

ALASKA STATE LEGISLATURE

SESSION

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SENATOR BERT K. STEDMAN

SPONSOR STATEMENT Senate Bill 265

“An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date.”

Senate Bill 265 seeks to increase the bond authority of the Municipal Bond Bank from \$500,000,000 to \$750,000,000.

The Alaska Municipal Bond Bank was statutorily created to offer Alaskan communities more efficient and cost effective bonds. By pooling communities together in packaged bond sales, the Bond Bank realizes savings for communities by reducing the cost of issuance and enhancing underwriter interest. Thirty-five communities representing every region of the state use the Bond Bank. Over the last three years alone, the Bond Bank has issued over \$298 million in bonds to fund 37 loans to Alaskan communities and saved Alaskans over \$25 million.

The Bond Bank results in real financial benefits to municipalities and the state by lowering the overhead costs of bond issuances: **(1) Fixed costs are reduced.** For example, when three communities combine their bond issuance into one combined Bond Bank issue, fixed costs are paid once as opposed to each community paying them individually; **(2) Investor interest is increased.** Bond sales of less than \$5 million tend to receive less interest from underwriting firms. The Bond Bank combines communities into larger transactions resulting in more investor interest; **(3) Credit rating is improved.** The Bond Bank also maintains a credit rating that is better than almost all the communities in Alaska. A better credit rating means less risk to investors correlating to less interest expense to municipalities. The state also realizes savings in reimbursement costs for its share of bonded debt service.

The Bond Bank bonding authority has been increased several times in the last thirty years. Most recently, in 2003, the limit increased from \$300 million to \$500 million. As of February 2006 the Bond Bank had \$449,985,878 in outstanding bonds. Thus, only \$50,014,122 is available for additional loans to communities. Applications to the Bond Bank over the next six months will total approximately \$80 million. Without passage of SB 265, municipalities will not be able to take advantage of the program. This is important legislation for our communities and the state. I ask for your support in seeing swift passage of this bill.

Contact: Miles Baker, Aide to Senator Bert Stedman at (907) 465-3873

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