

**CS FOR HOUSE BILL NO. 381(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/2/06

Referred: Today's Calendar

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the financing of construction, major maintenance, and renovation of**  
2 **certain capital projects; authorizing the commissioner of revenue to sell the right to**  
3 **receive a portion of the anticipated revenue from a tobacco litigation settlement to the**  
4 **Northern Tobacco Securitization Corporation, and relating to that sale and the use of**  
5 **the revenue; authorizing the Northern Tobacco Securitization Corporation to issue**  
6 **bonds and use the proceeds to acquire the right to receive a portion of anticipated**  
7 **revenue from a tobacco litigation settlement and for other purposes, and relating to**  
8 **those bonds; and providing for an effective date."**

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

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

12 **AUTHORITY TO ISSUE BONDS.** (a) The Northern Tobacco Securitization

1 Corporation, a subsidiary corporation of the Alaska Housing Finance Corporation created  
2 under AS 18.56.086, is authorized to issue bonds and to use the proceeds of the bonds to  
3 acquire the right to receive additional revenue described in (b) of this section. The proceeds of  
4 the bonds may also be used to (1) defease, redeem, or otherwise pay principal and interest on  
5 the bonds issued under sec. 10, ch. 130, SLA 2000, and sec. 4, ch. 96, SLA 2001; (2) pay the  
6 costs of issuance of the bonds authorized by this section; and (3) fund any reserve funds the  
7 Northern Tobacco Securitization Corporation considers necessary or desirable to secure the  
8 bonds authorized by this section. The Northern Tobacco Securitization Corporation may  
9 determine the principal amount, redemption provisions, maturity or maturities, interest rate or  
10 rates that will apply to the bonds, whether to issue the bonds in one series or in more than one  
11 series, and whether to issue all the bonds at the same time. In carrying out duties under this  
12 subsection, the Northern Tobacco Securitization Corporation must make reasonable efforts to  
13 maximize the principal amount of the bonds that it can issue, taking into consideration that the  
14 sole security for payment of the bonds is that described in sec. 2 of this Act.

15 (b) The commissioner of revenue is authorized to enter into an agreement, or modify  
16 the existing agreement or agreements, with the Northern Tobacco Securitization Corporation  
17 for the sale to, or to the order of, the Northern Tobacco Securitization Corporation of the  
18 revenue that otherwise would revert to the state when the bonds authorized by sec. 10, ch.  
19 130, SLA 2000 and sec. 4, ch. 96, SLA 2001 are no longer considered to be outstanding under  
20 the terms of the documents authorizing their issuance, and for the continuation, for as long as  
21 any bonds authorized by (a) of this section are outstanding under the terms of the documents  
22 authorizing their issuance, of the right of the Northern Tobacco Securitization Corporation to  
23 receive revenue under the agreement or agreements between the state and the Northern  
24 Tobacco Securitization Corporation securing payment of the bonds authorized by sec. 10, ch.  
25 130, SLA 2000, and sec. 4, ch. 96, SLA 2001. The agreement or modification must provide  
26 that (1) the Northern Tobacco Securitization Corporation, or its assignee, has the right to  
27 receive all revenue under the agreement, or under the modification, authorized by this  
28 subsection, for as long as any bonds authorized by (a) of this section are considered to be  
29 outstanding under the terms of the documents authorizing their issuance; (2) the agreement or  
30 modification is the legally binding agreement of the state enforceable against the state by the  
31 holders of the bonds authorized by (a) of this section, or a trustee on their behalf, each of

1 whom shall be considered a third-party beneficiary of the agreement or modification; and (3)  
 2 the Northern Tobacco Securitization Corporation may include the statement contained in (2)  
 3 of this subsection in agreements with holders of the bonds authorized by (a) of this section.  
 4 The sale of the right to receive revenue under this subsection is of the revenue stream that  
 5 reverts to the state following the full repayment of the bonds authorized by sec. 10, ch. 130,  
 6 SLA 2000, and sec. 4, ch. 96, SLA 2001, which is 80 percent of the entire revenue stream the  
 7 state is entitled to receive under *Alaska v. Philip Morris, Incorporated, et al*, No. 1JU-97-915  
 8 CI (Alaska Super. 1997).

9 (c) The Department of Revenue shall contract with the Alaska Housing Finance  
 10 Corporation to hold, administer, and invest the proceeds of the sale authorized under (b) of  
 11 this subsection. The proceeds of the sale that are in excess of the amount required for the  
 12 purposes described in (a)(1) - (3) of this section are expected to be at least \$139,487,500. The  
 13 Department of Revenue shall deposit these excess proceeds into a capital projects fund that  
 14 preserves the tax-exempt status of the interest on the bonds authorized by (a) of this section.  
 15 The Department of Revenue shall take all necessary measures to preserve the tax-exempt  
 16 status of the interest earned on the bonds.

