

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/6/06

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 \$169,976,500. 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, \$169,976,500 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	Campus Center Renewal and Renovation	4,000,000
2	Museum Completion	1,000,000
3	Anchorage - Raspberry Road Extension	1,500,000
4	Glenn Bragaw Interchange, Phase II	8,500,000
5	Chugiak - Birchwood Eagle River, Rural Road Service	2,000,000
6	Area: Road and Drainage System Rehabilitation	
7	Nome - Nome Joint Utilities, Nome Power Plant	4,000,000
8	Bethel - Yukon-Kuskokwim Health Corporation:	2,000,000
9	Prematernal Home Construction	
10	Northwest Arctic Borough - Kivalina Shoreline Protection	1,650,000
11	Kenai - Kenai Peninsula Borough: Borough-wide Road Upgrades	1,800,000
12	Department of Transportation and Public Facilities:	2,000,000
13	Wik Road Improvements	
14	Wrangell - Heritage Harbor Float System	2,200,000
15	Ketchikan - Alaska Industrial Development and Export	2,740,000
16	Authority: Ketchikan Shipyard Improvements	
17	Juneau - Juneau Community Foundation: Recreation/Sports	4,000,000
18	Complex Design and Construction	
19	Kodiak - City of Kodiak: Municipal Airport Improvements	700,000
20	City of Kodiak: Public Safety Building	1,000,000
21	City of Kodiak: Pier III Repairs	300,000
22	Kodiak Island Borough: Ouzinkie Dock Replacement	570,000
23	Kodiak Island Borough: Near Island Facility	500,000
24	Seward - City of Seward: Seward T Dock and Bulkhead Phase II	1,200,000
25	Homer - City of Homer: New City Hall	2,000,000
26	Valdez - Small Boat Harbor Improvements	1,000,000
27	Southeast Islands - City and Borough of Sitka: University of	5,000,000
28	Alaska Benchland Subdivision Utilities, Water Tank,	
29	Sewer Infrastructure, and Related Road Improvements	
30	City of Craig: Ward Cove Cannery Renovation	1,000,000
31	and Upgrades	

1	Hoonah: Marine Industrial Center, Phase II	1,000,000
2	Skagway: Dahl Memorial Clinic Construction	500,000
3	Matanuska-Susitna - City of Palmer: Palmer Southwest	2,000,000
4	Sewer and Water Extension	
5	City of Palmer: Palmer Road Improvements	1,300,000
6	Matanuska-Susitna Borough: Borough-wide	4,000,000
7	Road Upgrades	
8	Fairbanks - City of Fairbanks: City-wide Road	1,112,000
9	Improvements and Upgrades	
10	Fairbanks North Star Borough: Yankovich/Miller Hill	1,500,000
11	Road - Multi-use Path Construction	
12	Fairbanks North Star Borough: Borough - wide	3,765,500
13	Road Improvements and Upgrades	
14	Department of Transportation and Public Facilities:	5,089,000
15	Fairbanks Metropolitan Area Transportation System -	
16	Transportation Improvement Program	
17	Department of Transportation and Public Facilities:	5,900,000
18	Steese Expressway/3rd Street Intersection	
19	Improvements	
20	Department of Commerce, Community, and Economic	3,200,000
21	Development - Thomas Bay Power Authority:	
22	ALCAN Intertie	
23	Regulatory Commission of Alaska Information	700,000
24	Technology Upgrade	
25	TOTAL	\$169,976,500

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

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

3 **SPECIFIC PROVISIONS RELATED TO BOND AUTHORIZATION.** (a) The bonds
4 authorized under sec. 1(a) of this Act may be special, limited obligations of the Northern
5 Tobacco Securitization Corporation and may only be secured by (1) the revenues sold to the
6 Northern Tobacco Securitization Corporation under sec. 9, ch. 130, SLA 2000, sec. 3, ch. 96,
7 SLA 2001, and the agreement or modification authorized under sec. 1(b) of this Act; and by
8 (2) the right, title, and interest of the Northern Tobacco Securitization Corporation in and to
9 any agreements between the Northern Tobacco Securitization Corporation and the state
10 entered into under sec. 9, ch. 130, SLA 2000, sec. 3, ch. 96, SLA 2001, or sec. 1(b) of this
11 Act.

12 (b) The Northern Tobacco Securitization Corporation may include in agreements with
13 the bondholders a pledge of the right to receive revenues identified in (a)(1) of this section
14 and all rights of the Northern Tobacco Securitization Corporation under agreements identified
15 in (a)(2) of this section, and may also include the promise of the state to honor that pledge. A
16 pledge made under this subsection is subject to the provisions of AS 18.56.120, and bonds
17 issued under sec. 1(a) of this Act are subject to the provisions of AS 18.56.170, in each case
18 as though "corporation" in those statutes means the Northern Tobacco Securitization
19 Corporation.

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

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