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Cook
4/16/09

SENATE CS FOR CS FOR HOUSE BILL NO. 172(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; relating to a proposal for a program under which the state repays loans to students for costs of postsecondary education; and providing for an effective date."

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

* **Section 1.** AS 37.10.085(a) is amended to read:

(a) Except as provided in AS 14.40.458, [OR] (c) or (d) of this section, or

AS 37.10.089, neither the state nor a political subdivision of the state may

(1) make a subscription to the capital stock of a corporation;

(2) lend its credit for the use of a corporation; or

(3) borrow money for the use of a corporation.

* **Sec. 2.** AS 37.10 is amended by adding a new section to article 3 to read:

1 **Sec. 37.10.089. Loans to the education loan fund; bond purchase**
2 **agreements and letters of credit.** (a) If the education loan fund (AS 14.42.210) is
3 unable to fully finance loan demand in a fiscal year, the commissioner may invest in
4 the education loan fund for the purpose of financing education loans under
5 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040. The
6 commissioner shall require the corporation to secure the investment of state money.

7 (b) The commissioner may make investments under (a) of this section only
8 when the commissioner determines that market conditions relating to tax-exempt
9 private activity revenue bonds make the issuance of the bonds by the corporation
10 impracticable or uneconomical for the purpose of financing education loans under
11 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040.

12 (c) The corporation shall repay money invested under (a) of this section under
13 terms established by the commissioner and agreed to by the corporation. Except as
14 provided in this section, the terms must be consistent with the duties of a fiduciary set
15 out in AS 37.10.071(c).

16 (d) Notwithstanding any other provision of this section, the commissioner is
17 authorized to enter into an agreement with the corporation to provide a bond purchase
18 agreement and a letter of credit when market conditions relating to those credit
19 enhancement mechanisms are uneconomical. The commissioner may require the
20 corporation to pay the costs associated with providing credit enhancement and may
21 charge the corporation a fee for this service.

22 (e) The commissioner may charge the corporation interest on the investments
23 under (a) of this section. The rate of interest may not exceed the five-year average
24 return on the state's general fund.

25 (f) The commissioner may charge the corporation an annual fee for the
26 services provided under (d) of this section. The annual fee may not exceed 0.15
27 percent of the average principal outstanding and interest covered by the bond purchase
28 agreement and the letter of credit.

29 (g) If a draw on the bond purchase agreement and the letter of credit occurs
30 under this section, the commissioner may charge the corporation an additional annual
31 rate of interest not to exceed three percent on the bonds held under the bond purchase

1 agreement and letter of credit.

2 (h) The term of the investment under (a) of this section may not exceed four
3 years and the commitment under (d) of this section may not exceed four years from
4 the commencement of the initial investment, bond purchase agreement, and letter of
5 credit.

6 (i) The maximum amount of the investment under (a) of this section may not
7 exceed \$100,000,000. The maximum amount of the commitment under (d) of this
8 section may not exceed \$106,000,000.

9 (j) The commissioner may adopt regulations under AS 44.62 to implement
10 this section.

11 (k) In this section,

12 (1) "commissioner" means the commissioner of revenue;

13 (2) "corporation" means the Alaska Student Loan Corporation created
14 under AS 14.42.100.

15 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 PROPOSAL FOR REPAYMENT OF STUDENT LOANS. The Alaska Student Loan
18 Corporation shall develop a proposal for a state program under which the state would repay
19 all or part of loans to students for costs of postsecondary education. The corporation shall
20 submit its proposal to the legislature on January 19, 2010.

21 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).