development
Secretary	Robert Heath, Commissioner Department of Revenue
Member	Lisa Rudd, Commissioner Department of Administration

TABLE OF CONTENTS

PURPOSE OF THE REPORT

In accordance with the provisions of Title 24 of the Alaska Statutes, an examination of the State Bond Committee, General Bonded Debt and Debt Service was conducted to determine:

1. If the financial statements appearing in the Annual Financial Report for Fiscal Year 1983 are fairly presented.

2. The compliance of General Bonded Debt and Debt Service with applicable State statutes and regulations governing fiscal activities.

(Intentionally left blank)

ORGANIZATION AND FUNCTION

Under the provisions of Article IX, Section 8, of its Constitution, the State of Alaska may contract general bonded indebtedness for capital improvements. These issues must be authorized by the Legislature and must be ratified by a majority of qualified voters prior to sale except for the purposes of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding when the State Constitution became effective. AS 37.15 010 pledges the full faith, credit, and resources of the State as security for general obligation bonds.

General obligation bonds are sold by the State Bond Committee, which is composed of the Commissioners of Commerce and Economic Development (Chairman), Revenue (Secretary), and Administration (Member). Under Title 37, Chapter 15, the Committee is charged with the responsibility for adoption of resolutions and preparation of documents necessary for the sale (by competitive bid), issuance, and delivery of bonds. AS 37.15.030 states that the effective interest rate shall not exceed the statutory limit of 11 percent or the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher.

The Committee sells general obligation bonds in amounts or series and at times which it considers to be in the best interest of the State. The Committee also sets the conditions and covenants of the bonds, terms, denomination, maturity dates and amounts, place of sale and payment and other purely technical considerations.

Article 2 of the State Bonding Act permits the Committee to issue notes in anticipation of bond sales (maturity dates not to exceed one year), and AS 37.10.087 allows borrowing from the General Fund with the approval of the Legislative Budget and Audit Committee. In either case, short-term borrowing for capital improvements must be repaid with the proceeds from the eventual sale of general obligation bonds or Federal program receipts. These were intended solely as stop-gap measures to permit the sale of bonds under more favorable conditions.

During Fiscal Years 1982 and 1983, the State Bond Committee, with approval from the Legislative Budget and Audit Committee, elected to temporarily transfer $141,410,300 from the General Fund to temporarily exhausted construction fund accounts, rather than sell bonds. In November, 1982, $185,000,000 in bonds were sold at an approximate effective interest rate of 7.7 percent. The proceeds from the sale were used to reimburse the General Fund for outstanding loans made to construction funds and to fund various construction funds directly. $10,400,000 in General Fund loans were not paid off in anticipation of receiving Federal funds after the related projects are completed.

Subsequent to the November, 1982 bond sale, additional General Fund loans were made to various construction funds resulting in an outstanding loan balance of $14,440,000 as of June 30, 1983. In October, 1983, $78,000,000 in bonds were sold at an effective interest rate of approximately 7.5 percent.

The State Bond Committee currently employs Foster & Marshall-American Express Inc. as their bond consultant. The bond consultant advises the Committee on market conditions, prepares the official statement and notice of sale, arranges publication, and distributes the prospectus of the offering to potential buyers. All recommendations and documents prepared on behalf of the State are subject to approval by the State Bond Committee.

The State also employs the services of paying agents to service the debt and receive the proceeds of sale. All general obligation bonds issued since Statehood have been serial bonds, with principal and interest maturities to be paid each year. The paying agents maintain registration records, redeem bonds and interest coupons, and periodically invoice the State for their services. During Fiscal Year 1983, the State employed, as paying agents, Rainier National Bank, Chemical Bank, Bank of America, Federal Reserve Bank of Richmond, Virginia, and the Bradford Trust Company.

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

December 21, 1983

Members of the
Legislative Budget and Audit Committee:

We have examined the Comparative Balance Sheet of the General Obligation Debt Service Fund, the Comparative Statement of Analysis of Change in Fund Balance of the General Obligation Debt Service Fund, and the related General Obligation Bonds Comparative Statement of Bonded Indebtedness Group of Accounts for the fiscal years ended June 30, 1983 and 1982 and the Statement of Revenues, Expenditures and Fund Balance of the General Obligation Debt Service Fund and the Statement of Debt Service Expenditures and Encumbrances Compared with Appropriations for Operating Programs for the fiscal year ended June 30, 1983. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, present fairly the financial positions of the General Obligation Debt Service Fund and the related Bonded Indebtedness Group of Accounts at June 30, 1983 and 1982 and the results of the General Obligation Debt Service Fund's operations and its changes in fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Gerald L. Wilkerson

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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STATE OF ALASKA
STATE BOND COMMITTEE
DEBT SERVICE FUNDS
COMPARATIVE BALANCE SHEET OF THE
GENERAL OBLIGATION DEBT SERVICE FUND
June 30, 1983 and 1982

Assets	1983	1982
Cash in Treasury	$ 75,597	$ 360,952
Fund Balance		
Fund Series		
1958 University of Alaska Series A	70,000	70,000
1958 University of Alaska Series B	85	85
1970 Series A	4,008	4,008
1973 Series B	1,219	1,219
1976 Series A	285	285
1976 Series B	-0-	325
1982 Series B	-0-	285,030
Total Fund Balance	$ 75,597	$ 360,952

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
STATE BOND COMMITTEE
DEBT SERVICE FUNDS
COMPARATIVE STATEMENT OF ANALYSIS OF CHANGE IN FUND
BALANCE OF THE GENERAL OBLIGATION DEBT SERVICE FUND
For the Fiscal Years Ended June 30, 1983 and 1982

	1983	1982
Beginning Balance, July 1	$ 360,952	$ 75,922
Additions		
Revenue	143,339,308	102,610,701
Total Balance and Additions	143,700,260	102,686,623
Deductions		
Expenditures	143,624,663	102,325,671
Ending Balance, June 30	$ 75,597	$ 360,952

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
STATE BOND COMMITTEE
DEBT SERVICE FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
OF THE GENERAL OBLIGATION DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 1983

Bond Issue	Fund Balance 06/30/82	Revenue From General Fund (Note 3, p. 13)	Expenditures For Principal and Interest	Fund Balance 06/30/83
University of Alaska, 1958 Series A	$ 70,000(1)	$ 65,950	$ 65,950	$70,000
University of Alaska, 1958 Series B	85			85
Ferries Roads and Highways Construction		876,500	876,500	
University of Alaska, 1963 Construction		212,175	212,175	
1963 School Construction		212,175	212,175	
Trunk Airport Construction		129,375	129,375	
Composite "1/8/64 Sale" Series L		584,960	584,960	
1964 Series B (1967 Issue)		761,887	761,887	
1964 Series C (1967 Issue)		43,350	43,350	
1967 First Series		1,198,560	1,198,560	
1967 Second Series		886,500	886,500	
1968 Bond Series A		1,248,750	1,248,750	
1968 Bond Series B		828,338	828,338	
1969 Bond Series A		705,812	705,812	
1969 Bond Series D		102,300	102,300	
1970 Bond Series A	4,008(2)			4,008
1970 Bond Series C		1,134,298	1,134,298	
1971 Bond Series A		1,569,680	1,569,680	
1971 Bond Series B		1,507,200	1,507,200	
1971 Bond Series C		256,500	256,500	
1971 Bond Series D		104,000	104,000	
1972 Bond Series A		1,878,200	1,878,200	
1972 Bond Series B		2,370,150	2,370,150	
1973 Bond Series A		1,823,500	1,823,500	
1973 Bond Series B	1,219(2)	2,102,850	2,102,850	1,219
1973 Bond Series C		2,575,650	2,575,650	
1974 Bond Series A		3,042,000	3,042,000	
1975 Bond Series A		3,659,400	3,659,400	
1975 Bond Series B		4,012,475	4,012,475	
1975 Bond Series C		4,448,888	4,448,888	
1976 Bond Series A	285(3)	4,117,500	4,117,500	285
1976 Bond Series B	325(3)	4,091,250	4,091,575	
1977 Bond Series A		3,993,750	3,993,750	
1977 Bond Series B		5,155,000	5,155,000	
1978 Bond Series A		6,425,000	6,425,000	
1979 Bond Series A		5,412,000	5,412,000	
1979 Bond Series B		8,496,000	8,496,000	
1980 Bond Series A		18,168,750	18,168,750	
1982 Bond Series A	285,030(4)	41,900,510	42,185,540	
1982 Bond Series B		7,238,125(5)	7,238,125	
Total	$360,952	$143,339,308	$143,624,663	$75,597

Footnotes
(1) This fund balance is to be used for the final debt service payment.
(2) Represents money returned by Bond Construction Funds.
(3) Represents money returned by the paying agent for funds held one year following the legal payment date.
(4) Represents $7,870 premium and $277,160.28 accrued interest from bond sale.
(5) Amount includes $6,477.00 premium and $844,447.92 accrued interest from bond sale.

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL LONG-TERM DEBT
GENERAL OBLIGATION BONDS
COMPARATIVE STATEMENT OF BONDED INDEBTEDNESS -
GROUP OF ACCOUNTS
For the Fiscal Years Ended June 30, 1983 and 1982

	1983	1982
Amount Available and to be Provided		
Available in Bond Redemption Reserve	$ 70,000	$ 70,000
To be Provided	946,113,000	842,343,000
Total Available and to be Provided	$946,183,000	$842,413,000
Bond Principal Liability		
Current Year Liability	$100,175,000	$ 81,230,000
Future Years Liability	846,008,000	761,183,000
Total Principal Liability	$946,183,000	$842,413,000

The Notes to the Financial Statements are an integral part of this Statement.

STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH APPROPRIATIONS FOR OPERATING PROGRAMS (Note 2)
For the Fiscal Year Ended June 30, 1983

Operating Programs	1982-1983 Budget Act	Continuations, Supplementals & Revisions	Total Appropriations	Expenditures (Note 3)	Encumbrances At Close of Year	Account Balances Continuing	Account Balances Lapsed
State Bond Committee							
Debt Service	$ -0-	$ 143,663,900	$ 143,663,900	$142,518,577	$ -0-	$ -0-	$1,145,323

The Notes to the Financial Statements are an integral part of this Statement.

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STATE OF ALASKA
STATE BOND COMMITTEE
GENERAL BONDED DEBT AND DEBT SERVICE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 1983

Note 1 - Summary of Significant Accounting Policies

Alaska Statute 37.05.150 requires the State of Alaska to conform to generally accepted accounting principles. The following is a summary of the significant policies applicable to long-term debt such as the Debt Service Fund for General Obligation Bonds.

