

HOUSE BILL NO. 508

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE KAPSNER

Introduced: 2/16/04

Referred: House Special Committee on Education, Health, Education and Social Services

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to school construction grants and major maintenance grants to school**
2 **districts; relating to reimbursement of school construction debt; providing a remedy to**
3 **the constitutional violations found in Kasayulie et al. v. State of Alaska, Case No. 3AN-**
4 **97-3782 CV; relating to the Education Facilities Financing Authority; and providing for**
5 **an effective date."**

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

7 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
8 to read:

9 LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that

10 (1) art. VII, sec. 1, Constitution of the State of Alaska, provides that the
11 legislature shall establish and maintain a system of public schools open to all children of the
12 state;

13 (2) adequate public school facilities that provide a safe and effective

1 atmosphere for learning are integral to the success of the initiative for quality schools in the
2 state;

3 (3) every school-age child in the state deserves the opportunity to attend an
4 adequate public school facility;

5 (4) the current value of public school and school-related facilities statewide is
6 nearly \$4,000,000,000;

7 (5) the state should protect its investment in our public school facilities by
8 recognizing where new public school facilities are needed and repairing and maintaining the
9 existing public school facilities that are deficient;

10 (6) the Department of Education and Early Development compiles a statewide
11 list of projects for which grant applications are submitted under AS 14.11.011 and ranks those
12 projects according to priority needs;

13 (7) the current statewide lists of public school construction, repair, and
14 maintenance needs include over 150 school projects with a total cost to the state of over
15 \$350,000,000;

16 (8) the superior court of the Third Judicial District found in *Kasayulie et al. v.*
17 *State of Alaska*, Case No. 3AN-97-3782 CV, that the state had failed to provide
18 constitutionally adequate public school facilities to all children of the state;

19 (9) to correct the constitutional violations found in *Kasayulie et al. v. State of*
20 *Alaska*, it is necessary to eliminate future debt-reimbursement funding under AS 14.11.100
21 and to provide sufficient funding to allow every school-age child in this state to have the
22 opportunity to attend an adequate public school facility;

23 (10) the establishment of the Education Facilities Financing Authority as
24 provided in this Act will provide an effective means for financing public school facilities.

25 (b) It is the intent of the legislature that sufficient funding be appropriated for school
26 construction and major maintenance projects, as those terms are defined in AS 14.11.135, to
27 allow every school-age child in Alaska to have the opportunity to attend an adequate public
28 school facility.

29 * **Sec. 2.** AS 14.11.100(a) is amended to read:

30 (a) During each fiscal year, the state shall allocate to a municipality that is a
31 school district the following sums:

1 (1) payments made by the municipality during the fiscal year two years
2 earlier for the retirement of principal and interest on outstanding bonds, notes, or other
3 indebtedness incurred before July 1, 1977, to pay costs of school construction;

4 (2) 90 percent of

5 (A) payments made by the municipality during the fiscal year
6 two years earlier for the retirement of principal and interest on outstanding
7 bonds, notes, or other indebtedness incurred after June 30, 1977, and before
8 July 1, 1978, to pay costs of school construction;

9 (B) cash payments made after June 30, 1976, and before July 1,
10 1978, by the municipality during the fiscal year two years earlier to pay costs
11 of school construction;

12 (3) 90 percent of

13 (A) payments made by the municipality during the fiscal year
14 two years earlier for the retirement of principal and interest on outstanding
15 bonds, notes, or other indebtedness incurred after June 30, 1978, and before
16 January 1, 1982, to pay costs of school construction projects approved under
17 AS 14.07.020(a)(11);

18 (B) cash payments made after June 30, 1978, and before July 1,
19 1982, by the municipality during the fiscal year two years earlier to pay costs
20 of school construction projects approved under AS 14.07.020(a)(11);