17 (d) Subject to appropriation, \$139,487,500 of the excess proceeds deposited into the  
 18 capital projects fund under (c) of this section shall be used for design, construction, major  
 19 maintenance, and renovation of capital projects, including reimbursement to the University of  
 20 Alaska for expenditures for projects, as follows:

21 PROJECT

22 University of Alaska - Systemwide

23 Critical Building Deficiencies \$8,655,000

24 Required Renewal and Renovation 10,250,000

25 for Program Delivery

26 University of Alaska - Code and Compliance

27 Anchorage/Fairbanks/Southeast Campuses 13,050,000

28 Other Campuses 2,295,000

29 University of Alaska - Anchorage

30 Integrated Science Facility - Phase III 55,000,000

31 University of Alaska - Fairbanks

1	Museum Completion	1,000,000
2	Anchorage - Raspberry Road Extension	1,500,000
3	Glenn Bragaw Interchange, Phase II	8,500,000
4	Chugiak - Birchwood Eagle River, Rural Road Service	
5	Area: Road and Drainage System Rehabilitation	2,000,000
6	Nome - Nome Joint Utilities, Nome Power Plant	4,000,000
7	Bethel - Yukon-Kuskokwim Health Corporation: Prematernal	
8	Home Construction	2,000,000
9	Northwest Arctic Borough - Kivalina Shoreline Protection	1,650,000
10	Kenai - Kenai Peninsula Borough: Borough-wide Road Upgrades	1,800,000
11	Department of Transportation and Public Facilities: Wik	
12	Road Improvements	2,000,000
13	Wrangell - Heritage Harbor Float System	2,200,000
14	Ketchikan - Alaska Industrial Development and Export	
15	Authority: Ketchikan Shipyard Improvements	2,740,000
16	Juneau - Juneau Community Foundation: Recreation/Sports	
17	Complex Design and Construction	4,000,000
18	Kodiak - City of Kodiak: Municipal Airport Improvements	700,000
19	Kodiak Island Borough: Ouzinkie Dock Replacement	570,000
20	Seward - City of Seward: Seward T Dock Expansion	1,200,000
21	Valdez - Small Boat Harbor Improvements	1,000,000
22	Southeast Islands - City of Craig: Ward Cove Cannery	
23	Renovation and Upgrades	1,000,000
24	Hoonah: Marine Industrial Center, Phase II	1,000,000
25	Skagway: Dahl Memorial Clinic Construction	500,000
26	Matanuska-Susitna - Palmer: Sewer and Water Extension to	
27	Matanuska Regional Hospital	2,000,000
28	Matanuska-Susitna Borough: Borough-wide Road	
29	Upgrades	4,000,000
30	Fairbanks - City of Fairbanks: City-wide Road	
31	Improvements and Upgrades	1,112,000

1	Fairbanks North Star Borough: Borough - wide	
2	Road Improvements and Upgrades	3,765,500
3	TOTAL	\$139,487,500

4 (e) When the bonds authorized under (a) of this section are no longer considered to be  
5 outstanding under the provisions of the documents under which they are issued, the residual  
6 revenue stream derived from the settlement of State of Alaska v. Philip Morris, Incorporated,  
7 et al, No. IJU-97-915 CI (Alaska Super. 1997) that secured repayment of those bonds reverts  
8 to the state, and, at that time, the Northern Tobacco Securitization Corporation shall take the  
9 actions that are necessary to complete this reversion.

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

12 **SPECIFIC PROVISIONS RELATED TO BOND AUTHORIZATION.** (a) The bonds  
13 authorized under sec. 1(a) of this Act may be special, limited obligations of the Northern  
14 Tobacco Securitization Corporation and may only be secured by (1) the revenues sold to the  
15 Northern Tobacco Securitization Corporation under sec. 9, ch. 130, SLA 2000, sec. 3, ch. 96,  
16 SLA 2001, and the agreement or modification authorized under sec. 1(b) of this Act; and by  
17 (2) the right, title, and interest of the Northern Tobacco Securitization Corporation in and to  
18 any agreements between the Northern Tobacco Securitization Corporation and the state  
19 entered into under sec. 9, ch. 130, SLA 2000, sec. 3, ch. 96, SLA 2001, or sec. 1(b) of this  
20 Act.

21 (b) The Northern Tobacco Securitization Corporation may include in agreements with  
22 the bondholders a pledge of the right to receive revenues identified in (a)(1) of this section  
23 and all rights of the Northern Tobacco Securitization Corporation under agreements identified  
24 in (a)(2) of this section, and may also include the promise of the state to honor that pledge. A  
25 pledge made under this subsection is subject to the provisions of AS 18.56.120, and bonds  
26 issued under sec. 1(a) of this Act are subject to the provisions of AS 18.56.170, in each case  
27 as though "corporation" in those statutes means the Northern Tobacco Securitization  
28 Corporation.

29 (c) In this section, "Northern Tobacco Securitization Corporation" means the  
30 subsidiary corporation of the Alaska Housing Finance Corporation created under  
31 AS 18.56.086.

1      \* **Sec. 3.** This Act takes effect July 1, 2006.