Basis of Accounting. The Debt Service Fund is operated on the cash basis of accounting. Generally accepted accounting principles provide an exception to usual reporting practices to allow general obligation long-term debt to be reported on the cash basis of accounting. The reasoning behind this exception to the general rule is as follows: Financial resources usually are appropriated in other funds for transfer to a Debt Service Fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the Debt Service Fund as their settlement will not require expenditure of existing fund assets. Furthermore, to accrue the Debt Service Fund expenditure and liability in one period but record the transfer of financial resources for debt service purposes in a later period would be confusing and would result in overstatements of Debt Service Fund expenditures and liabilities and understatement of the fund balance. Therefore, revenues are recorded as received in cash, and expenditures are recorded at the time of payment.

Note 2 - Alaska Statute 37.15.019 provides for a continuing appropriation from the General Fund to the State Bond Committee to pay for all general obligation bond principal and interest requirements. Authorizations are budgeted based upon actual debt service requirements plus estimated future bond sales.

Note 3 - The following is a reconciliation between debt service fund expenditures on the General Fund Statement of Expenditures Compared with Appropriations for Operating Programs and debt service fund revenues on the Statement of Revenues, Expenditures and Fund Balance of the General Obligation Debt Service Fund.

Note 3 (Cont'd)

Expenditures as shown on the Statement of Expenditures and Encumbrances Compared with Appropriations for Operating Programs:

	$142,518,557
1) $6,477 premium and $844,448 accrued interest received from bond sale	850,925
2) Cost of paying agent fees	(34,071)
3) Return of funds from completed bond construction project	3,877
Revenue from General Fund as shown on the Statement of Revenues, Expenditures and Fund Balance of the General Obligation Debt Service Fund	$143,339,308

Note 4 - There were no new General Obligation bonds authorized in the 1982 general election. However, at the general election the voters did approve a constitutional amendment, and an authorizing ballot proposition for bonds for veteran's housing. As provided by these measures, the State will unconditionally guarantee the payment of principal and interest in $400.0 million of Alaska Housing Finance Corporation revenue bonds to be issued for the purpose of purchasing mortgages for residences of veterans. There have been two issues of these bonds during Fiscal Year 1983 totalling $175.0 million. Total interest to maturity on these bond issues will be $188.4 million. Total principal and interest to maturity is $363.4 million.

SUPPLEMENTAL INFORMATION

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STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

December 21, 1983

Members of the
Legislative Budget and Audit Committee:

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on the following pages is not necessary for a fair presentation of the financial statements, but is presented as additional analytical data. However, the information on pages 19 and 21 has been subjected to the tests and other auditing procedures applied in the examination of the financial statements of the State of Alaska, State Bond Committee, General Obligation Bonded Indebtedness, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Gerald L. Wilkerson

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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STATE OF ALASKA
STATE BOND COMMITTEE
SCHEDULE OF GENERAL OBLIGATION BOND
DEBT SERVICE REQUIREMENTS TO MATURITY*
At June 30, 1983

Fiscal Year	Principal	Interest	Total Requirement
1984	$100,175,000	$ 63,240,330	$ 163,415,330
1985	100,060,000	56,149,275	156,209,275
1986	101,465,000	49,119,764	150,584,764
1987	100,580,000	42,229,846	142,809,846
1988	100,885,000	35,449,255	136,334,255
1989	95,927,000	28,547,971	124,474,971
1990	87,760,000	22,063,090	109,823,090
1991	69,699,000	15,870,180	85,569,180
1992	48,349,000	10,523,425	58,872,425
1993	43,563,000	7,396,988	50,959,988
1994	20,598,000	5,219,975	25,817,975
1995	19,096,000	3,987,625	23,083,625
1996	18,610,000	2,864,413	21,474,413
1997	14,865,000	1,800,420	16,665,420
1998	13,380,000	1,008,195	14,388,195
1999	8,640,000	368,931	9,008,931
2000	2,531,000	69,081	2,600,081
Total	$946,183,000	$345,908,764	$1,292,091,764

* - These tables do not include principal and interest on AHFC State Guaranteed Bonds (Veterans Mortgage Program).

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STATE OF ALASKA
STATE BOND COMMITTEE
SCHEDULE OF GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
At June 30, 1983

Session Law Reference	Bonding Purpose	Bonds Authorized	Bonds Issued	Bonds Unissued
	Bonds Previously Authorized and Issued	$ 892,676,800	$ 892,676,800	$ -0-
ch 118 SLA 74	1974 Trunk and Secondary Airport Construction	10,400,000	9,500,000	900,000
ch 132 SLA 74	1974 Health Care Facilities	10,900,000	10,719,000	181,000
ch 131 SLA 76	1976 School Construction	59,290,000	58,690,000	600,000
ch 247 SLA 76	1976 Transportation Construction	53,360,000	50,860,000	2,500,000
ch 271 SLA 76	1976 Water Supply and Sewage Systems	31,000,000	27,620,000	3,380,000
ch 95 SLA 78	1978 Flood Control, Port Facilities and Small Boat Landings	33,290,000	29,792,000	3,498,000
ch 145 SLA 78	1978 Water Supply and Sewage Systems	27,640,000	17,780,000	9,860,000
ch 97 SLA 80	1980 Water Supply and Sewage Systems, Solid Waste Facilities and Village Safe Water Construction	33,000,000	16,564,200	16,435,800
ch 99 SLA 80	1980 Correctional Facilities Construction	28,350,000	12,309,000	16,041,000
ch 118 SLA 80	1980 Transportation Construction	156,992,700	143,485,000	13,507,700
ch 121 SLA 80	1980 Education, Library and University of Alaska Facilities Construction	63,651,000	49,061,000	14,590,000
Total		$1,400,550,500	$1,319,057,000	$81,493,500

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STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH S
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

January 24, 1984

RECEIVED

LEGISLATIVE AUDIT

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, AK 99811

Dear Mr. Wilkerson:

The Department of Revenue has received your preliminary audit report on:

> "A Report on the State Bond Committee, General Bonded Debt and Debt Service, For the Fiscal Year Ended June 30, 1983".

As Secretary of the State Bond Committee, I am pleased to see that you have determined that the financial statements relating to bonded debt are in conformity with generally accepted accounting principles.

Sincerely,

Robert D. Heath
Commissioner of Revenue

RDH:MB:mw

04-D2LH

(b) The commissioner of revenue may

(1) invest and reinvest the principal of the funds;

(2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;

(3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;

(4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;

(5) register investments held in a fund in the name of the board having the power to approve investments for a fund;

(6) do all acts whether or not expressly authorized which are considered proper for the protection of the investments held in the funds. (§ 4 ch 182 SLA 1978)

Chapter 15. State Bonding Act.

Article 1. General Obligation Bonds.

Sec. 37.15.010. Full faith and credit for general obligation bonds. The full faith, credit and resources of the state are hereby pledged to the payment of the principal of and interest and redemption premium, if any, on all general obligation bonds of the state authorized pursuant to art. IX, § 8 of the constitution. (§ 1 ch 175 SLA 1960; am § 1 ch 104 SLA 1967)

Collateral references. — 63 Am Jur 2d, Public Funds, §§ 23-32. 64 Am Jur 2d, Public Securities and Obligations, § 1 et seq.

81A C.J.S., States, §§ 250-262.

Funding or refunding obligations as subject to conditions respecting approval by voters, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated on July 1 of each year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981)

Opinions of attorney general. — This section does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for bond obligations. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.015. Committee shall publish notice of existing state indebtedness before election. (a) Before a general or special election in which a bond issue is offered for ratification, the state bond committee shall publish a notice of existing state bonded indebtedness at least once a week for three consecutive weeks in a newspaper of general circulation in each of the four judicial districts of the state. The first notice shall be published at least 20 days before the date of the election. A notice shall contain

(1) the current total bonded indebtedness of the state,

(2) the cost of the debt service on the current indebtedness.

(b) Neither the failure to publish the notice of existing state bonded indebtedness nor a defect in the publication affects the validity of the bond issue offered for ratification or of a general or special election in which a bond issue is offered for ratification. (§ 2 ch 50 SLA 1964; am § 1 ch 8 SLA 1969)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Bonds issued by state officer of board payable solely out of proceeds of obligations of political subdivisions pledged as within constitutional or statutory provisions which impose a limit on state indebtedness or require consent of electors, 100 ALR 1114.

Mistake, ambiguity, or omission in statement as to indebtedness, in call for election or proposal for bond issue, as affecting validity of election or bonds issued pursuant thereto, 116 ALR 1258.

Effect of delay after authorization by voters on power of governmental unit to issue bonds, 135 ALR 768.

Validity, within authorized debt, tax, or voted limit, of bond issue in excess of amount permitted by law, 175 ALR 823.

Sec. 37.15.020. Manner and amounts of sale. The state bond committee shall sell the bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants. (§ 1 ch 175 SLA 1960)

Sec. 37.15.030. Interest rate and maturity. Each issue or series of bonds shall bear interest at an effective rate over the life of the bonds not to exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The bonds shall mature in not more than 30 years from date of issue, unless a longer period is specifically authorized by statute. (§ 1 ch 175 SLA 1960; am § 2 ch 104 SLA 1967; am § 1 ch 92 SLA 1970; am § 1 ch 29 SLA 1976; am § 1 ch 85 SLA 1980; am § 1 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent a year" at the end of the first sentence.

The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the first sentence.

Collateral references. — Right to call governmental bonds in advance of their maturity, 109 ALR 988.

Sec. 37.15.040. Sale of bonds. Before selling an issue or series of bonds, the state bond committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the state bond committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. (§ 1 ch 175 SLA 1960; am § 3 ch 104 SLA 1967; am § 1 ch 43 SLA 1969)

Sec. 37.15.050. Redemption. The state bond committee may determine whether the bonds are subject to redemption before their fixed maturities and may fix the premium for and all other terms of the redemption. No bond may be subject to redemption before its fixed maturity date unless the right to so redeem the bond is expressly mentioned on the face of the bond. (§ 1 ch 175 SLA 1960; am § 4 ch 104 SLA 1967; am § 1 ch 26 SLA 1968; am § 7 ch 143 SLA 1968)

Collateral references. — 81A C.J.S., States, § 261.