21 (4) subject to (h) and (i) of this section, up to 90 percent of

22 (A) payments made by the municipality during the current
23 fiscal year for the retirement of principal and interest on outstanding bonds,
24 notes, or other indebtedness incurred after December 31, 1981, and authorized
25 by the qualified voters of the municipality before July 1, 1983, to pay costs of
26 school construction, additions to schools, and major rehabilitation projects that
27 exceed \$25,000 and are approved under AS 14.07.020(a)(11);

28 (B) cash payments made after June 30, 1982, and before July 1,
29 1983, by the municipality during the fiscal year two years earlier to pay costs
30 of school construction, additions to schools, and major rehabilitation projects
31 that exceed \$25,000 and are approved under AS 14.07.020(a)(11); and

1 (C) payments made by the municipality during the current
 2 fiscal year for the retirement of principal and interest on outstanding bonds,
 3 notes, or other indebtedness to pay costs of school construction, additions to
 4 schools, and major rehabilitation projects that exceed \$25,000 and are
 5 submitted to the department for approval under AS 14.07.020(a)(11) before
 6 July 1, 1983, and approved by the qualified voters of the municipality before
 7 October 15, 1983, not to exceed a total project cost of (i) \$6,600,000 if the
 8 annual growth rate of average daily membership of the municipality is more
 9 than seven percent but less than 12 percent, or (ii) \$20,000,000 if the annual
 10 growth rate of average daily membership of the municipality is 12 percent or
 11 more; payments made by a municipality under this subparagraph on total
 12 project costs that exceed the amounts set out in (i) and (ii) of this subparagraph
 13 are subject to (5)(A) of this subsection;

14 (5) subject to (h) - (j) of this section, 80 percent of

15 (A) payments made by the municipality during the fiscal year
 16 for the retirement of principal and interest on outstanding bonds, notes, or
 17 other indebtedness authorized by the qualified voters of the municipality

18 (i) after June 30, 1983, but before March 31, 1990, to
 19 pay costs of school construction, additions to schools, and major
 20 rehabilitation projects that exceed \$25,000 and are approved under
 21 AS 14.07.020(a)(11); or

22 (ii) before July 1, 1989, and reauthorized before
 23 November 1, 1989, to pay costs of school construction, additions to
 24 schools, and major rehabilitation projects that exceed \$25,000 and are
 25 approved under AS 14.07.020(a)(11); and

26 (B) cash payments made after June 30, 1983, by the
 27 municipality during the fiscal year two years earlier to pay costs of school
 28 construction, additions to schools, and major rehabilitation projects that exceed
 29 \$25,000 and are approved by the department before July 1, 1990, under
 30 AS 14.07.020(a)(11);

31 (6) subject to (h) - (j) and (m) of this section, 70 percent of payments

1 made by the municipality during the fiscal year for the retirement of principal and
 2 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
 3 voters of the municipality on or after April 30, 1993, but before July 1, 1996, to pay
 4 costs of school construction, additions to schools, and major rehabilitation projects
 5 that exceed \$200,000 and are approved under AS 14.07.020(a)(11);

6 (7) subject to (h) - (j) and (m) of this section, 70 percent of payments
 7 made by the municipality during the fiscal year for the retirement of principal and
 8 interest on outstanding bonds, notes, or other indebtedness authorized by the qualified
 9 voters of the municipality after March 31, 1990, but before April 30, 1993, to pay
 10 costs of school construction, additions to schools, and major rehabilitation projects;

11 (8) subject to (h), (i), (i)(2) - (5) [(h), (i), (i)(2) - (5)], and (n) of this
 12 section and after projects funded by the bonds, notes, or other indebtedness have been
 13 approved by the commissioner, 70 percent of payments made by the municipality
 14 during the fiscal year for the retirement of principal and interest on outstanding bonds,
 15 notes, or other indebtedness authorized by the qualified voters of the municipality on
 16 or after July 1, 1995, but before July 1, 1998, to pay costs of school construction,
 17 additions to schools, and major rehabilitation projects that exceed \$200,000 and are
 18 approved under AS 14.07.020(a)(11);

