

**SENATE BILL NO. 218**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

**Introduced: 4/2/14**

**Referred: Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the Alaska Municipal Bond Bank Authority; and providing for an**  
2 **effective date."**

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

4 **\* Section 1.** AS 44.85.005 is amended to read:

5 **Sec. 44.85.005. Legislative findings.** The legislature finds that

6 (1) the rapid growth of municipalities in the state and the incorporation  
7 of new municipalities has created a demand for capital improvements that can only be  
8 met by these municipalities borrowing money through the issuance of bonds or notes;

9 (2) many of these municipalities, although creditworthy, either have  
10 not issued bonds or notes or have little outstanding debt;

11 (3) the cost of borrowed money to these municipalities is or may be  
12 unnecessarily high due to lack of investor familiarity with the municipalities;

13 (4) other municipalities in the state pay unnecessarily high borrowing  
14 costs because of the distance of the state from capital markets or may find borrowing

1 difficult or impossible because of temporary economic dislocation due to loss of  
2 employment or prospective loss of employment;

3 **(5) the University of Alaska has limited debt capacity and may pay**  
4 **higher interest rates because of lower credit ratings.**

5 \* **Sec. 2.** AS 44.85.010(a) is amended to read:

6 (a) It is the policy of the state to

7 (1) foster and promote by all reasonable means the provision of  
8 adequate capital markets and facilities for borrowing money by municipalities in the  
9 state to finance capital improvements or for other authorized purposes, to assist these  
10 municipalities in fulfilling their capital needs and requirements by use of borrowed  
11 money within statutory interest rate or cost of borrowing limitations, to the greatest  
12 extent possible to reduce costs of borrowed money to taxpayers and residents of the  
13 state, and equally to encourage continued investor interest in the purchase of bonds or  
14 notes of municipalities as sound and preferred securities for investment;

15 (2) encourage municipalities to continue their independent  
16 undertakings and financing of capital improvements and other authorized purposes  
17 and to assist them by making capital funds available at reduced interest costs for  
18 orderly financing of capital improvements and other purposes especially during  
19 periods of restricted credit or money supply, particularly for those municipalities not  
20 otherwise able to borrow for capital needs;

21 (3) assist municipalities to provide for adequate insurance coverage by  
22 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or  
23 nonnegotiable revenue bonds, notes, or certificates of participation either directly or  
24 through an entity it may create for the purpose of providing a self-insurance program  
25 for municipalities or municipal joint insurance arrangements organized under  
26 AS 21.76;

27 (4) assist governmental employers to prepay all or a portion of their  
28 share of unfunded accrued actuarial liabilities of retirement systems in an effort to  
29 reduce their costs of satisfying their contractual obligations to provide retirement and  
30 other benefits to public employees through the issuance of bonds, notes, commercial  
31 paper, or other obligations by the bond bank authority or by a subsidiary corporation

1 created by the bond bank authority under AS 44.85.085, but only if the state bond  
 2 rating is the equivalent of AA- or better; this assistance is limited as provided in  
 3 AS 37.15.903;

4 **(5) assist the University of Alaska to provide heating or energy**  
 5 **projects by providing capital funds through loans that minimize costs and the**  
 6 **effects on the debt capacity of the University of Alaska.**

7 \* **Sec. 3.** AS 44.85.090 is amended to read:

8 **Sec. 44.85.090. Limitations.** Under this chapter the bond bank authority may  
 9 not

10 (1) make loans of money to a person, firm, or corporation other than a  
 11 municipality **or the University of Alaska** or purchase securities issued by a person,  
 12 other than a municipality except for investment as provided in this chapter;

13 (2) emit bills of credit, accept deposits of money for time or demand  
 14 deposit, administer trusts, or engage in any form or manner in, or in the conduct of, a  
 15 private or commercial banking business, or act as a savings bank or savings and loan  
 16 association;

17 (3) be or constitute a bank or trust company within the jurisdiction or  
 18 under the control of a regulatory or supervisory board or department of the state, or the  
 19 Comptroller of the Currency of the United States, or the Department of the Treasury,  
 20 or Federal Reserve Board of the United States; or

21 (4) be or constitute a bank, banker, or dealer in securities within the  
 22 meaning of or subject to the provisions of securities, securities exchange, or securities  
 23 dealers law, of the United States or of this state or of another state.

24 \* **Sec. 4.** AS 44.85.100(b) is amended to read:

25 (b) The bond bank authority shall include in the report required by (a) of this  
 26 section an estimate of the amount of revenue bonds of the bond bank authority to be  
 27 issued during the fiscal year following the fiscal year in which the report is submitted.  
 28 Other than refunding bonds and other than bonds, notes, commercial paper, or other  
 29 obligations issued under AS 44.85.086, [AND] 44.85.180(a)(5), **and 44.85.180(e)**, the  
 30 bond bank authority may not issue revenue bonds in excess of \$75,000,000 during any  
 31 fiscal year beginning after June 30, 1981, unless the legislature, by law, approves the

1 estimate required by this subsection for that fiscal year.

2 \* **Sec. 5.** AS 44.85.180(c) is amended to read:

3 (c) Notwithstanding the provisions of (a) and (b) of this section, the total  
4 amount of bond bank authority bonds and notes outstanding at any one time may not  
5 exceed **\$1,500,000,000** [\$1,000,000,000]. This subsection does not apply to

6 (1) bonds or notes issued to fund or refund bonds or notes;

7 (2) bonds, notes, commercial paper, and other obligations issued under  
8 AS 44.85.086 or (a)(5) of this section.

9 \* **Sec. 6.** AS 44.85.180 is amended by adding a new subsection to read:

10 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority  
11 may issue its bonds or notes in principle amounts not to exceed \$150,000,000 for the  
12 purpose of making loans to the University of Alaska.

13 \* **Sec. 7.** AS 44.85.270(h) is amended to read:

14 (h) All amounts received on account of money appropriated to the reserve  
15 fund referred to in (a)(3) of this section shall be held and applied in accordance with  
16 (b) of this section; however, at the end of each fiscal year, if the amount in the reserve  
17 fund is in excess of the required debt service reserve, any amount representing  
18 earnings or income received on account of money appropriated to the reserve fund that  
19 exceeds the operating expenses of the authority for that fiscal year shall be **retained as**  
20 **part of the reserve fund** [TRANSFERRED TO THE GENERAL FUND OF THE  
21 STATE].

22 \* **Sec. 8.** AS 44.85.410(4) is amended to read:

23 (4) "municipal bond" means a bond or note or evidence of debt that  
24 constitutes

25 (A) a general obligation bond that is a direct and general  
26 obligation of a political subdivision of the state, all the taxable property within  
27 which is subject to taxation to pay the bond, note, or evidence of debt, and the  
28 interest without limitation, as to rate or amount generally to the extent  
29 permitted by law or to avoid a default as provided for second class cities under  
30 AS 29.45.590;

31 (B) a revenue bond issued by a municipality, **the University of**

1           Alaska, a solid waste management authority, or a port authority that pledges  
2 the revenue of a revenue-producing capital improvement and that is payable  
3 solely from the revenue of the revenue-producing capital improvement;

4                           (C) a general obligation bond or revenue bond combined or  
5 additionally secured;

6                           (D) a bond of a borough issued as a general obligation of a  
7 service area under AS 29.47.440 or former AS 29.58.340; or

8                           (E) an obligation of a municipality secured only by

9   (i) special assessments on benefited property;

10   (ii) tax increments and a letter of credit or equal  
11 security; or

12   (iii) a lease;

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