Funding or refunding obligations as subject to conditions respecting limitation of indebtedness, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.060. Form and registration of bonds. An issue or series of bonds may be issued in coupon form payable to bearer or in fully registered form, and bonds in coupon form may be made registrable as to principal or principal and interest, as determined by the state bond committee. (§ 1 ch 175 SLA 1960; am § 2 ch 26 SLA 1968)

Sec. 37.15.070. Place of payment. The state bond committee may fix the place or places of payment of the principal, interest and redemption premium, if any. (§ 1 ch 175 SLA 1960; am § 5 ch 104 SLA 1967)

Sec. 37.15.080. Signatures and seal. (a) Each bond shall be signed on behalf of the state by the governor and attested by the lieutenant governor, which signatures may be facsimile signatures. The seal of the state shall be impressed, imprinted or otherwise reproduced on each bond. Each interest coupon attached to the bond shall be signed by the facsimile signatures of the governor and lieutenant governor. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, the signature is, nevertheless, valid and sufficient for all purposes, as if the officer had remained in office until delivery.

(b) A signature required on a bond issued by a political subdivision of the state may be a facsimile signature. (§ 1 ch 175 SLA 1960; am § 6 ch 104 SLA 1967)

Collateral references. — Printing, lithographing, or other mechanical signature on public bonds, coupons, or other pecuniary obligation, 94 ALR 768.

Sec. 37.15.090. Terms and conditions. Each issue or series of bonds shall be issued under and subject to the terms, conditions, and covenants providing for the payment of the principal and the interest and other terms, conditions, covenants, and protective provisions safeguarding the payment as found reasonably necessary by the state bond committee for the most advantageous sale. The terms, conditions, and covenants may include the setting aside and maintaining of certain reserves to secure the payment of principal and interest. (§ 1 ch 175 SLA 1960)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Power of legislature to add to or make more onerous the conditions or limitations prescribed by Constitution upon incurring public debts, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

Sec. 37.15.155. Prohibited bidding on bonds and anticipation notes. (a) No person who provides financial programming or marketing assistance to the state bond committee in connection with the issuance or sale of general obligation bonds, revenue bonds or bond anticipation notes of the state may bid on the bonds.

(b) The sale of general obligation bonds, revenue bonds or bond anticipation notes of the state to a person who is prohibited from bidding on the bonds or notes under (a) of this section is against public policy and the sale is void.

(c) In this section "person" means an individual, firm, agent, factor, intermediary, partnership, corporation, association, bond house, stockbroker or bond broker. (§ 1 ch 102 SLA 1974)

Sec. 37.15.160. Contents of resolution. The resolution adopted by the state bond committee shall

(1) fix the principal amount, denominations, date, maturities, place of payment, terms, right of redemption if any, form, conditions and covenants of the bonds;

(2) fix the date of sale and the form of the notice of sale; and

(3) provide if the notice is to be published elsewhere in addition to the publication required by AS 37.15.040. (§ 3 ch 175 SLA 1960; am § 3 ch 26 SLA 1968)

Sec. 37.15.170. State bond committee to certify annual principal, interest, and reserve requirements. (a) Before January 1 of each year after bonds are issued, the state bond committee shall certify to the commissioner of administration the amount needed for the following calendar year to meet principal, interest, and reserve requirements on all bonds or issues or series of bonds then outstanding.

(b) The commissioner of administration shall set aside these amounts or make the necessary provisions for the setting aside of these amounts so that there will be sufficient money to pay the principal and interest on the due date and to meet reserve requirements. (§ 4 ch 175 SLA 1960)

Sec. 37.15.180. Remedies of bondholders. The owner and holder of each bond or the trustee may by appropriate proceeding require and compel the transfer and payment of money as directed by this chapter. (§ 4 ch 175 SLA 1960)

Sec. 37.15.190. Negotiability. General obligation bonds of the state and the coupons attached to the bonds are negotiable instruments. (§ 5 ch 175 SLA 1960)

Collateral references. — Negotiability of state warrants, 36 ALR 949.

Sec. 37.15.200. Bonds as legal investments. General obligation bonds of the state are legal investments for all state funds, or for funds under state control, and for all funds of a political subdivision of the state. (§ 5 ch 175 SLA 1960)

Sec. 37.15.210. Refunding bonds. (a) All or a part of the general obligation bonds of the state, or all or a part of each outstanding issue or series of bonds, may be refunded at or before maturity by the issuance of general obligation refunding bonds of the state if, in the opinion of the state bond committee, refunding is advantageous to and in the best interest of the state and its inhabitants. Money set aside as reserve to secure the payment of the principal and interest of bonds being refunded may be used to pay the principal and interest on these bonds or may be retained by the state to secure the payment of the principal and interest on the refunding bonds to be issued.

(b) Refunding bonds and the coupons attached to them are negotiable instruments. The effective rate of interest over the life of refunding bonds may not exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of bonds, whichever is higher, and the amount of premium which is paid to effect the redemption of outstanding bonds may not be considered in determining the effective rate of interest.

(c) Refunding bonds may be exchanged for the bonds being refunded or refunding bonds may be sold in the manner and at the prices which the state bond committee determines to be for the best interest of the state and its inhabitants either at public or private sale.

(d) The issuance of refunding bonds need not be authorized by the qualified voters of the state. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, exchange or sale, and delivery of refunding bonds. The provisions of this chapter relating to the terms, conditions, covenants, issuance, and sale of general obligation bonds of the state apply to refunding bonds except as otherwise specifically provided in this section. (§ 6 ch 175 SLA 1960; am § 2 ch 92 SLA 1970; am § 2 ch 85 SLA 1980; am § 2 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" in the second sentence of subsection (b).

The 1982 amendment substituted the language beginning "11 percent a year" and ending "date of sale of bonds, whichever is higher" for "10 percent a year" in subsection (b).

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.215. Official statements. To the extent practicable the official statements and other documentation issued in connection with an offering of state or local government securities shall comply with the guidelines of the Municipal Finance Officers Association or other nationally recognized guidelines. (§ 12 ch 168 SLA 1978)

Sec. 37.15.220. Short title. AS 37.15.010 — 37.15.220 may be cited as the State Bonding Act. (§ 7 ch 175 SLA 1960; am § 54 ch 127 SLA 1974)

Article 2. Bond Anticipation Notes.

Sec. 37.15.300. Borrowing in anticipation of sale of bonds permitted. When the state bond committee considers it in the best interests of the state, it may borrow money in anticipation of the sale of general obligation and revenue bonds, if

(1) the general obligation bonds to be sold have been authorized by law and ratified by a majority vote of the qualified voters of the state who vote on the question; or

(2) the general obligation bonds to be sold have been authorized by law for the purpose of meeting natural disasters, repelling invasion, suppressing insurrection, or defending the state in war; or

(3) the revenue bonds to be sold have been authorized by law; and

(4) money to be derived from the sale of general obligation and revenue bonds has been appropriated by the legislature. (§ 1 ch 42 SLA 1964; am § 1 ch 74 SLA 1964)

Sec. 37.15.310. Issuance of notes. The state bond committee shall issue notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All the notes are payable at a fixed place, on or before a fixed time, or at a fixed time, from the proceeds of the sale of bonds, in anticipation of which the original note or notes were issued, unless the bonds have not been sold by the maturity date of the notes. Interest on the notes is payable at a fixed place, on or before a fixed time, out of appropriations made for the payment of interest on general obligation notes or bonds of the state. (§ 1 ch 42 SLA 1964; am § 1 ch 127 SLA 1976)

Sec. 37.15.320. Issuance of new notes. [Repealed, § 3 ch 41 SLA 1967.]

Sec. 37.15.330. Repayment of notes. Every note shall be payable from the proceeds of the next succeeding sale of bonds or from the proceeds of the sale of new bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.340. Security for repayment of general obligation bonds. Notes issued in anticipation of the sale of general obligation bonds and the interest thereon are secured by the full faith, credit, and resources of the state. (§ 1 ch 42 SLA 1964)

Sec. 37.15.350. Security for repayment of revenue bonds. Notes issued in anticipation of the sale of revenue bonds and the interest thereon are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.360. Limitation on issuance of notes. The total amount of such notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.370. Use of proceeds from sale of notes. The proceeds from the sale of the notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.380. Sale of notes. Notes issued under this chapter shall be sold by the state bond committee in such manner and at such price or prices as it shall determine, at either public or private sale; however, no such note shall be sold for less than par and accrued interest or at an interest rate exceeding 11 percent a year or that rate of interest which is 110 percent of the rate of Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the notes, whichever is higher. (§ 1 ch 42 SLA 1964; am § 3 ch 92 SLA 1970; am § 3 ch 85 SLA 1980; am § 3 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" at the end of the section.

The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the section.

Sec. 37.15.390. Execution of notes. Notes for money borrowed in anticipation of receipts from the sale of bonds shall be signed by the governor and countersigned by the lieutenant governor. The governor's and lieutenant governor's signatures may be facsimile signatures. (§ 1 ch 42 SLA 1964; am § 4 ch 110 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present second sentence for the former sentence, which read: "The governor's signature may be a facsimile signature."

Article 3. International Airports Revenue Bonds.

Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed $62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

Effect of amendments. — The 1979 amendment substituted "$43,325,000" for "$34,825,000" in the first sentence.

The 1982 amendment, substituted "$34,825,000" for "$43,325,000" in the first sentence.

The 1983 amendment substituted "$62,825,000" for "$34,825,000" in the first sentence.

Editor's notes. — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

Sec. 37.15.420. Construction fund. (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto, including costs of the authorization, issuance and

sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972, Temporary and Special Acts.

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.430. Revenue fund. (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.440. Redemption fund. There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.450. Bond terms. (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

Revisor's notes. — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 01.05.031(b)(5), the 1972 date has been inserted in the text.

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

Sec. 37.15.460. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

Sec. 37.15.470. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.480. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

Sec. 37.15.490. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

Sec. 37.15.500. Airport charges. The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.510. State improvements to airports. The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

Sec. 37.15.520. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.530. Bonds as legal investments. The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

Sec. 37.15.540. Statutory construction. AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

Sec. 37.15.550. Definitions. As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

A Review of Debt Capacity and Debt Management for the State of Alaska

Report to the
Legislative Budget and Audit Committee,
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Prepared by
GOVERNMENT FINANCE RESEARCH CENTER
MUNICIPAL FINANCE OFFICERS ASSOCIATION
1750 K Street, NW
Suite 200
Washington, DC 20006

CHAPTER I

EXECUTIVE SUMMARY

The changing nature of tax-exempt borrowing, including the shift from traditional tax-supported government bonds to revenue-backed bonds, the rise and volatility in interest rates, the reliance upon individual investors in contrast to institutional lenders, and changes in federal law concerning various aspects of tax-exempt financing, has resulted in states generally being more attentive to debt management and debt policy. This study of State debt management comes at a propitious time. While the past growth of tax-exempt borrowing by issuers bearing the Alaska name has been rapid and sizeable, new programs and proposals before the legislature indicate that the demand for new spending and borrowing is far from sated. At the same time, recent reductions in the market price for petroleum and the unpredictability of its future supply and price raise uncertainties about the level and viability of the principal source of governmental revenues that directly or indirectly supports many of Alaska's borrowing and spending programs.