19 (9) subject to (h), (i), (i)(2) - (5) [(h), (i), (i)(2) - (5)], and (n) of this
 20 section and after projects funded by the bonds, notes, or other indebtedness have been
 21 approved by the commissioner, 70 percent of payments made by the municipality
 22 during the fiscal year for the retirement of principal and interest on outstanding bonds,
 23 notes, or other indebtedness authorized by the qualified voters of the municipality on
 24 or after July 1, 1998, but before July 1, 2006, to pay costs of school construction,
 25 additions to schools, and major rehabilitation projects that exceed \$200,000 and are
 26 approved under AS 14.07.020(a)(11);

27 (10) subject to (h), (i), (i)(2) - (5) [(h), (i), (i)(2) - (5)], and (o) of this
 28 section, and after projects funded by the bonds, notes, or other indebtedness have been
 29 approved by the commissioner, 70 percent of payments made by the municipality
 30 during the fiscal year for the retirement of principal and interest on outstanding bonds,
 31 notes, or other indebtedness authorized by the qualified voters of the municipality on

1 or after June 30, 1998, **and before July 1, 2004**, to pay costs of school construction,
 2 additions to schools, and major rehabilitation projects that exceed \$200,000, are
 3 approved under AS 14.07.020(a)(11), and are not reimbursed under (n) of this section;

4 (11) subject to (h), (i), and (j)(2) - (5) of this section, and after projects
 5 funded by the bonds, notes, or other indebtedness have been approved by the
 6 commissioner, 70 percent of payments made by a municipality during the fiscal year
 7 for the retirement of principal and interest on outstanding bonds, notes, or other
 8 indebtedness authorized by the qualified voters of the municipality on or after June 30,
 9 1999, but before January 1, 2005, to pay costs of school construction, additions to
 10 schools, and major rehabilitation projects and education-related facilities that exceed
 11 \$200,000, are approved under AS 14.07.020(a)(11), and are not reimbursed under (n)
 12 or (o) of this section;

13 (12) subject to (h), (i), and (j)(2), (3), and (5) of this section, 60 percent
 14 of payments made by a municipality during the fiscal year for the retirement of
 15 principal and interest on outstanding bonds, notes, or other indebtedness authorized by
 16 the qualified voters of the municipality on or after June 30, 1999, but before January 1,
 17 2005, to pay costs of school construction, additions to schools, and major
 18 rehabilitation projects and education-related facilities that exceed \$200,000, are
 19 reviewed under AS 14.07.020(a)(11), and are not reimbursed under (n) or (o) of this
 20 section.

21 * **Sec. 3.** AS 14.11.100 is amended by adding a new subsection to read:

22 (q) Except for funds allocated to school districts under this section, the
 23 legislature shall appropriate or allocate funds for the costs of school construction,
 24 additions to schools, or major rehabilitation projects that are approved under
 25 AS 14.11.015.

26 * **Sec. 4.** AS 36.30.850(b) is amended by adding a new paragraph to read:

27 (44) contracts of the Education Facilities Financing Authority
 28 (AS 44.27.100).

29 * **Sec. 5.** AS 39.25.110 is amended by adding a new paragraph to read:

30 (40) the employees of the Education Facilities Financing Authority
 31 established under AS 44.27.100.

1 * **Sec. 6.** AS 39.50.200(b) is amended by adding a new paragraph to read:

2 (58) Education Facilities Financing Authority (AS 44.27.100).

3 * **Sec. 7.** AS 44.27 is amended by adding new sections to read:

4 **Article 3. Education Facilities Financing Authority.**

5 **Sec. 44.27.100. Education Facilities Financing Authority.** There is created
6 the Education Facilities Financing Authority. The authority is created as a public
7 corporation of the state in the Department of Education and Early Development. The
8 authority is an instrumentality of the state but has a legal existence independent of and
9 separate from the state and has continuing succession until its existence is terminated
10 by law. The authority is subject to AS 37.07 (Executive Budget Act).

