

Senate Bill 223 Sponsor Statement

Senate Bill 223 will establish an energy efficiency revolving loan fund in the Alaska Housing Finance Corporation and authorize the Corporation to sell up to \$250 million in bonds to fund the program.

The federal ARRA bill appropriated \$28.3 million to Alaska for the State Energy Program. Of that, Governor Parnell recommended spending \$18 million to make energy efficiency improvements to public buildings. Of this, \$10 million would go for energy efficient improvements to state facilities and \$8 million would go for energy efficient improvements to school and municipal facilities.

SB 223 would use this \$18 million to leverage up to \$250 million in bonds to fund the program. The bill also establishes an energy efficiency revolving loan fund in AHFC.

As an example, a municipal government or school district would have an energy audit done on their building. Let's say the building needs \$120,000 to make it more energy efficient and that those improvements would reduce their energy costs by \$20,000 a year. They would take a loan out with AHFC to do the work and then pay the loan back with the funds available due to the savings achieved through the energy efficiency improvements. After the loan is paid back those funds would be available to that government for other purposes or to reduce the size of its budget. This would result in less energy used by public buildings as well as ultimately saving public money.

This type of program has proven to be successful in other states as well as by the Alaska state Department of Transportation and Public Facilities.



SENATE BILL NO. 223

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/19/10

Referred: Senate Special Committee on Energy, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing and relating to the issuance of bonds by the Alaska Housing**
2 **Finance Corporation; establishing the Alaska energy efficiency revolving loan fund and**
3 **relating to the fund; authorizing municipalities and the State of Alaska to borrow money**
4 **from the Alaska Housing Finance Corporation for the purposes of the Alaska energy**
5 **efficiency revolving loan fund; and providing for an effective date."**

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

7 * **Section 1.** AS 18.56 is amended by adding new sections to read:

8 **Sec. 18.56.855. Alaska energy efficiency revolving loan fund.** (a) There is
9 established in the corporation the Alaska energy efficiency revolving loan fund to
10 carry out the purposes of AS 18.56.855 - 18.56.860. The revolving loan fund consists
11 of money or assets appropriated or transferred to the corporation for the revolving loan
12 fund, including money and assets deposited in the revolving loan fund by the
13 corporation and earnings on investments of money held in the revolving loan fund.

1 The corporation may establish separate accounts in the fund. The corporation shall
2 establish the interest rates, security provisions, and other terms of a loan made under
3 this section taking into consideration the corporation's cost of funds and other factors
4 the corporation considers appropriate.

5 (b) Money and other assets of the Alaska energy efficiency revolving loan
6 fund may be used to

7 (1) make loans to municipal governments, including subdivisions of
8 municipal governments, or to the state for the purpose of financing energy efficiency
9 improvements to buildings owned by the state or by municipalities in the state;

10 (2) secure bonds issued by the corporation to finance the loans
11 described in (1) of this subsection;

12 (3) pay costs of administering the revolving loan fund; and

13 (4) pay the costs of administering and enforcing the terms of loans
14 made by the corporation from the revolving loan fund.

15 (c) Before a municipal government, or a subdivision of a municipal
16 government, may borrow money from the corporation under this section, the
17 municipal government shall waive any sovereign immunity defense it may have
18 available to it with respect to enforcement of the terms of the loan. A municipal
19 government may waive sovereign immunity to comply with the requirement of this
20 subsection. The state waives any sovereign immunity defense against enforcement of
21 the terms of a loan made to the state under this section. A person or corporation having
22 a claim under this section shall bring an action in a state court in Alaska that has
23 jurisdiction over the claim.

24 (d) All municipal governments within the state are authorized to borrow from
25 the corporation under this section. At the discretion of the corporation, a borrowing by
26 a municipal government under this section may be effected by use of a loan agreement
27 or similar document evidencing and setting out the terms of the loan or by issuance of
28 a bond by the municipal government to the corporation. Notwithstanding a charter
29 provision requiring public sale by a municipality of its municipal bonds or other
30 indebtedness, a municipality may sell its bonds under this section to the corporation at
31 a negotiated, private sale. At the discretion of the corporation, the bonds or other

1 indebtedness of the municipality may be general obligations of the municipality or
2 may be secured by an identified revenue source or may be secured by a combination
3 of the full faith and credit of the municipality and an identified revenue source.

4 (e) Notwithstanding any other provision of law, to the extent that any
5 department or agency of the state is the custodian of money payable to a municipality,
6 at any time after written notice to the department or agency head from the corporation
7 that the municipality is in default on the payment of principal or interest on municipal
8 bonds or other indebtedness then held or owned by the corporation, or amounts due
9 under an agreement between the corporation and a municipality, the department or
10 agency shall withhold the payment of that money from that municipality and pay over
11 the money to the corporation for the purpose of paying principal of and interest on the
12 bonds or indebtedness. The notice must be given in each instance of default. If a notice
13 is given under this subsection and under AS 44.85.150 and the default is continuing
14 under this subsection and under AS 44.85.150, the department or agency shall make
15 payment to the corporation and to the Alaska municipal bond bank authority on a pro
16 rata basis taking into consideration the principal amount of the respective default
17 amounts.

18 (f) An authorized state officer may borrow from the corporation under this
19 section for buildings owned by the state.

