

Fund Source Report

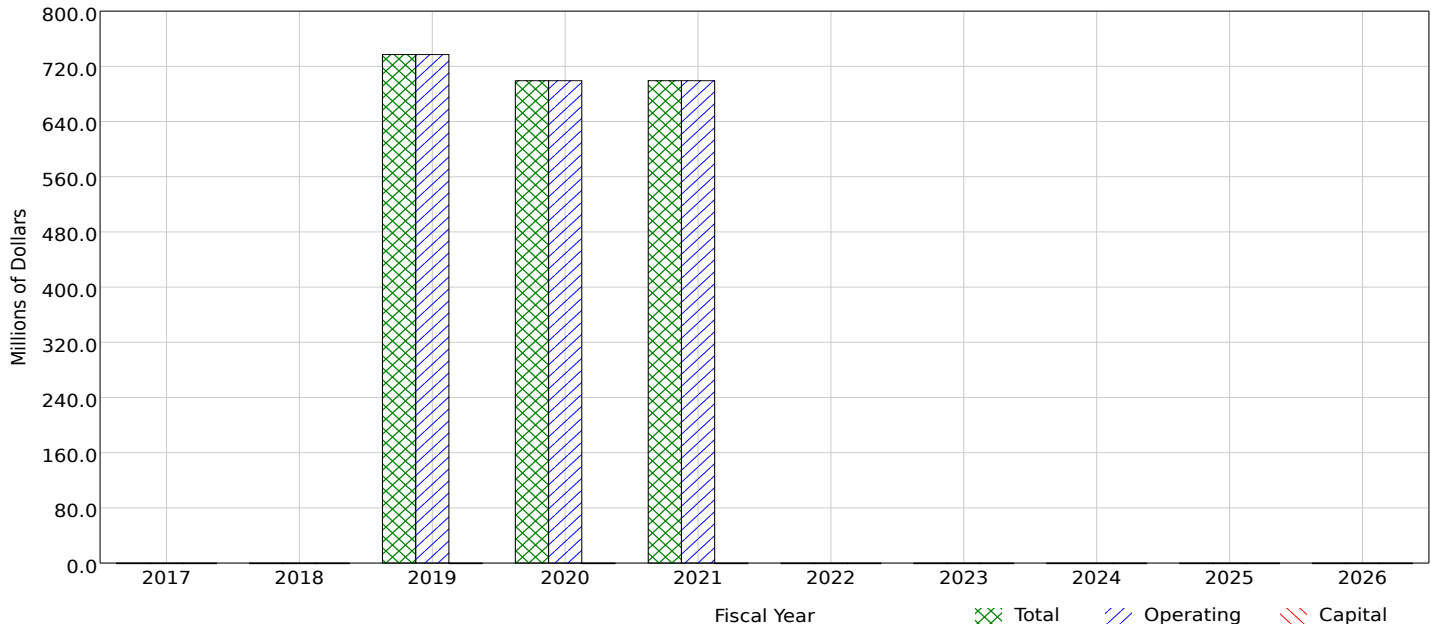
1253

STA Bonds

Bonds subject to appropriation

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
2019	2021	Yes	No	Yes	Bonds / Debt Service

Operating and Capital Appropriations



Legal Authority

AS 37.18.030

Source of Revenue

Sale of bonds issued by the Alaska Tax Credit Certificate Bond Corporation

Restrictions on Use

Proceeds are to be used to purchase transferable and production oil and gas tax credit certificates per AS 37.18.010. Bonds may not be issued after December 31, 2021 nor exceed a total of \$1 billion. Bonds may not be issued unless the discount rate exceeds the interest rate on the bonds by at least 1.5 percent.

Description and History

As an alternative to traditional capitalization of the oil and gas tax credit fund (which may be used to purchase credit certificates with no further appropriation) Chapter, 33, SLA 2018 (HB 331) created a State corporation for the purpose of selling bonds. Under HB 331, bond proceeds can be appropriated to the Department of Revenue in order to purchase credits at a discount. The Department of Revenue represented the process as approximately neutral in fiscal terms; the net present value of the discount is intended to approximately equal the net present value of interest payments on the bonds.

The bill was accompanied by contingent appropriations:

- 1) if the department is unable to issue bonds, \$100 million UGF is appropriated to the oil and gas tax credit fund for traditional credit purchases
- 2) if bonds are issued, up to \$100 million UGF is appropriated to the oil and gas tax credit fund for the purpose of purchasing certificates from holders that choose to opt out of the accelerated purchase program initiated by HB 331.

This code may be a single purpose code, but it can also be used for similar circumstances (uncollateralized bonds with debt service subject to appropriation) in the future. Appropriation of bond proceeds does not increase the unduplicated level of spending--debt service on the bonds will show as annual costs in the years debt service is paid.

A law suit challenging the constitutionality of issuing bonds was initiated before the bill was signed by the Governor.