11 **Sec. 44.27.110. Board of directors.** The authority is governed by a board of
12 seven directors, consisting of the commissioner of revenue, the commissioner of
13 education and early development, the commissioner of transportation and public
14 facilities, two members elected by the Board of Education and Early Development
15 from among its membership, and two public members appointed by the governor. In
16 appointing the public members, the governor shall give preference to persons who
17 have experience and expertise in finance or education. At least one public member
18 shall be a resident of a rural area of the state. The two directors appointed by the
19 governor serve at the governor's pleasure for four-year terms and may be reappointed.
20 The directors are subject to AS 39.50 (public official financial disclosure). Before
21 entering upon the duties of office, a director shall take and subscribe to an oath to
22 perform the duties faithfully, impartially, and justly to the best of the director's ability.
23 A record of the oath shall be filed in the Office of the Governor.

24 **Sec. 44.27.120. Officers, quorum, and meetings.** (a) The directors shall
25 elect one of their number as chair. The directors shall elect a secretary and a treasurer
26 who need not be directors, and the same person may be elected to serve both as
27 secretary and treasurer. The powers of the authority are vested in the board of
28 directors, and four directors of the authority constitute a quorum. Action may be taken
29 and motions and resolutions adopted by the authority at any meeting at which a
30 quorum is present by the affirmative vote of a majority of those directors present. A
31 vacancy in the directorship of the authority does not impair the right of a quorum to

1 exercise all of the powers and perform all of the duties of the authority.

2 (b) The directors and officers of the authority may meet and transact business
3 by an electronic medium if (1) public notice of the time and locations where the
4 meeting will be held by an electronic medium has been given in the same manner as if
5 the meeting were held in a single location; (2) participants and members of the public
6 in attendance can hear and have the same right to participate in the meeting as if the
7 meeting were conducted in person; and (3) copies of pertinent reference materials,
8 statutes, regulations, and audio-visual materials are reasonably available to
9 participants and to the public. A meeting by an electronic medium as provided in this
10 subsection has the same legal effect as a meeting in person.

11 (c) The authority may appoint persons as employees it considers advisable and
12 may employ professional advisors, counsel, technical experts, agents, and others as
13 appropriate. The employees of the authority are in the exempt service under
14 AS 39.25.110.

15 **Sec. 44.27.130. Powers of the authority.** The authority may

- 16 (1) sue and be sued;
- 17 (2) adopt and alter an official seal;
- 18 (3) make and enforce bylaws and regulations for the conduct of its
19 business and for the use of its services and facilities;
- 20 (4) maintain an office at any place in the state;
- 21 (5) acquire, hold, use, and dispose of its income, revenue, funds, and
22 money;
- 23 (6) acquire, rent, lease, hold, use, and dispose of other personal
24 property for its purposes;
- 25 (7) subject to AS 44.27.160, issue its bonds or notes and provide for
26 and secure payment of the bonds or notes, provide for the rights of holders of the
27 bonds or notes, and purchase, hold, and dispose of any of its bonds or notes;
- 28 (8) fix and revise from time to time and charge and collect fees and
29 charges for the use of its services or facilities;
- 30 (9) accept gifts or grants from the United States, or from any
31 governmental unit or person, carry out the terms or provisions or make agreements

1 with respect to the gifts or grants, and do all things necessary, useful, desirable, or
 2 convenient in connection with procuring, accepting, or disposing of the gifts or grants;

3 (10) do anything authorized by AS 44.27.100 - 44.27.250, through its
 4 officers, agents, or employees, or by contracts with a person;

5 (11) make, enter into, and enforce all contracts necessary, convenient,
 6 or desirable for the purpose of the authority or pertaining to a purchase or sale of
 7 bonds, or other investments, or the performance of its duties and execution of any of
 8 its powers under AS 44.27.100 - 44.27.250;

9 (12) purchase or hold bonds at prices and in a manner the authority
 10 considers advisable;

11 (13) adopt and amend regulations by motion, by resolution, or in
 12 another manner permitted under the bylaws of the authority;

13 (14) procure insurance against any losses in connection with its
 14 property, operations, or assets in amounts and from insurers it considers desirable;

15 (15) to the extent permitted under its contracts with the holders of
 16 bonds or notes of the authority, consent to modification of the rate of interest, time and
 17 payment of installment of principal or interest, security, or any other term of a bond or
 18 note, contract or agreement of any kind to which the authority is a party; and

19 (16) do all acts and things necessary, convenient, or desirable to carry
 20 out the powers expressly granted or necessarily implied in AS 44.27.100 - 44.27.250.

