

CS FOR HOUSE BILL NO. 161(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/7/09

Referred: Rules

Sponsor(s): REPRESENTATIVES MUÑOZ, Thomas, Kerttula, Lynn, Johansen, Peggy Wilson,
Richard Foster, Harris, Ramras, Tuck

SENATOR Egan

A BILL

FOR AN ACT ENTITLED

1 **"An Act directing the Alaska Permanent Fund Corporation to transfer \$22,700,000**
2 **from the principal of the mental health trust fund to a separate trust land development**
3 **account; relating to the development of revenue-producing facilities on mental health**
4 **trust land and to the Alaska Mental Health Trust Authority Support Office Building;**
5 **authorizing the issuance of certificates of participation for construction of the building;**
6 **approving leases of all or part of the building by the Department of Administration;**
7 **authorizing the Alaska Housing Finance Corporation to acquire the building that it**
8 **occupies for an amount that does not exceed \$14,500,000; and providing for an effective**
9 **date."**

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

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

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

2 (1) Alaska Mental Health Trust Authority intends to use up to \$22,700,000
3 from the mental health trust fund (AS 37.14.031) in the construction of a new facility to be
4 known as the Alaska Mental Health Trust Authority Support Office Building, to be located on
5 land held in trust by the authority in Juneau; and

6 (2) cost of constructing and equipping the new facility will be \$45,400,000.

7 (b) The legislature intends that the state provide up to \$22,700,000 from the issuance
8 of certificates of participation for the construction of the new facility and that the Department
9 of Administration lease all or part of the facility on its completion for use as office space for
10 state agencies under two separate leases, with the lease payments from one of them used to
11 pay the principal of and interest on the certificates of participation to the extent needed to
12 meet the debt obligation.

13 * **Sec. 2.** AS 37.14.009(a) is amended to read:

14 (a) The Alaska Mental Health Trust Authority

15 (1) has a fiduciary obligation to ensure that the assets of the trust are
16 managed consistent with the requirements of the Alaska Mental Health Enabling Act,
17 P.L. 84-830, 70 Stat. 709 (1956);

18 (2) shall contract with the Department of Natural Resources to manage
19 the land assets of the trust; the contract must provide for the recording of at least one
20 conveyance to the authority by quitclaim deed of mental health trust land in each
21 recording district in the state in which mental health trust land is located; a
22 conveyance to the authority is exempt from the platting and surveying requirements of
23 AS 38.04.045(b) and municipal ordinances adopted under AS 29.40; when the
24 Department of Natural Resources manages land assets of the trust under a contract
25 entered into under this paragraph, the department shall

26 (A) manage in conformity with AS 38.05.801;

27 (B) consult with the authority before adopting regulations
28 under AS 38.05.801(c);

29 (C) provide notice to, and consult with, the authority regarding
30 all proposed actions subject to public notice under AS 38.05.945 before giving
31 that public notice;

1 (D) annually provide the authority with a report including

2 (i) a description of all land management activities
3 undertaken under this section during the prior year;

4 (ii) an accounting of all income and proceeds generated
5 from mental health trust land;

6 (iii) an explanation of the manner in which the income
7 and proceeds were allocated between the mental health trust fund and
8 the mental health trust settlement income account; and

9 (E) obtain the approval of the authority before exchanging
10 mental health trust land under AS 38.05.801(b)(2); and

11 (3) **except as provided in (c) of this section,** shall contract with
12 Alaska Permanent Fund Corporation for management of the mental health trust fund.

13 * **Sec. 3.** AS 37.14.009 is amended by adding a new subsection to read:

14 (c) Notwithstanding AS 37.13.300(a), at the direction of the authority, the
15 Alaska Permanent Fund Corporation shall transfer money from the principal of the
16 mental health trust fund to a separate trust land development account. The total
17 amount transferred to the trust land development account may not exceed
18 \$22,700,000. The authority shall use money in the trust land development account to
19 finance the development of revenue-producing office and retail buildings and
20 associated facilities on mental health trust land. The authority may use money in the
21 trust land development account for the development of facilities without regard to
22 maintaining reasonable diversification in investments. However, money may be used
23 for a proposed development project only if the authority determines that the proposed
24 development project has a risk level and expected return comparable to or greater than
25 alternative real estate investment opportunities. The authority shall

26 (1) exercise the powers of a fiduciary of a state fund granted in
27 AS 37.10.071 with respect to the management and investment of assets of the trust
28 land development account; and

29 (2) contract with the office established in the Department of Natural
30 Resources to manage the land assets of the Alaska mental health trust, as set out in
31 (a)(2) of this section, to serve as an external real estate investment manager to develop

1 real estate assets of the mental health trust fund.