The interdependence of the Alaskan economy and its oil wealth creates a paradox for assessing the State's debt management and debt capacity. Oil revenues have enabled the State and local governments to borrow at unusually high levels -- in terms of per capita amounts of debt -- and have provided the financial security required by investors in the State's bonds. It is the reliance on these same oil revenues, however, that is the principal weakness of the Alaska credit as a long-term issuer of tax-exempt bonds and that makes assessment of the State's future debt capacity very difficult.

To be effective, debt management must join the capital needs of the State and its constituent governmental units with the ability to achieve bond market access on affordable terms. Market access is a function of debt capacity, debt burden, and perceived ability to pay; it is also conditioned importantly by the overall forces that shape borrowing needs nationally and the willingness of investors to supply funds. The private credit market, where public debts are sold, decides what borrowers will be accommodated and at what cost -- from a fluctuating but always limited pool of lendable funds. While Alaska is concerned first and foremost with the cost and availability of credit for its own needs, Alaska bonds compete with other governmental obligations from all parts of the country. The terms offered Alaska borrowers by the marketplace are strongly influenced by the volume and quality of competing claims from other borrowers. Hence, it is in Alaska's interest to offer a well-structured, high-quality security in order to obtain funds, and to obtain them at acceptable interest rates.

Effective debt management must also provide State and local issuers and the State's debt managers with the flexibility to react quickly and responsibly to changes in the financial markets. That the tax-exempt bond market is highly sensitive to changes in the federal tax code was obvious in late 1982 as the pendency of the bond registration requirement brought a flood of issues to market. Now, as a result of this legislation, the primary and secondary market acceptance of an issuer's securities will in part depend on a timely, accurate and efficient transfer process (discussed on pages 35-36). Changes in other federal tax provisions can also sharply affect the demand for tax-exempt bonds. Chapter Two includes a survey of the tax acts of 1981 and 1982, and their impacts on the municipal bond market. These changes, like volitility in interest rates, are factors over which the State has little control. However, a responsible and flexible debt management program places the State in the best position to respond effectively to events that may effect the State's borrowing.

State-Level Debt

The evidence presented in this study shows that Alaska debt has grown from 0.7 to 1.8 percent of annual national tax-exempt bond market volume since 1970. The rising market share accorded Alaska bonds has been the result of an increase in the State's annual volume of new debt issues from $134 million to $1.4 billion between 1970 and 1982. Chapter Three documents the increase in borrowing and includes a profile of the major State debt issuers. Of all State-level issuers in Alaska, the Alaska Housing Finance Corporation has issued the largest amount of public debt -- over 62 percent of State-level debt and and over 44 percent of all State-wide debt (including local government obligations) outstanding -- and is the State's most frequent and best-known borrower.

At a time when we have seen the national credit rating agencies downgrade the credit rating of many states, Alaska can be proud of its rating upgrade over the past 10 years from a Baa to an AA credit. Credit analysts and the market itself have recognized the quality of Alaska's bonds as an investment. The evidence shows that Alaska now trades on par with such strong AA credits as Connecticut and Ohio. Chapter Four presents the results of our study of the State's past market experience. The data show that Alaska has consistently experienced lower borrowing costs than other states with similar ratings. Evidence to support this comes from the lower underwriting spreads, larger number of bids, and the lower interest rates on Alaska bonds as compared to those of other states of similar high quality.

State Bond Committee

In spite of the strong past performance of the State's bonds, the mid-1980s is a good time for the State of Alaska to broaden and strengthen the role of the State in debt management and oversight, particularly through the State Bond Committee (see pages 157 to 160). Recent fluctuations in the worldwide price of oil and the decline of Prudhoe Bay oil production within the ten-year range have alerted investors to the "boom and bust" nature of the Alaskan economy. These two events will be important factors behind the ability of the State to issue further debt in the coming years. One major role for a newly reconstituted State Bond Committee would be oversight of the State's total indebtedness. It is not intended that the State Bond Committee supplant the activities or authority of independent agencies and corporations; however, it is vital that the State annually review and assess its debt position -- including within that review all State-level debt -- relative to the State's debt capacity and priorities for future public investment.

In order to carry out its expanded scope of activity, the State Bond Committee should be restructured. The chairmanship should reside in a senior-level fiscal official -- such as the Commissioner of Revenue or the Director of the Office of Management and Budget -- who is actively involved in the State's debt management. The Commissioner of Commerce and Economic Development is the Committee's present chair. Expanding the membership to include a representative from the governing board of a State corporation, and the Commissioner of Community and Regional Affairs would emphacize the interrelationship of the State, its agencies, and local government in the debt management area. To assist in fulfilling its expanded duties, the Committee should be staffed full-time by a professional in the field of public finance.

The Committee should be given the responsibility to take a global view of the State's debt-related activities in a formal manner, not in the loose, informal way that is presently said to exist. The State may wish to require that each entity of the State which is authorized to issue bonds annually file a debt financing plan with the State Bond Committee. From these plans a master debt issuance schedule may be compiled to inform and assist all debt issuers in the State. The schedule could be updated monthly or on an "as-needed" basis as financing plans change. The State Bond Committee should also annually prepare a comprehensive profile of outstanding debt and monitor its impact on the State's fiscal condition. Special attention in this review should be paid to the level of the State's contingent liabilities, such as moral obligation debt, and changes in the growth and composition of local debt.

It is advised that the State develop written debt management guidelines that include several criteria for evaluating the desired and affordable level of debt issuance in lieu of a legislative ceiling on debt issuance. The State Bond Committee should be responsible for implementing these guidelines by reviewing each State-level bond issue before it is brought to market. The Committee's only power in this regard would be to defer or veto an issuance because the security structure or sources of repayment are inadequate or the issue jepordizes the financing plans or creditworthiness of the State. Likewise, if the State wishes to maintain its present interest rate ceiling on the issuance of bonds, it is preferable to set such a ceiling administratively rather than legislatively.

Debt Capacity and Affordability

The analysis of debt capacity is addressed in Chapter Seven. Comparisons of State debt with that of other states indicates that Alaska is an "outlyer" with extremely high ratios of debt per capita and debt per $1,000 of personal income. Therefore, it is necessary to look in-depth at the State's revenue sources to assess its capacity for further debt issuance. Determination of the affordable level of general obligation debt essentially depends upon the State's ability and willingness to pay debt service now and in the future on any amounts borrowed. For the immediate future, Alaska's debt capacity will be determined by the amount of general fund revenues that the State wishes to allocate to the payment of debt service and the preservation of the permanent fund. Thus, short-term affordability depends exclusively on the fluctuating level and uncertain future of oil revenues as long as the State's source of funds to repay debt is tied to this single source. In the longer term, when the State's oil wealth has subsided, the ability of Alaska to issue debt will depend upon the stability and breadth of the State's economy. Without its extensive petroleum resource base Alaska will become much more like other states and analysis of its debt capacity will follow the traditional steps outlined in pages 196 to 206.

The methodology for evaluating Alaska's short-term debt affordability is presented on pages 218 to 222. If the State maintains its current ratio of debt service to revenues at the five percent level and continues to issue debt with maturities within the known and predictable range of State revenues, the State's creditworthiness will be preserved. If the State wishes to have debt service comprise a larger share of the State budget (to a maximum of 10 percent), debt capacity would be increased -- although this would force trade-offs against other State spending priorities and possibly result in a decline in the State's AA credit rating. Through 1990, the State's general obligation debt capacity is estimated to range from $252 million to $1.2 billion, depending upon the level of current revenues the State decides to commit to the payment of debt service.

Because of the frequent changes in petroleum prices and their impact on State revenues, the affordability analysis along the lines presented in this report must be continually updated. Revisions should take place at least quarterly when the Department of Revenue releases long-range revenue forecasts and when ever the State issues general obligation debt. Such analysis will provide the State Bond Committee with important information to be used in formulating future debt issuance plans.

Even though the affordability of revenue bonds is principally determined by the adequacy of the revenue stream pledged to repayment of the bonds, along with the market's acceptance of the securtiy structure behind the bonds, revenue bonds indirectly affect the State's debt capacity. To the extent that revenue bonds are supported by a pledge of the State's moral obligation, or their issuance creates an oversupply of bonds bearing the Alaska name in the marketplace, the State's ability and willingness to carry debt will be affected.

Use of Moral Obligation Bonds

We do not see the possibility of entirely eliminating the use of the State's moral obligation pledge in the case of all Alaska financings. Where it is possible to avoid its use, such as in the case of Alaska Housing Finance Corporation bonds, it should be avoided. The moral obligation pledge should not be treated as a right, available to most State issuers, as it is at present. Rather, it should be considered a privilege, an indication to the bond market that, after close scrutiny, the State believes the project meets public policy objectives and is financially sound. The State Bond Committee should have the responsibility for determining the necessity of the moral obligation to an agency's borrowing program, and its potential impact on the State's creditworthiness.

If moral obligation debt increases at a time when overall State revenues are stable, are growing at a rate less than the growth in contingent liabilities, or are declining, the moral obligation burden may encumber the State's credit capacity. Such an occurance would make general obligation debt more costly and, therefore, less affordable due to weaker credit quality. Hence, the importance for including contingent debt in the State Bond Committee's annual review of the State's outstanding debt.

If it were not for the Permanent Fund, the limited sources of State revenue would cause investors to discount the moral obligation pledge heavily. The mere existance of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligations, if necessary, even though such action is not constitutionally permitted and would require a change in law. Any attempt to erode the principal of the Fund, or to otherwise weaken its position should, therefore, be avoided.

Capital Financing Plan

Demonstrating keen fiscal management and attention to capital financing and debt management is especially important to Alaska because of the uncertainties surrounding State revenues. The State must wisely allocate scarce resources to its developing economy in a manner that balances capital investment with the return on that investment yielding a diverse and broadened economy that will be able to maintain the public infrastructure put in place. Accordingly, the need for a capital financing plan linked to a comprehensive capital improvement plan is evident. (see pages 165 to 174)

The quality of financial reporting is an important element in a capital financing plan and to the complete debt management picture. While Alaska's financial reporting is complete, it does not conform to generally accepted accounting principles (GAAP). States that use an accounting system that conforms to, and is consistent with, GAAP benefit in several ways (see pages 174-175). It is recommended that the State consider converting its annual financial reports to GAAP. Such action will provide the State with vital information on its financial condition, encourage the State to take a global view of outstanding debt, improve financial management, and will be looked upon favorably by investors in the State's bonds.

