

**2017 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between 18Gov and 18GovAmd**

Numbers and Language Differences Agencies: Debt Serv

Agency: Debt Service

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Debt Service													
International Airport Revenue Bonds													
L	GA 43 2/15 FY2018 Payments	18GovAmd Inc	27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0
	<p>The amount for FY2018 debt service was not finalized until after the submission of the FY2018 Governor's budget. This amendment adds an appropriation for early redemption and reduces the amount to be paid for normal debt service. A supplemental to change the amount of early redemption has also been submitted for FY2017.</p> <p>Amend FY2018 Payments :</p> <p>The following amounts are appropriated to the state bond committee from the specified sources, and for the stated purposes, for the fiscal year ending June 30, 2018:</p> <p>(1) the amount necessary for debt service on outstanding international airports revenue bonds, estimated to be \$5,200,000, from the collection of passenger facility charges approved by the Federal Aviation Administration at the Alaska international airports system;</p> <p>(2) the amount necessary for debt service and trustee fees on outstanding international airports revenue bonds, estimated to be \$398,820, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bonds federal interest subsidy payments due on the series 2010D general airport revenue bonds;</p> <p>(3) the amount necessary for payment of debt service and trustee fees on outstanding international airports revenue bonds, after payments made in (1) and (2) of this subsection, estimated to be \$34,426,661 [\$39,819,394], from the International Airports Revenue Fund (AS 37.15.430(a)) for that purpose.</p> <p>new</p> <p>(4) The amount estimated to be \$33,080,000, from the International Airports Revenue Fund (AS 37.15.430(a)), for the payment of principal and interest, redemption premium, and trustee fees, if any, associated with the early redemption of international airports revenue bonds authorized by AS 37.15.410 -- 37.15.550;</p> <p>Several years ago, the Alaska International Airports System (AIAS), comprised of the Ted Stevens Anchorage and Fairbanks International Airports, developed a plan to reduce and modify elements of its General Airport Revenue Bonds long-term debt program. These modifications were deemed to better position the system to continue its significant contribution to the State's economy by retaining and gaining airline market share, especially trans-Pacific Cargo Airline Freighter business, in the face of historic and potential future unfavorable market conditions.</p> <p>In addition to having executed several refunding transactions to take advantage of favorable changes in long-term debt interest rates, a series of potential optional bond redemptions were identified which provide significant average annual debt service requirement reductions and lower average annual airline rates and fees. These optional bond redemptions have been and will continue to be funded from projected International Airport Revenue Fund surplus (i.e. generated from airline rates and fees charges developed in consultation with airline customers, not from the general fund).</p>												
L	GA 44 2/15 International Airport General Fund	18GovAmd Lang	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
	<p>1027 IntAirport (Other) 27,687.3</p> <p>Borrowing Appropriation</p> <p>This language addresses a cash-flow deficiency related to federal international airport projects. Similar language will be added to the FY2017 Governor's amended supplemental budget.</p> <p>An amount sufficient to temporarily pay International Airports System project expenditures that are Federal</p>												

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Debt Service (continued)													
International Airport Revenue Bonds (continued)													
GA 44 2/15 International Airport General Fund													
Borrowing Appropriation (continued)													
<p>Aviation Administration Airport Improvement Program (FAA AIP) approved grant reimbursable, contingent on repayment to the general fund as soon as the FAA AIP grant proceeds have been received by the state, plus interest calculated for each month's average monthly balance from International Airport System funds. Monthly Interest calculation shall be the grater of the amount calculated in AS 09.30.070(a) or the prior fiscal year average monthly earnings rate for the General Fund and Other Non-segregated Funds pool of investments as reported by treasury division for each month balances are owed to the general fund for the payment of the project costs for the fiscal year ending June 30, 2018.</p> <p>Over \$40 million of Alaska International Airport System (AIAS) projects are annually funded by Federal Aviation Administration reimbursement grants. This means that although the projects are ultimately paid by the federal government, they require cash flow to accomplish. This cash flow has historically been provided by the State's general fund without any appropriation or any cost to the AIAS. With implementation of the State's new accounting system the past practice was determined to lack transparency and structure. Options reviewed to solve this issue were to increase landing fees at the airports, obtain a commercial line of credit from the capital markets, or formalize the relationship with, and use of the general fund. The first option of increasing fees potentially impairs the AIAS's competitiveness for international air cargo traffic. The second option is cumbersome, more expensive due to the size of the need, and requires an increase in the statutory borrowing limit of the AIAS. The formalization of the use of the general fund is easiest to implement, provides the AIAS seamless liquidity, and benefits the general fund through incremental revenue generation. The proposed formal use of the general fund will involve obtaining an appropriation to fund grant projects in advance of federal reimbursement, and to pay an interest rate on the funds used. The current rate of interest AIAS would pay is approximately 3%, which exceeds the current earnings rate of the general fund by over 2%. As the general fund liquidity and investment will not be impacted by the size of the AIAS grant program this represents incremental beneficial revenue for Alaska's general fund. An additional benefit of AIAS paying an interest rate is that AIAS staff will be motivated to ensure FAA grants are reimbursed and closed out in as timely a fashion as possible.</p>													
			27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0
* Allocation Difference *			27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0
** Appropriation Difference **			27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0
*** Agency Difference ***			27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0
**** All Agencies Difference ****			27,687.3	0.0	0.0	0.0	0.0	0.0	0.0	27,687.3	0	0	0

Column Definitions

18Gov (FY18 Governor Request) - Includes FY18 Adjusted Base plus the Governor's operating budget bill requests for increases (increments), decreases (decrements), fund source changes, and language transactions submitted by the Governor on December 15, 2016.

18GovAmd (FY18 Governor Amended) - FY18 Governor's Amended Budget (Includes Governor's Dec 16th budget and the Governor's Amendments submitted on the 30th day).