2 * **Sec. 4.** AS 37.14.033 is amended to read:

3 **Sec. 37.14.033. Management of trust fund. Except as provided in**
 4 **AS 37.14.009(c), the** [THE] mental health trust fund shall be managed by the Alaska
 5 Permanent Fund Corporation under AS 37.13.300.

6 * **Sec. 5.** AS 37.14.035(a) is amended to read:

7 (a) **Except as provided in AS 37.14.009(c), the** [THE] cash principal of the
 8 mental health trust fund shall be retained perpetually in the fund for investment by the
 9 Alaska Permanent Fund Corporation, as specified in AS 37.13.300.

10 * **Sec. 6.** AS 37.14.035(b) is amended to read:

11 (b) The net income of the fund, **including the net income of the separate**
 12 **trust land development account,** shall be transferred [BY THE CORPORATION] to
 13 the mental health trust settlement income account at the end of each fiscal year.

14 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
 15 read:

16 FINANCING AND LEASE AGREEMENTS. (a) The state bond committee is
 17 authorized to provide for the issuance of certificates of participation in one or more series in
 18 the aggregate principal amount of up to \$22,700,000 for the construction of a facility to be
 19 known as the Alaska Mental Health Trust Authority Support Office Building in Juneau if the
 20 balance of the construction costs in the amount of up to \$22,700,000 is made available by the
 21 Alaska Mental Health Trust Authority from the trust land development account of the mental
 22 health trust fund (AS 37.14.031). Interest income on the certificate of participation proceeds
 23 may be used to pay arbitrage rebates, with the balance to be used for debt service during
 24 construction or additional costs of construction and equipping the facility. The estimated total
 25 cost of construction, acquisition, and equipping the facility is \$45,400,000, including costs of
 26 credit enhancement, underwriting, rating agency fees, bond counsel fees, financial advisor
 27 fees, printing, and advertising.

28 (b) The state bond committee may contract for credit enhancement, underwriting,
 29 credit ratings, bond counsel, financial advisors, printing, advertising, and trustee services that
 30 the committee considers necessary in financing the acquisition and construction of the Alaska
 31 Mental Health Trust Authority Support Office Building.

1 (c) The Department of Administration is authorized to enter into a lease agreement
2 with the Alaska Mental Health Trust Authority with a term of 20 years for the use of all or
3 part of the Alaska Mental Health Trust Authority Support Office Building by state agencies.
4 In addition to other funds that may be available for the purpose, as much of the lease
5 payments for the facility as are necessary to pay the principal of and interest on the
6 certificates of participation when due shall be used for that purpose. The estimated annual
7 amount of rental obligation under a lease agreement executed under this subsection is
8 \$1,759,802. The estimated total amount of lease payments for the full term of the lease
9 agreement is \$35,196,035. At the end of the term of the lease, ownership shall be vested in the
10 Alaska Mental Health Trust Authority. This subsection constitutes the approval required by
11 AS 36.30.080.

12 (d) The Department of Administration is authorized to enter into a lease agreement
13 with the Alaska Mental Health Trust Authority with a term of 30 years for the use of all or
14 part of the Alaska Mental Health Trust Authority Support Office Building by state agencies.
15 The estimated annual amount of rental obligation under a lease agreement executed under this
16 subsection is \$3,665,000. The estimated total amount of lease payments for the full term of
17 the lease agreement is \$125,243,047. This subsection constitutes the approval required by
18 AS 36.30.080.

19 (e) The lease payments owed under a lease agreement executed under (c) of this
20 section and the lease payments owed under a lease agreement executed under (d) of this
21 section are subject to annual appropriation by the legislature.

22 (f) The Alaska Mental Health Trust Authority shall manage and operate the Alaska
23 Mental Health Trust Authority Support Office Building.

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

26 AUTHORIZING THE ALASKA HOUSING FINANCE CORPORATION TO
27 ACQUIRE A BUILDING. The Alaska Housing Finance Corporation is authorized to acquire
28 the building in Anchorage it occupies on the effective date of this Act for an amount that does
29 not exceed \$14,500,000. This section constitutes the approval required by AS 18.55.100(d)
30 and AS 18.56.090(d) for that acquisition.

31 * **Sec. 9.** This Act takes effect immediately under AS 01.10.070(c).