General Debt Management

Specific debt management practices being used in the State could be improved. The State and its agencies recognize the importance of securing professional advice on debt issuance. However, financial advisors and bond counsel are typically compensated based on a percentage of the amount of bonds sold. Tying the advisor's compensation to the amount of bonds sold or the successful delivery of the bonds builds in an unnecessary risk of conflict of interest. The State should review its method of compensation for financial advisory services and seek arrangements that do not encourage conflicts between the advice and the payment for the advice. In this regard, a flat fee -- such as a base retainer and hourly rates -- is to be preferred over a fee based upon the amount of bonds issued. (see pages 185 to 190).

There is a place for both negotiated and competitive techniques for selling bonds in a debt management and debt marketing strategy. The approach which is judged to provide the greatest market reception and lowest interest cost should be followed. While each bond issue is unique, it appears that some bond issues presently being sold by negotiation by the State, for example, those of the Alaska Housing Finance Corporation, would be candidates for a competitive sale. (see pages 182 to 184).

Neither the State Bonding Act nor the State statutes regarding municipal debt specify the method by which effective interest rate on a competitive bond sale must be determined. However, the State and most municipalities have chosen to use the net interest cost (NIC) method to compare alternative bids at competitive sale. This method may not be in the best interests of the State because the winning bid on a NIC basis does not necessarily result in the lowest true interest cost (TIC) -- a measure of the "true" cost of borrowing money that takes into account the time value of money. We recommend that the State Bond Committee review the current rules that govern the award of the State's competitive general obligation bond issues, and that municipalities be encouraged to do so as well, with a view toward awarding bond issues on the basis of TIC. (see pages 179 to 181).

Local Government Debt

Local governments in Alaska have issued approximately 29 percent of all State-wide debt. The analysis of local government borrowing in Chapter Five indicates that the bonds of Alaska's localities sell at yields significantly above the average for the overall market. Furthermore, the evidence indicates that yields on the North Slope Borough's debt are vastly higher than the average for other Alaska municipalities. The most significant comparison of local and State bond issuance is the markedly higher underwriting cost on local issues. Compared to other states, local governments in the Alaska rely on general obligation bond financing at twice the national rate. Given the high levels of debt that have been issued by the State's localities, the much higher than average interest costs of Alaska's local debt, and the loss to the State of revenues from taxes levied by certain localities to pay the annual debt service on their debt, the State may wish to analyze further local bond market experience and State policies regarding local debt management. The State should take the lead in implementing programs that encourage the prudent use and guard against the misuse of local debt issuance.

Currently the State is being short-changed by those localities that levy a high amount of taxes on oil production property in order to finance debt service. Because taxes paid to the locality are credited towards State property tax liability, this represents a direct revenue loss to the State. It is, therefore, in the State's interest to address the absolute level of debt issuance by its localities. It is recommended that the State develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and a percentage of property value.

Specific State-level programs which can assist local borrowers and improve local debt management are covered in pages 136 to 141. In evaluating alternative State policies, the State must consider both the direct budgetary costs of the programs and the indirect effects on the State's own credit worthiness, and the amount of autonomy the State wishes its localities to enjoy. A resonable compromise between encumbering the State's debt capacity and providing greater financial assistance to local governments would be to expand the role of the Municipal Bond Bank. Our review of the Bank's market performance indicated that, compared with other state bond banks, the Alaska Bond Bank has the potential for saving as many as 50 basis points in borrowing cost by undertaking an active national marketing effort. The State should review the present security structure behind the Bank's bonds with the view toward improving their market reception by taking advantage of the State's high creditworthiness.

The State's present program to subsidize the cost of school construction is an expensive undertaking; however, its cost could be minimized through attention to the cost of the project and to the means of financing during the Department of Education's approval process. Further alternatives include the issuance of State general obligation bonds in lieu of local school construction bonds, and requiring the Municipal Bond Bank to issue all school construction debt.

GFRC Debt Study Recommendations

1. State Bond Committee

a) Oversight responsibilities of the State Bond Committee should include all State-level debt.

b) Committee Chairman should be Commissioner of Revenue or Director of O.M.B., as they are actually involved in the State's Debt Management.

c) Membership of State Bond Committee should be expanded to include the Commissioner of Community and Regional Affairs and the head of a debt issuing agency (AHFC, AIDA, etc.).

d) State Bond Committee should have a full time professional staff person who is an expert in public finance.

e) State Bond Committee should require annual financing plans from each authorized issuer of bonds.

f) The State Bond Committee should prepare an annual profile of outstanding debt and monitor its impact on the State's fiscal condition.

g) State Bond Committee should develop written debt management guidelines.

2. Debt Capacity:

To preserve State's credit worthiness the State should keep its debt service-to-revenue ratio to 5%, and the State should keep maturities within the known and predictable range of State revenues (we could go to as high as 10%, but we would face tradeoffs against other spending priorities and it could result in a lowering of the State's AA rating).

3. Moral Obligation Bonds:

a) Where possible, use of the moral obligation should be avoided. The moral obligation should be a privilege not a right. State Bond Committee should make the determination.

b) Existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligation (even though not presently permitted by the Constitution), so any attempt to erode the principal of the Fund should be avoided.

4. Capital Financing Plan:

a) A plan linking a capital financing plan to our long range capital improvement plan is necessary.

b) The State should consider bringing its accounting system into conformance with Generally Accepted Accounting Principles (GAAP).

5. Local Government Debt Management

a) The State should take the lead in implementing programs that encourage the prudent use, and guard against the misuse, of local debt issuance.

b) The State should take steps to improve the market performance of the Municipal Bond Bank and use of the Bond Bank by all localities should be encouraged.

c) The State should develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and as a percentage of property values.

d) The current State program to subsidize school construction should be replaced.

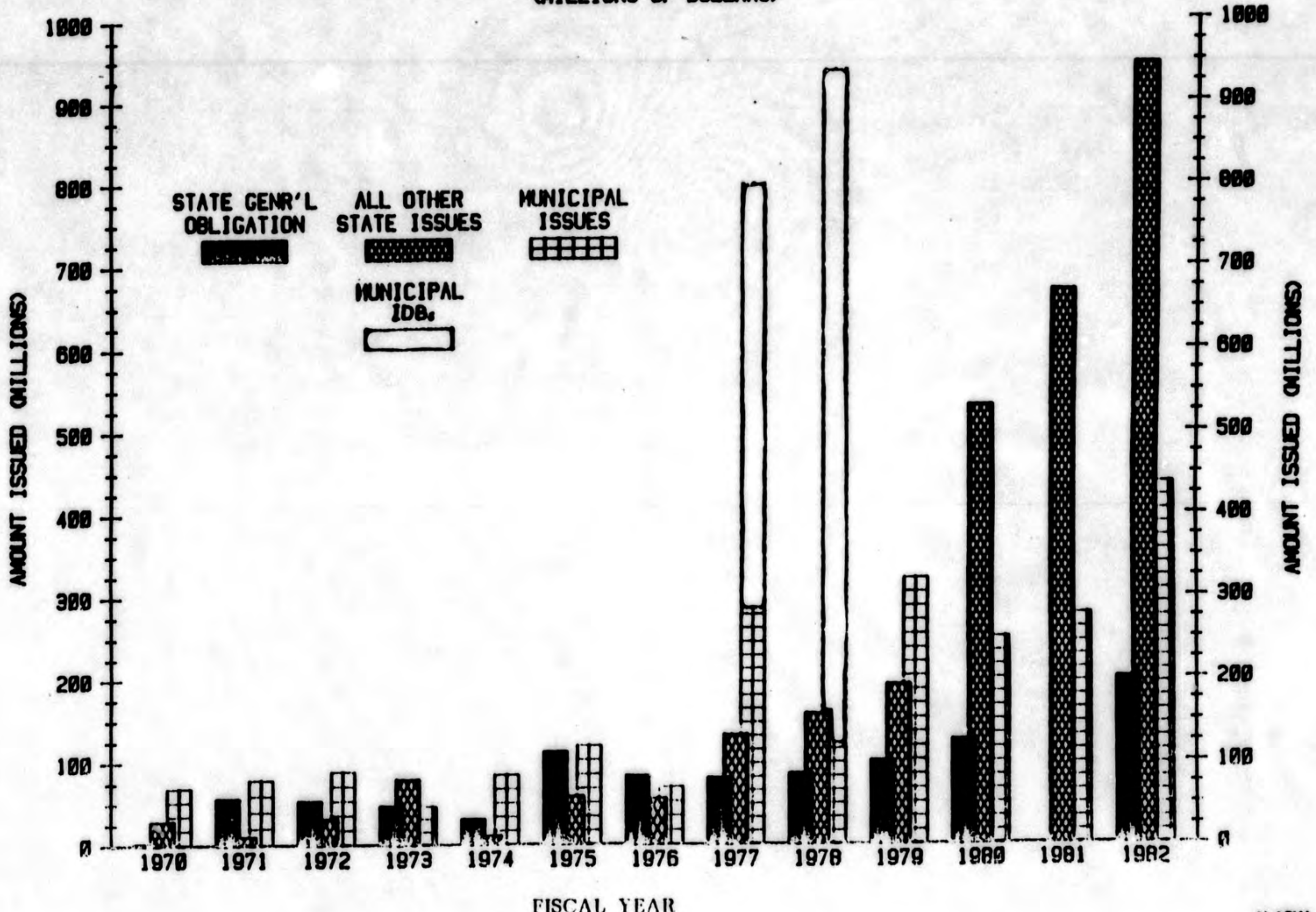
6. General Debt Management:

a) Financial advisors and bond counsel should be paid on a flat fee basis rather than as a percentage of the bond issue to avoid any conflicts between the advice and payment for advice.

b) Greater use of competitive bidding versus negotiated sales should be used when possible. For example: AHFC issues.

c) Bonds should be bid on the basis of true interest cost, not net interest cost, as is presently done.

