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Governor Michael J. Dunleavy
STATE OF ALASKA

February 12, 2019

The Honorable Cathy Giessel
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Dear President Giessel:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill that repeals three statutes which provide for annual reimbursement by the state for debt and financing costs associated with certain capital construction projects.

The statutes I propose for repeal are AS 14.40.257 Reimbursement of Capital Costs for University of Alaska Projects; AS 29.60.700 Reimbursement of Capital Costs for Municipal Projects; and AS 42.45.065 Reimbursement of Capital Costs for Costs of Power Projects.

To bring forth a budget that builds on core functions that impact a majority of Alaskans, each program offered by the state was examined for its value in building a sustainable, predictable, and affordable budget. Each statute that is proposed for repeal in this bill provided for reimbursement "subject to appropriations," and it is apparent that continued appropriations for these projects are not sustainable by the state. For transparency and budget planning by municipalities, and the University of Alaska, the better course is to repeal these statutes effective July 1, 2019.

I urge your prompt and favorable action on this measure.

Sincerely,

Michael J. Dunleavy
Governor

Enclosure

SENATE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act repealing statutes providing for reimbursement for costs of University of Alaska capital projects, municipal capital projects, and power projects; and providing for an effective date."

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

*** Section 1.** AS 14.40.257; AS 29.60.700; and AS 42.45.065 are repealed.

*** Sec. 2.** This Act takes effect July 1, 2019.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 32
Fiscal Note Number:
() Publish Date:

Identifier: LL0118-DCCED-DCRA-02-11-19
Title: Reimbursement Capital Costs; Repeal
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Commerce, Community and Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 02.13.19 Governor's FY2020 request.

Prepared By: Sandra Moller, Director — Phone: (907)269-4569
Division: Community and Regional Affairs — Date: 02/11/2019 05:00 PM
Approved By: April A. Wilkerson, Administrative Services Director — Date: 02/11/19
Agency: Office of Management and Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. LL0118

Analysis

This bill would repeal three statutes which provide for state reimbursement of capital costs: AS 14.40.257 (reimbursement of capital costs for University of Alaska projects); AS 29.60.700 (reimbursement of capital costs for municipal projects) and AS 42.45.065 (reimbursement of capital costs for costs of power projects).

The Division of Community and Regional Affairs does not anticipate fiscal impact from this legislation.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 35
Fiscal Note Number:
() Publish Date:

Identifier: 20192001181-DOR-TRSY-2-12-2019
Title: Reimbursement Capital Costs; Repeal
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? no

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 2-13-19 Governor's FY2020 request.

Prepared By: Deven Mitchell, Debt Manager — Phone: (907)465-3750
Division: Treasury — Date: 02/12/2019 12:00 PM
Approved By: Brad Ewing, Administrative Services Director — Date: 02/12/19
Agency: Office of Management and Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. 0

Analysis

The legislation discontinues state reimbursement of University, municipalities, or power generation entities annual debt payments. The reimbursement practice was established in 2002 when House Bill 528 became law. The statute authorized the State to reimburse debt payments, dependent on appropriation by the Legislature. The borrowing entities pledged either a revenue pledge credit or general obligation credit to secure bonds or loans. The entities also acknowledged that State reimbursement payments were subject to appropriation and did not constitute a credit pledge of the State. Accordingly, the State's credit does not secure these entities' debt and the State's credit rating will not be impacted by a discontinuation of the state debt reimbursements.

Fiscal Note

State of Alaska
2019 Legislative Session

Bill Version: GB 36
Fiscal Note Number:
() Publish Date:

Identifier: LL0118-DOT-COM-2-12-19
Title: Reimbursement Capital Costs; Repeal
Sponsor: Rules by Request of the Governor
Requester: Governor

Department: Department of Transportation and Public Facilities
Appropriation: Administration and Support
Allocation: Commissioner's Office
OMB Component Number: 530

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2020 Appropriation Requested	Included in Governor's FY2020 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2020**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimated SUPPLEMENTAL (FY2019) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2020) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version based on the 02.13.19 Governor's FY2020 request.

Prepared By: Mike Lesmann, Legislative Liaison — Phone: (907)465-4772
Division: Commissioner's Office — Date: 02/12/2019 02:00 PM
Approved By: Anne Zenger, Administrative Services Director — Date: 02/12/19
Agency: Office of Management & Budget

STATE OF ALASKA
2019 LEGISLATIVE SESSION

BILL NO. 0

Analysis

This proposal would repeal AS 29.60.700, thus removing on-going debt service obligation to the State of Alaska and eliminating all future funding for reimbursement of capital costs for municipal projects effective July 1, 2019.

The savings to the general fund per community/project in FY2020 would be as follows:

Matanuska-Susitna Borough (deep water port and road upgrade)	$712,513
Aleutians East Borough/False Pass (small boat harbor)	$166,400
City of Valdez (harbor renovations)	$210,375
Aleutians East Borough/Akutan (small boat harbor)	$215,308
Fairbanks North Star Borough (Eielson AFB schools, major maintenance)	$333,193
City of Unalaska (Little South America Harbor)	$365,695
TOTAL	**$2,003,484**

(Revised 9/05/18 OMB/LFD)