20 (g) In addition to other security that may be given with respect to a loan made
21 under this section, the corporation may require a deed of trust on the building that is
22 the subject of the energy efficiency loan and the real estate on which the building is
23 located. A municipality may grant a deed of trust to the corporation as needed for this
24 purpose. The authorized state officer may grant a deed of trust to the corporation as
25 needed for this purpose.

26 (h) This section applies to home rule municipalities.

27 (i) In this section, "authorized state officer" means

28 (1) the commissioner of the department of the state for a building
29 owned by the state;

30 (2) the executive director of a public corporation for a building owned
31 by the public corporation;

- 1 (3) the legislative council for a building owned by the legislature;
 2 (4) the administrative director of courts for a building owned by the
 3 judicial system;
 4 (5) any other person designated in writing by a person listed in (1) - (4)
 5 of this subsection.

6 **Sec. 18.56.860. Administration.** The corporation shall administer the Alaska
 7 energy efficiency revolving loan fund in accordance with regulations adopted by the
 8 corporation. The corporation may adopt regulations under AS 18.56.088 to carry out
 9 the purposes of AS 18.56.855 - 18.56.860.

10 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
 11 read:

12 BOND AUTHORIZATION AND PROVISIONS. (a) In addition to the powers in
 13 AS 18.56.090, the Alaska Housing Finance Corporation may issue bonds in an amount not to
 14 exceed \$250,000,000 to make loans from the energy efficiency revolving loan fund
 15 established by AS 18.56.855, enacted by sec. 1 of this Act, for energy efficiency
 16 improvements to state and municipal buildings in the state and to finance the other purposes
 17 permitted by AS 18.56.855, enacted by sec. 1 of this Act. AS 18.56.110 - 18.56.190 and
 18 18.56.855 - 18.56.860, enacted by sec. 1 of this Act, apply to bonds issued under this section,
 19 except that bonds issued under this section are not subject to, and may not be counted against,
 20 the bond issuance limitation set out in AS 18.56.110(g).

21 (b) The Alaska Housing Finance Corporation shall deposit the proceeds of bonds
 22 issued under (a) of this section in the Alaska energy efficiency revolving loan fund in
 23 accordance with AS 18.56.855, enacted by sec. 1 of this Act.

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

26 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the
 27 heading of art. 6 of AS 18.56 from "Article 6. Energy Conservation" to "Article 6. Energy
 28 Efficiency and Conservation Programs."

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

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 223
 (S) Publish Date: 1/19/10

Identifier (file name): 0903-DOR-AHFC-1-6-10
 Title: AHFC Energy Efficiency Bonds/Revolving Loan
 Sponsor: Rules
 Requester: Request of Governor
 Dept. Affected: Revenue
 RDU: Alaska Housing Finance Corp.
 Component: Operations
 Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| | Appropriation Required | Information | | | | | |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|
| | | FY 2011 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| OPERATING EXPENDITURES | | | | | | | |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Contractual | | | | | | | |
| Supplies | | | | | | | |
| Equipment | | | | | | | |
| Land & Structures | | | | | | | |
| Grants & Claims | | | | | | | |
| Miscellaneous | | | | | | | |
| TOTAL OPERATING | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|

| | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | | |
|--------------------------|--|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | | |
| 1003 GF Match | | | | | | | |
| 1004 GF | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | |
| 1037 GF/Mental Health | | | | | | | |
| AHFC Receipts | | | | | | | |
| TOTAL | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2010) cost: _____

POSITIONS

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill will set up an energy efficiency revolving loan fund and authorize AHFC to sell up to \$250 million in bonds to fund the program.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Operational costs for issuing and monitoring these bonds will be done with existing personnel and within the authorized operating budget for FY11 and beyond.

Prepared by: Bryan Butcher, Director, Gov't Relations/Public Affairs Phone 330-8445
 Division: Alaska Housing Finance Corporation Date/Time 12/30/09 12:00 AM
 Approved by: Ginger Blaisdell, Director Date 1/6/10; 11:37am
Administrative Services Division

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 223
 (S) Publish Date: 1/19/10

Identifier (file name): 09030-DOT-SPF-01-04-10 Dept. Affected: DOT&P
 Title Establishing Alaska Energy Revolving Loan Fund etc RDU Design, engineering & construction
 Component Statewide Public Facilities
 Sponsor _____
 Requester _____ Component Number 2882

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| | Appropriation Required | Information | | | | | |
|------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|
| OPERATING EXPENDITURES | FY 2011 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Contractual | | | | | | | |
| Supplies | | | | | | | |
| Equipment | | | | | | | |
| Land & Structures | | | | | | | |
| Grants & Claims | | | | | | | |
| Miscellaneous | | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|

| | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | | |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | | |
| 1003 GF Match | | | | | | | |
| 1004 GF | | | | | | | |
| 1005 GF/Program Receipts | | | | | | | |
| 1037 GF/Mental Health | | | | | | | |
| Other Interagency Receipts | | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2010) cost: _____

POSITIONS

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

Since all this bill does is create the ability for DOT&PF to participate in loan a program, there is no fiscal impact.

Prepared by: Mary Siroky, Legislative Liaison Phone 465-4772
 Division DOT&PF, Commissioner's Office Date/Time 1/4/10 4:00 PM
 Approved by: Frank Richards Date 1/4/2010
Deputy Commissioner, DOT&PF