ANNUAL STAT 'DEBT ISSUANCE
1970 TO 1982
(MILLIONS OF DOLLARS)



ALASKA

Table 3.2

Volume of New Tax-Exempt Bond Issues

Alaska, 1970 - 1982

(dollar amounts in millions)

Year	Total New Issues Number	Total New Issues Amount	General Obligations Amount	General Obligations Percent of Total	Revenue Bonds Amount	Revenue Bonds Percent of Total
1970	24	$134.3	$ 88.1	66%	$ 46.2	34%
1971	24	135.5	107.5	79	28.0	21
1972	23	150.3	104.9	70	45.3	30
1973	28	222.0	130.5	59	91.5	41
1974	20	161.4	79.5	49	81.9	51
1975	32	279.9	182.7	65	97.2	35
1976	24	284.9	170.9	60	114.0	40
1977	25	1659.6	155.4	9	1504.2	91
1978	27	552.2	264.3	48	287.9	52
1979	19	591.1	198.8	34	392.3	66
1980	11	809.7	340.8	42	468.9	58
1981	16	501.8	150.6	30	351.2	70
1982	42	1397.5	885.9	63	511.6	37

Source: Public Securities Association

Exhibit 3.2

COMPOSITION OF STATE DEBT OUTSTANDING
SELECTED FISCAL YEARS

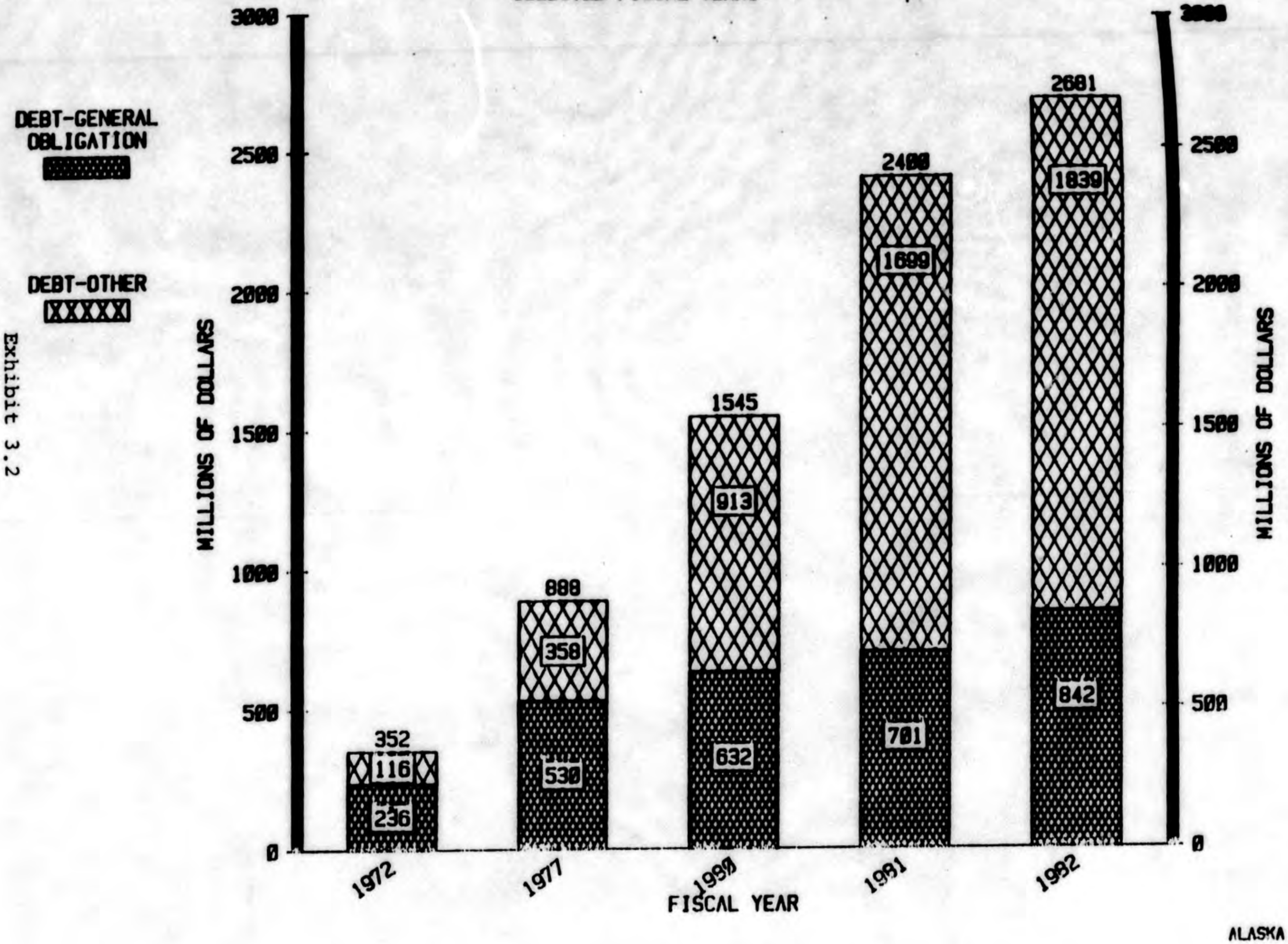
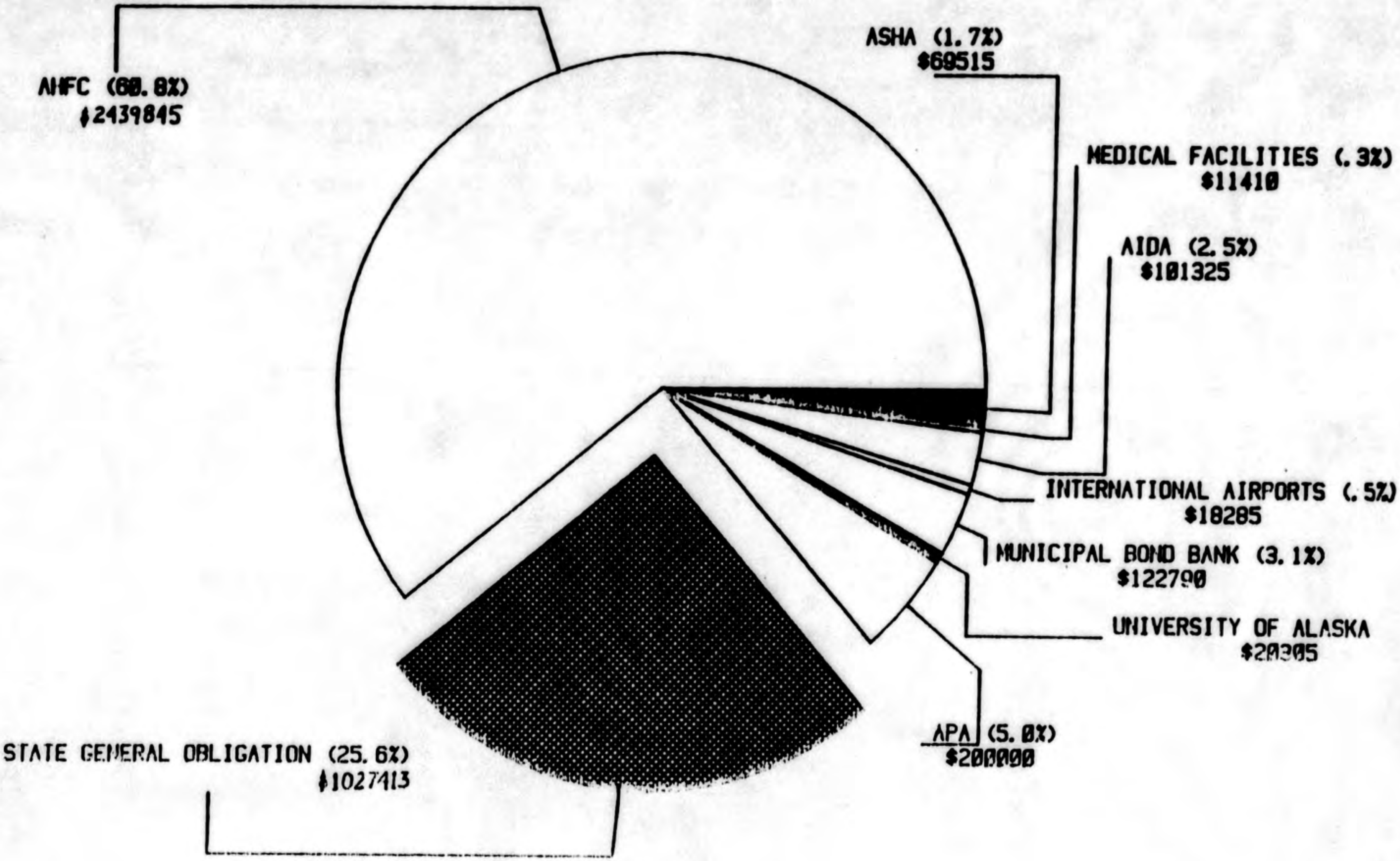


Exhibit 3.3

TOTAL STATE DEBT OUTSTANDING BY ISSUER

(DOLLARS IN 000'S AS OF APRIL 1, 1983)



ALASKA

Table 3.5

State of Alaska
Total Public Debt Outstanding
(000s)

Issuer	Amount Outstanding as of 6/30/82	Amount Issued 6/30/82 to 6/1/83	Total[1/] Outstanding	Percent of State-Level Debt	Percent of State-Wide Debt
STATE LEVEL					
State General Obligation	$ 842,413	$185,000	$1,027,413	24.8%	17.7%
Alaska Housing Finance Corp.	2,004,845	560,000	2,564,845	62.0	44.2
Alaska Power Authority	200,000	-0-	200,000	4.8	3.5
Municipal Bond Bank	94,805	26,985	122,790	3.1	2.1
Alaska Industrial Development Auth.	77,875	23,450	101,325	2.5	1.7
Alaska State Housing Agency	67,125	2,390	69,515	1.7	1.2
University of Alaska	20,305	-0-	20,305	0.5	0.5
International Airports	18,285	-0-	18,285	0.4	0.4
Medical Facilities	11,410	-0-	11,410	0.2	0.2
State Development Corporation	50	-0-	50	0.0	0.0
TOTAL STATE LEVEL OUTSTANDING			$4,135,938	100.0%	
LOCAL LEVEL					
Municipal G.O.	$1,316,300	N/A	$1,316,300		22.7%
Municipal Revenue	347,536[2/]	N/A	347,536		5.8
TOTAL LOCAL LEVEL OUTSTANDING			$1,663,836		
TOTAL STATE-WIDE OUTSTANDING			$5,799,774		100.0%

1/ This column does not account for debt retired between 6/30/82 and 4/1/83.
2/ FY 1981 Figure from Moody's Investors Service.