21 **Sec. 44.27.140. Issuance of bonds and pledges of assets.** (a) Subject to
 22 AS 44.27.160 and except as provided in (b) of this section, the authority may issue its
 23 bonds or notes in principal amounts sufficient to provide funds for the construction of
 24 schools or school facilities that are approved under AS 14.11.015(a) and authorized by
 25 the legislature.

26 (b) Bonds or notes may be issued or agreements made for a project under (a)
 27 of this section only after

28 (1) the legislature has authorized the facility and its construction cost;
 29 and

30 (2) the commissioner of education and early development has certified
 31 that

1 (A) the facility is designed in accordance with the energy
2 performance standards adopted under AS 44.42.020(a); or

3 (B) the designer and builder of the facility have certified that
4 the facility will be designed and constructed in accordance with the energy
5 performance standards and regulations adopted under AS 44.42.020(a).

6 (c) The authority may issue its bonds or notes in principal amounts that it
7 finds necessary to provide funds for the

8 (1) payment, funding, or refunding of the principal of, or interest or
9 redemption premiums on, bonds or notes issued by it, whether the bonds or notes or
10 interest to be funded or refunded have or have not become due; and

11 (2) establishment or increase of reserves to secure or to pay the
12 principal of or interest on bonds or notes and all other costs or expenses of the
13 authority incident to and necessary or convenient to carry out the purpose and powers
14 of the authority.

15 (d) Except as otherwise provided in AS 44.27.100 - 44.27.250 or by the
16 authority, every issue of bonds or notes shall be payable out of the revenue or funds of
17 the authority, subject only to agreements with the holders of particular bonds or notes
18 pledging particular revenue or funds.

19 (e) Bonds shall be authorized by resolution of the board and shall be dated and
20 mature as provided in the resolution, except that a bond may not mature more than 15
21 years from the date of its issue. Bonds shall bear interest at rates, be in the
22 denominations, be in the form, either coupon or registered, carry the registration
23 privileges, be executed in the manner, be payable in the medium or payment, at the
24 place or places, and be subject to the terms of redemption provided in the resolution or
25 a subsequent resolution. Bonds or notes may be sold at a public or private sale.

26 (f) The authority may disburse funds necessary to comply with the
27 construction provisions of (a) of this section. An agreement not to modify an
28 appropriation for construction after bonds or notes have been issued for the purpose is
29 valid. The authority shall exclude from the total school construction cost of the local
30 district all state and federal funds included in these costs except funds provided under
31 this section and AS 43.50.140.

1 **Sec. 44.27.150. Trust indentures and trust agreements.** (a) In the
 2 discretion of the authority, an issue of bonds may be secured by a trust indenture or
 3 trust agreement between the authority and a corporate trustee, including a trust
 4 company, bank, or national banking association, with corporate trust powers, located
 5 inside or outside the state, or by a secured loan agreement or other instrument or under
 6 a resolution giving powers to a corporate trustee by means of which the authority may

7 (1) make and enter into any and all the covenants and agreements with
 8 the trustee or the holders of the bonds that the authority may determine to be necessary
 9 or desirable, including, without limitation, covenants, provisions, limitations, and
 10 agreements as to

11 (A) the application, investment, deposit, use, and disposition of
 12 the proceeds of bonds of the authority or of money or other property of the
 13 authority in which it has an interest;

14 (B) the terms and conditions upon which additional bonds of
 15 the authority may be issued; and

16 (C) the vesting in a trustee of rights, powers, duties, funds, or
 17 property in trust for the benefit of bondholders, including the right to enforce
 18 payment, performance, and all other rights of the authority or of the
 19 bondholders, under any agreement of the authority;

20 (2) pledge, mortgage, or assign money, agreements, property, or other
 21 rights or assets of the authority either presently in hand or to be received in the future,
 22 or both; and

23 (3) provide for other matters of the like or different character that in
 24 any way affect the security or protection of the bonds.