Table 3.16

State of Alaska Classification of Outstanding Debt
(amounts in millions)

	Amount Outstanding June 30, 1982	Amount Retired	Amount Issued	Amount Outstanding May 30, 1983	Percent of State-Level Debt
Direct Debt					
General Obligation Debt	$842.2	$81.2	$185.0	$946.2	23.5%
Alaska State Housing Auth.					
Lease-Revenue Bonds	67.1	3.7	-0-	63.4	1.6
University of Alaska	20.3	1.1	-0-	19.2	0.5
NET TAX-SUPPORTED DEBT	$929.8	$86.0	$185.0	$1,028.8	25.6%
Indirect Debt (moral obligation)					
Alaska Housing Finance Corp.					
State Guaranteed Veterans Housing	-0-	-0-	$175.0	$175.0	4.3%
Insured Mortgage Bonds	$963.3	$ 10.6	-0-	952.7	23.6
Home Improvement Loan Bonds	15.0	-0-	-0-	15.0	0.4
Alaska Industrial Devel. Authority	77.9	3.3	23.4	98.0	2.4
Alaska Power Authority	200.0	-0-	-0-	200.0	5.0
Alaska Municipal Bond Bank	95.8	2.9	27.0	119.9	3.0
Alaska State Devel. Corporation	11.4	0.3	-0-	11.1	0.3
Low Income Housing Bonds	-0-	-0-	2.4	2.4	0.0
Indirect Debt (special obligation)					
International Airport Authority	18.3	0.8	-0-	17.5	0.5%
TOTAL INDIRECT DEBT	$1,381.8	$ 17.9	$227.8	$1,591.6	39.5%
TOTAL DIRECT AND INDIRECT STATE DEBT	$2,311.6	$103.9	$412.8	$2,620.4	65.1%
Other State-Level Debt					
Alaska Housing Finance Corp.					
State Assisted Mortgage Bonds	$675.0	-0-	$200.0	$875.0	21.7%
Housing Mortgage Program Bonds	96.2	$ 2.2	-0-	94.0	2.3
Home Mortgage Bonds	200.0	-0-	185.0	385.0	9.6
Second Mortgage Bonds	27.0	-0-	-0-	27.0	0.6
Fairbanks Residential Mortgage	28.3	-0-	-0-	28.3	0.7
TOTAL OTHER STATE-LEVEL DEBT	$1,026.5	$ 2.2	$385.0	$1,409.3	34.9%
TOTAL STATE-LEVEL DEBT	[illegible]	$106.1	$797.8	$4,029.7	100.0%

Table 5.1

Estimated Alaska Municipal Debt

(Millions)

Fiscal Year	Amount of Revenue and G.O. Debt Issued	Amount Outstanding G.O.	Amount Outstanding Rev.	Revenue Debt Outstanding as % of Total
1971	78.7	$230.9	$ 56.3	19.6%
1972	88.9	279.2	81.0	22.5
1973	46.8	319.9	70.3	18.0
1974	85.3	345.1	77.6	16.4
1975	120.2	415.8	94.8	18.6
1976	70.1	452.5	99.4	18.0
1977	220.8	514.1	215.7	29.6
1978	178.2	449.5	277.7	38.2
1979	320.9	731.6	286.3	28.1
1980	250.0	809.4	316.0	28.1
1981	277.7	1,030.2	347.4	25.2
1982	515.0	1,316.2	N/A	N/A

Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances, various years, and Moody's Investors Service, Inc. Municipal Bond Record, 1983.

Table 5.2
State of Alaska
Local Government Debt

City/Borough	General Obligation Debt Outstanding 7-1-82[1]	Revenue-Supported Debt Outstanding[2] 12-31-81	Moody's Rating[3]
North Slope	$587,400,000	-0-	A
Anchorage	261,010,000	$236,660,000	A1/Baa
Kenai Peninsula	98,999,603	-0-	A
Valdez	84,460,000	9,200,000	A
Fairbanks North Star	83,158,350	35,000,000	A/Aa
Matanuska-Susitna	65,218,090	-0-	A
Juneau	27,904,000	146,000	Baa1
Kodiak Island	20,042,372	-0-	Baa1
Sitka	17,486,200	5,168,000	Baa1
Ketchikan Gateway	14,495,000	-0-	Baa1
Fairbanks	11,915,000	36,400,000	A
Ketchikan City	8,110,000	12,567,000	Baa1/Baa
Bristol Bay	3,895,000	-0-	NR
Kenai	3,695,000	280,000	NR
Palmer City	3,629,401	-0-	NR
Unalaska	3,500,000	456,000	NR
Kodiak City	3,250,000	4,295,000	Baa
Petersburg	2,995,000	2,526,000	Baa1
Homer City	2,877,000	1,096,000	Baa
Nenana	2,725,000	-0-	NR
Wrangell	2,578,000	612,000	NR
Skagway	1,826,325	-0-	NR
Cordova	1,673,200	1,611,000	NR
Haines	923,310	-0-	NR
Haines City	805,000	-0-	NR
Bethel	585,000	-0-	NR
Nome	507,872	960,000	NR
Seldovia	430,000	55,000	NR
Dillingham	73,000	231,000	NR
Craig	37,498	93,000	NR
Totals	$1,316,294,221	$347,356,000	

NOTES: 1. From Department of Community and Regional Affairs, Alaska Taxable 1982.

2. From Moody's Investors Service, Moody's Municipal and Government Manual 1983, and Department of Community and Regional Affairs.

3. When two ratings are given, the first applies to general obligation debt, and the second to the majority of revenue bonds.

NR = Not Rated.

Table 5.3

Municipal Debt Ratios

City/Borough(population)	G.O. Debt Per Capita	Debt as % of Assessed Value
North Slope *	$77,781	7.10%
Anchorage *****	1,278	2.46
Kenai Peninsula ***	3,064	4.45
Valdez *	22,864	4.97
Fairbanks North Star ****	1,146	2.78
Matanuska-Susitna ***	2,508	5.42
Juneau **	1,267	2.69
Kodiak Island **	1,576	4.58
Sitka *	2,127	4.15
Ketchikan Gateway **	1,166	2.17
Fairbanks ***	463	1.12
Ketchikan City *	1,043	2.58
Bristol Bay *	3,064	4.45
Kenai *	706	1.80
Palmer City	1,438	3.93
Unalaska *	1,821	4.76
Kodiak City *	553	1.00
Petersburg *	985	2.32
Homer City *	993	1.85
Nenana *	5,046	30.39
Wrangell *	1,085	2.94
Skagway *	2,312	3.21
Cordova *	747	1.44
Haines *	499	1.30
Haines City *	746	0.23
Bethel *	159	0.41
Nome *	148	0.32
Seldovia *	590	2.26
Dillingham *	40	0.11
Craig *	62	0.17
Statewide Average	$ 4,648	3.75%

Moody's Local Debt Medians

	Population		
*****	200-300,000	361	2.1%
****	50-100,000	391	1.8
***	25-50,000	289	1.9
**	10-25,000	422	2.7
*	Under 10,000	600	3.2

Source: Department of Community and Regional Affairs, Alaska Taxable, Fiscal year 1982.

Table 5.3

State of Alaska
School Debt Outstanding
(as of April 1, 1983)

School District	Amount	Moody's Rating
A) Public Offerings[1]		
North Slope Borough	$197,235,000	A
Greater Anchorage Area Borough	138,665,000	A1
Fairbanks North Star Borough	101,475,000	A
Kenai Peninsula Borough	56,938,000	A
Matanuska-Susitna Borough	37,995,000	A
Valdez	27,685,000	A
City and Borough of Juneau	3,325,000	Baa1
Petersburg	2,995,000	Baa1
Greater Sitka Borough	1,560,000	Baa1
Kodiak Island Borough	375,000	Baa1
Ketchikan Gateway Borough	345,000	Baa1
	$568,593,000	
B) School Bonds Issued Through Bond Bank[2]		
City and Borough of Juneau	$ 35,205,000	Baa1
Matanuska-Susitna Borough	22,610,000	A
Kodiak Island Borough	11,810,000	Baa1
Bristol Bay Borough	3,785,000	Unrated
City of Wrangell	1,405,000	Unrated
City of Unalaska	975,000	Unrated
	$ 75,790,000	
Total School Debt Outstanding	$644,383,000	

NOTES: 1) Data through fiscal year 1981 from Moody's Municipal and Government Manual 1983, Moody's Investors Service. Fiscal Year 1981 to date from Public Securities Association data base.

2) Data from Mary J. Hughes, Foster & Marshall/American Express, Inc., Seattle, WA.

Table 7.4

Total Outstanding State General Obligation Debt Per $1,000 of Personal Income (1974-75 to 1980-81)[a]

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	$5.30	$5.13	$5.32	$5.61	$4.70	$4.43	$3.73
Alaska	110.75	109.78	122.12	136.54	146.81	123.00	123.66
Arizona	--	--	--	--	--	--	--
Arkansas	--	--	--	--	--	--	--
California	39.72	35.71	32.48	29.29	26.41	24.34	21.44
Colorado	--	--	--	--	--	--	--
Connecticut	102.72	105.12	95.26	83.94	71.29	59.91	57.62
Delaware	112.76	136.78	91.68	84.00	75.87	65.19	61.34
Florida	3.65	4.13	7.46	9.39	8.32	6.98	11.48
Georgia	5.19	11.71	11.93	14.62	12.64	12.38	10.63
Hawaii	139.61	165.99	165.95	173.02	154.94	145.14	123.01
Idaho	.29	.24	.20	.16	.13	.10	.08
Illinois	12.67	16.51	17.93	21.44	21.99	21.68	21.62
Indiana	--	--	--	--	--	--	--
Iowa	.15	.07	--	--	--	--	--
Kansas	--	--	--	--	--	1.18	1.08
Kentucky	21.88	18.65	16.06	13.77	11.63	10.08	8.56
Louisiana	38.92	45.54	54.52	54.81	53.86	53.54	58.88
Maine	54.46	47.89	43.20	38.79	33.30	28.51	26.93
Maryland	52.57	58.68	65.35	61.23	54.26	47.96	45.28
Massachusetts	55.65	77.74	76.57	70.16	64.12	55.86	51.54
Michigan	8.87	9.35	10.68	9.15	7.40	7.33	6.76
Minnesota	26.62	24.24	26.16	25.97	23.66	22.56	20.82
Mississippi	53.68	62.11	59.48	89.59	50.73	45.25	39.38
Missouri	2.22	1.84	2.48	2.05	1.64	1.44	1.71
Montana	--	1.69	1.57	1.24	1.08	.97	.83
Nebraska	--	--	--	--	--	--	--
Nevada	8.08	7.52	6.87	10.88	14.84	12.43	10.67
New Hampshire	31.31	34.80	39.40	37.29	35.59	29.95	35.33
New Jersey	30.78	28.19	28.62	26.62	25.41	22.96	21.24
New Mexico	3.87	2.77	3.55	2.34	2.02	2.26	2.04
New York	31.72	28.40	27.61	26.86	25.42	20.93	19.97
North Carolina	15.02	18.85	19.31	15.90	15.79	15.87	14.83
North Dakota	4.39	4.23	3.80	2.77	2.32	1.98	1.49
Ohio	27.66	28.26	26.08	24.92	24.06	22.38	21.26
Oklahoma	12.98	11.28	9.59	11.63	9.54	7.15	5.31
Oregon	125.79	132.13	141.49	152.29	161.87	183.91	207.35
Pennsylvania	43.71	45.53	46.49	42.47	38.39	34.51	31.66
Rhode Island	51.47	47.40	42.74	39.06	34.49	27.89	23.39
South Carolina	36.50	33.30	30.74	32.18	27.31	22.06	19.87
South Dakota	--	--	--	--	--	--	--
Tennessee	23.66	25.27	27.56	26.02	21.81	18.33	17.20
Texas	10.52	10.54	10.01	8.68	7.45	6.67	5.54
Utah	4.20	13.33	11.11	9.16	10.04	7.90	7.01
Vermont	109.60	97.66	89.63	73.31	68.92	59.38	60.53
Virginia	1.81	1.46	1.14	.88	.65	.47	4.10
Washington	18.19	16.10	39.88	35.50	32.75	30.99	29.65
West Virginia	75.88	74.08	77.03	70.70	82.48	60.69	56.60
Wisconsin	23.80	31.70	37.99	40.36	40.16	38.65	36.17
Wyoming	--	--	--	--	--	--	--
Total U.S.	$26.79	$27.71	$27.98	$26.96	$24.90	$22.82	$21.86

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. State general obligation debt is defined as all state-guaranteed debt for which states pledge their full faith and credit. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

Table 7.5

**Total Outstanding State General Obligation and Revenue Bond Debt
Per $1,000 of Personal Income
(1974-75 to 1980-81)[a]**

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	$53.08	$51.57	$47.45	$42.12	$39.92	$35.36	$40.99
Alaska	200.29	196.31	211.19	258.67	298.34	300.73	423.42
Arizona	7.31	6.83	6.81	5.59	4.59	3.92	5.13
Arkansas	12.74	12.23	11.83	13.02	15.93	21.78	25.55
California	45.78	41.07	38.39	35.57	33.60	32.22	31.14
Colorado	7.94	7.38	10.33	14.11	16.73	15.86	21.44
Connecticut	138.06	133.55	125.56	117.73	111.73	106.25	109.83
Delaware	156.15	177.88	166.60	155.93	155.87	169.23	160.21
Florida	33.66	33.55	34.47	35.46	35.02	29.62	27.20
Georgia	45.65	46.10	41.03	38.41	34.78	31.77	27.68
Hawaii	200.77	208.25	211.63	219.25	195.65	190.71	171.26
Idaho	9.07	8.11	4.09	20.83	31.74	42.92	44.19
Illinois	36.59	40.48	44.53	51.34	51.70	52.12	52.16
Indiana	20.44	17.86	15.85	14.45	12.67	12.35	19.27
Iowa	7.34	6.87	6.11	9.68	14.75	13.94	14.45
Kansas	22.14	27.03	24.36	22.49	21.21	18.53	16.31
Kentucky	119.10	107.44	98.92	114.31	109.37	108.64	98.20
Louisiana	65.56	68.70	74.31	75.33	85.04	83.52	85.09
Maine	90.26	91.83	88.66	98.93	87.69	81.69	86.20
Maryland	78.50	86.33	96.48	106.86	92.91	79.22	81.38
Massachusetts	110.09	128.84	123.52	110.14	104.72	99.34	97.79
Michigan	30.50	30.69	28.18	27.73	28.99	31.58	34.95
Minnesota	37.92	40.77	43.35	55.73	51.98	52.08	54.36
Mississippi	63.96	71.53	66.58	95.41	55.39	49.02	42.35
Missouri	10.63	11.75	13.83	15.65	17.68	22.99	28.00
Montana	20.03	19.44	21.52	24.15	23.60	45.98	40.65
Nebraska	7.39	6.65	5.61	4.69	3.89	13.53	15.07
Nevada	13.04	11.69	10.33	38.91	46.62	61.41	56.70
New Hampshire	55.83	60.36	63.92	64.69	99.23	106.66	111.10
New Jersey	78.02	74.26	68.98	73.21	74.82	80.85	84.87
New Mexico	27.42	29.59	30.11	42.65	56.13	69.26	67.31
New York	123.95	162.61	148.73	152.90	142.19	130.86	122.17
North Carolina	22.90	23.68	24.64	21.06	26.85	27.49	26.24
North Dakota	16.11	18.32	16.94	16.24	24.00	38.31	31.52
Ohio	42.56	43.98	41.99	40.75	39.85	39.20	42.41
Oklahoma	65.69	59.06	51.52	53.04	62.42	55.19	54.55
Oregon	125.79	132.13	142.61	158.26	170.74	198.73	222.42
Pennsylvania	77.12	77.59	77.12	71.95	63.48	56.57	51.42
Rhode Island	86.15	86.94	99.93	121.05	146.82	163.02	178.29
South Carolina	70.88	71.09	80.20	96.66	78.33	85.24	96.91
South Dakota	19.39	26.28	57.27	83.73	112.04	132.08	114.48
Tennessee	38.17	41.94	47.93	48.53	43.24	39.58	37.81
Texas	28.26	26.56	24.01	20.98	19.64	18.13	16.74
Utah	14.93	22.56	19.03	33.25	39.42	47.94	45.83
Vermont	196.26	161.80	161.07	145.06	142.12	163.01	149.74
Virginia	23.85	22.15	24.36	31.25	36.97	38.27	38.11
Washington	56.43	48.61	50.31	44.03	39.83	37.50	37.71
West Virginia	119.17	116.88	119.79	113.28	117.39	119.17	112.70
Wisconsin	39.10	48.06	52.87	56.32	55.38	55.47	54.45
Wyoming	33.21	28.08	23.68	27.25	48.60	70.44	78.51
Total U.S.	$57.27	$60.85	$58.81	$59.71	$57.61	$56.39	$56.06

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

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Table 7.14
Alaska State General Obligation Debt
Projected Ratio of Debt
Service to General Fund Revenues

Fiscal Year	Unrestricted General Fund Revenue (1) (millions)	Debt Service Committed as of Dec. 1982 (millions)	Debt Service Commitment as % of Unrestricted General Fund Revenue
1983	$3542	$143.6	4.05%
1984	2737	163.4	5.97
1985	2772	156.2	5.63
1986	2838	150.6	5.31
1987	2960	142.8	4.82
1988	2871	136.3	4.75
1989	3065	124.5	4.06
1990	2946	109.8	3.73
1991	2704	85.6	3.17
1992	2631	58.9	2.24
1993	2519	50.9	2.02
1994	2423	25.8	1.06
1995	2359	23.1	0.98
1996	2206	21.5	0.97
1997	2230	16.7	0.75
1998	2261	14.4	0.64
1999	2259	9.1	0.40
2000	2268	2.6	0.11

(1) March, 1983, 30th percentile projections of The Department of Revenue.

Table 7.15

Alaska State General Obligation Debt

Future Debt Capacity
Debt Service at 5 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue[1]	(2) Available for Debt Service[2]	(3) Debt Service Committed as of Dec. 1982	(4) Debt Service on future Borrowing[3]	(5) Additional Debt Service Capacity	(6) Future G.C Debt Capacity[4]	
1983	3542	-	143.6	-	0	0	
1984	2737	137	163.4	-	0	0	
1985	2772	139	156.2	-	0	0	
1986	2838	142	150.6	-	0	0	
1987	2960	148	142.8	-	5.2	35	
1988	2871	144	136.3	5.2	2.5	17	252
1989	3065	153	124.5	7.7	20.8	141	
1990	2946	147	109.8	28.5	8.7	59	
1991	2704	135	85.6	37.2	12.2	83	
1992	2631	132	58.9	49.4	23.7	161	
1993	2519	126	50.9	73.1	2.0	14	349
1994	2423	121	25.8	75.1	13.4	91	
1995	2359	118	23.1	88.5	0	0	
1996	2206	110	21.5	88.5	0	0	
1997	2230	111	16.7	83.3	11.0	75	
1998	2261	113	14.4	91.8	6.8	46	401
1999	2259	113	9.1	77.8	26.1	177	
2000	2268	113	2.6	95.2	15.2	103	
					1476	1002	

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1 March 1983, 30th percentile projections of the Department of Revenue.

2 5 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.0 percent (AA-rated) level amortization debt service constant is .1472 (e.g., column 5 ÷ .1472 = column 6).

Table 7.16

Alaska State General Obligation Bonds

Future Debt Capacity
Debt Service at 10 Percent of
General Fund Revenues
(millions)

Fiscal Year	(1) Unrestricted General Fund Revenue[1]	(2) Available for Debt Service[2]	(3) Debt Service Committed as Dec. 1982	(4) Debt Service on future Borrowing[3]	(5) Additional Debt Service Capacity	(6) Future G.O. Debt Capacity[4]	
1983	3542	354	143.6	0	0	0	
1984	2737	274	163.4	0	110.6	729	
1985	2772	277	156.2	110.6	10.2	67	
1896	2838	284	150.6	120.8	12.6	83	1215
1987	2960	296	142.8	133.4	17.3	114	
1988	2871	287	136.3	150.7	0	0	
1989	3065	306	124.5	150.7	30.8	203	
1990	2946	295	109.8	181.5	2.9	19	
1991	2704	270	85.6	184.4	0	0	
1992	2631	263	58.9	184.4	16.7	110	
1993	2519	252	50.9	201.1	0	0	
1994	2423	242	25.8	201.1	15.1	99	395
1995	2359	236	23.1	212.9	104.1	686	
1996	2206	221	21.5	199.5	0	0	
1997	2230	223	16.7	186.9	19.4	128	
1998	2261	226	14.4	189.0	22.6	149	
1999	2259	226	9.1	211.6	5.3	35	564
2000	2268	227	2.6	186.1	38.3	252	
					4,059	2,674	

1 March 1983, 30th percentile projections of the Department of Revenue.

2 10 percent of column 1.

3 Assumes that debt equal to full capacity (column 6) is issued.

4 10-year bonds at 8.7 percent (A-rated), level amortization debt service constant .1518 (e.g., column 5 ÷ .1518 = column 6).