25 (b) For the purpose of securing one or more issues of its bonds, the board may
 26 establish one or more special funds, called "capital reserve funds," and shall pay into
 27 the capital reserve funds the proceeds of the sale of its bonds and other money that
 28 may be made available to the authority for the purpose of those funds from another
 29 source. The special funds shall be established only if the board determines that the
 30 establishment of the funds would enhance the marketability of the bonds. Money held
 31 in a capital reserve fund, except as provided in this section, shall be used as required

1 solely for (1) the payment of the principal of, and interest on, bonds or of the sinking
2 fund payments with respect to those bonds, (2) the purchase or redemption of bonds,
3 or (3) the payment of a redemption premium required to be paid when those bonds are
4 redeemed before maturity; however, money in a fund may not be withdrawn from it at
5 any time in an amount that would reduce the amount of that fund to less than the
6 capital reserve requirement set out in (c) of this section, except for the purpose of
7 making, with respect to those bonds, payment, when due, of principal, interest,
8 redemption premiums, and the sinking fund payments for the payment of which other
9 money of the authority is not available. Income or interest earned by, or increment to,
10 a capital reserve fund, from the investment of the fund or amounts in it, may be
11 transferred by the authority to other funds or accounts of the authority to the extent
12 that the transfer does not reduce the amount of the capital reserve fund below the
13 capital reserve fund requirement under (c) of this section.

14 (c) If the board decides to issue bonds secured by a capital reserve fund, the
15 bonds may not be issued if the amount in the capital reserve fund is less than an
16 amount that may be established by resolution of the board, called the "capital reserve
17 fund requirement," unless the authority, at the time of issuance of the obligations,
18 deposits in the capital reserve fund from the proceeds of the obligations to be issued or
19 from other sources, an amount that, together with the amount then in the fund, is not
20 less than the capital reserve fund requirement.

21 (d) In computing the amount of a capital reserve fund for the purpose of this
22 section, securities in which all or a portion of the funds are invested shall be valued by
23 a reasonable method established by the board by resolution. Valuation on a particular
24 date shall include the amount of any interest earned or accrued to that date.

25 (e) The chair of the board shall annually, not later than January 2, make and
26 deliver to the governor and the legislature a certificate stating the amount, if any,
27 required to restore a capital reserve fund to the capital reserve fund requirement. The
28 legislature may appropriate the amount described in this subsection, and all money
29 appropriated during the then current fiscal year by the legislature for the restoration
30 shall be deposited by the authority in the proper capital reserve fund. This section
31 does not create a debt or liability of the state.

1 (f) If the board decides to issue bonds secured by a capital reserve fund, the
 2 bonds may not be issued until 10 days after the authority has mailed notification to the
 3 state bond committee and the Legislative Budget and Audit Committee by certified
 4 mail of its intention to establish a capital reserve fund to secure the bond issue. The
 5 notification must include the amount of the capital reserve fund to be established and
 6 the amount of bonds proposed to be issued. The notification must be accompanied by
 7 the amount of bonds proposed to be issued, estimates of the need to withdraw money
 8 from the capital reserve fund during the term of the bond issue, the amount that may
 9 be withdrawn, and the dates on which withdrawals will be needed. The authority shall
 10 annually prepare a revised estimate, considering the same factors, and a statement of
 11 all withdrawals that have occurred from the date of issuance of the bonds to the end of
 12 the calendar year. The revised estimate and statement shall be submitted to the state
 13 bond committee and the Legislative Budget and Audit Committee by January 30 of the
 14 year following preparation of the revised estimate.

15 **Sec. 44.27.160. Bonding limitations.** The authority may not issue bonds or
 16 make agreements under AS 44.27.140 unless the money in the education facilities
 17 fund established under AS 44.27.190 equals or exceeds \$1,500,000,000.

18 **Sec. 44.27.170. Nonliability on bonds.** (a) Neither the members of the board
 19 nor a person executing the bonds is personally liable on the bonds or is subject to
 20 personal liability or accountability as a result of the issuance of the bonds.

21 (b) Bonds issued by the authority do not constitute an indebtedness or other
 22 liability of the state or of a political subdivision of the state, except the authority.
 23 Bonds shall be payable solely from the income and receipts or other funds or property
 24 of the authority. The authority may not pledge the faith or credit of the state or of a
 25 political subdivision of the state, except the authority, to the payment of a bond.

26 **Sec. 44.27.180. Pledge and agreement of state.** (a) The state pledges to and
 27 agrees with the holders of bonds issued under AS 44.27.100 - 44.27.250 that the state
 28 will not limit or alter the rights and powers vested in the authority under
 29 AS 44.27.100 - 44.27.250 to fulfill the terms of a contract made by the authority with
 30 the bondholders and that the state will not in any way impair the rights and remedies
 31 of the bondholders until the bonds, together with the interest on them with interest on

1 unpaid installments of interest, and all costs and expenses in connection with an action
 2 or proceeding by or on behalf of the bondholders are fully met and discharged. The
 3 authority is authorized to use this pledge and agreement of the state in agreements
 4 involving bondholders.

5 (b) The pledge of the state is limited to the express provisions of (a) of this
 6 section and is not a guarantee, surety, promise, undertaking, or assurance of repayment
 7 or performance of any obligation of the authority.

8 **Sec. 44.27.190. Education facilities fund.** (a) The education facilities fund
 9 is established in the authority. The fund consists of appropriations made to the fund
 10 by the legislature and, subject to appropriation, the income of the fund. The authority
 11 may enter into agreements for financial covenants or pledge amounts in the fund that
 12 exceed \$1,500,000,000 to secure the payment of bonds of the authority and may make
 13 expenditures from the fund for the purpose of the agreements.

14 (b) The education facilities fund and any other funds of the authority shall be
 15 invested by the Alaska Permanent Fund Corporation as agent of the authority in the
 16 manner provided for assets of the permanent fund under AS 37.13.120 unless
 17 otherwise provided in a trust agreement securing bonds.

18 **Sec. 44.27.200. Annual audit.** The authority shall have its financial records
 19 audited annually by a certified public accountant. The legislative auditor may
 20 prescribe the form and content of the financial records of the authority and may have
 21 access to the records at any time.

22 **Sec. 44.27.210. Annual report.** Before March 1 of each year, the authority
 23 shall submit to the governor and the legislature a comprehensive report describing
 24 operations, income, and expenditures for the preceding 12-month period.

25 **Sec. 44.27.250. Definitions.** In AS 44.27.100 - 44.27.250, unless the context
 26 requires otherwise,

27 (1) "authority" means the Education Facilities Financing Authority
 28 established under AS 44.27.100;

29 (2) "board" means the board of directors of the Education Facilities
 30 Financing Authority;

31 (3) "bonds" means revenue bonds, notes, or other obligations of the

1 authority issued under AS 44.27.100 - 44.27.250;

2 (4) "fund" means the education facilities fund established under
3 AS 44.27.190.

4 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 AUTHORIZATION OF FACILITIES. The Education Facilities Financing Authority
7 established under AS 44.27.100, enacted by sec. 7 of this Act, is authorized under
8 AS 44.27.140(a), enacted by sec. 7 of this Act, to issue its bonds for construction for those
9 facilities that, after the effective date of this Act, are placed on the prioritized list of the
10 Department of Education and Early Development under AS 14.11.015.

11 * **Sec. 9.** This Act takes effect July 1, 2004.