

(LIMITED RUN FOR ALL ADDITIONAL SPONSORSHIPS)

CS FOR SENATE BILL NO. 46(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/15/15

Referred: Rules

Sponsor(s): SENATORS HOFFMAN, Olson, Ellis, Wielechowski, Stedman, Egan, Bishop, Stevens

REPRESENTATIVES Herron, Ortiz, Kito

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Municipal Bond Bank Authority; authorizing the Alaska**
2 **Municipal Bond Bank Authority to issue bonds or notes for a regional health**
3 **organization or joint action agency; and providing for an effective date."**

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

5 * **Section 1.** AS 44.85.005 is amended to read:

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

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

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

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

14 (4) other municipalities in the state pay unnecessarily high borrowing

1 costs because of the distance of the state from capital markets or may find borrowing
 2 difficult or impossible because of temporary economic dislocation due to loss of
 3 employment or prospective loss of employment;

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

6 **(6) many municipalities provide for or partner with nonprofit**
 7 **organizations to provide for delivery of health care;**

8 **(7) nonprofit regional health organizations deliver services in**
 9 **many locations where municipal partners are unavailable;**

10 **(8) joint action agencies require financial assistance for public**
 11 **utility projects, including hydroelectric power projects, that benefit**
 12 **municipalities.**

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

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

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

23 (2) encourage municipalities to continue their independent
 24 undertakings and financing of capital improvements and other authorized purposes
 25 and to assist them by making capital funds available at reduced interest costs for
 26 orderly financing of capital improvements and other purposes especially during
 27 periods of restricted credit or money supply, particularly for those municipalities not
 28 otherwise able to borrow for capital needs;

29 (3) assist municipalities to provide for adequate insurance coverage by
 30 authorizing the Alaska Municipal Bond Bank Authority to issue negotiable or
 31 nonnegotiable revenue bonds, notes, or certificates of participation either directly or

1 through an entity it may create for the purpose of providing a self-insurance program
 2 for municipalities or municipal joint insurance arrangements organized under
 3 AS 21.76;

4 (4) assist governmental employers to prepay all or a portion of their
 5 share of unfunded accrued actuarial liabilities of retirement systems in an effort to
 6 reduce their costs of satisfying their contractual obligations to provide retirement and
 7 other benefits to public employees through the issuance of bonds, notes, commercial
 8 paper, or other obligations by the bond bank authority or by a subsidiary corporation
 9 created by the bond bank authority under AS 44.85.085, but only if the state bond
 10 rating is the equivalent of AA- or better; this assistance is limited as provided in
 11 AS 37.15.903;

12 (5) assist the University of Alaska to provide heating or energy
 13 projects by providing capital funds through loans that minimize costs and the effects
 14 on the debt capacity of the University of Alaska;

15 **(6) assist regional health organizations to provide health care**
 16 **facilities by providing capital funds through loans that minimize costs and the**
 17 **effects on the debt capacity of regional health organizations when the**
 18 **commissioner of health and social services anticipates a state financial benefit**
 19 **and an increase in regional quality of care;**

20 **(7) assist joint action agencies in providing public utilities,**
 21 **including hydroelectric power projects, through loans and bonds that minimize**
 22 **costs and the effects on the debt capacity of public utilities and joint action**
 23 **agencies.**

24 * **Sec. 3.** AS 44.85.080 is amended to read:

25 **Sec. 44.85.080. Powers of bond bank authority.** The bond bank authority
 26 may

- 27 (1) sue and be sued;
- 28 (2) adopt and alter an official seal;
- 29 (3) make and enforce bylaws and regulations for the conduct of its
 30 business and for the use of its services and facilities;
- 31 (4) maintain an office at any place in the state;

1 (5) acquire, hold, use, and dispose of its income, revenues, funds, and
2 money;

3 (6) acquire, rent, lease, hold, use, and dispose of other personal
4 property for its purposes;

5 (7) subject to AS 44.85.100(b), borrow money and issue its negotiable
6 bonds or notes and provide for and secure their payment, provide for the rights of their
7 holders, and purchase, hold, and dispose of any of its bonds or notes;

8 (8) fix and revise from time to time and charge and collect fees and
9 charges for the use of its services or facilities;

10 (9) accept gifts or grants from the United States, or from any
11 governmental unit or person, firm, or corporation, carry out the terms or provisions or
12 make agreements with respect to the gifts or grants, and do all things necessary,
13 useful, desirable, or convenient in connection with procuring, accepting, or disposing
14 of the gifts or grants;

15 (10) do anything authorized by this chapter, through its officers,
16 agents, or employees or by contracts with a person;

17 (11) make, enter into, and enforce all contracts necessary, convenient,
18 or desirable for the purposes of the bond bank authority or pertaining to a loan [TO A
19 POLITICAL SUBDIVISION], a purchase or sale of municipal bonds or other
20 investments, or the performance of its duties and execution of any of its powers under
21 this chapter;

22 (12) purchase or hold municipal bonds at prices and in a manner the
23 bond bank authority considers advisable, and sell municipal bonds acquired or held by
24 it at prices without relation to cost and in a manner the bond bank authority considers
25 advisable;

26 (13) invest funds or money of the bond bank authority not required at
27 the time of investment for loans or [LOAN TO POLITICAL SUBDIVISIONS] for
28 the purchase of municipal bonds, in the same manner as permitted for investment of
29 funds belonging to the state, except as otherwise provided in this chapter;

30 (14) prescribe the form of application or procedure required [OF A
31 POLITICAL SUBDIVISION] for a loan or purchase of its municipal bonds, fix the

1 terms and conditions of the loan or purchase, and enter into agreements [WITH
2 POLITICAL SUBDIVISIONS] with respect to loans or purchases;

3 (15) render services [TO A POLITICAL SUBDIVISION] in
4 connection with a public or private sale of its municipal bonds, including advisory and
5 other services, and charge for services rendered;

6 (16) charge for its costs and services in review or consideration of a
7 proposed loan [TO A POLITICAL SUBDIVISION] or purchase by the bond bank
8 authority of municipal bonds [OF THE POLITICAL SUBDIVISION], whether or not
9 the loan is made or the municipal bonds purchased;

10 (17) fix and establish terms and provisions with respect to a purchase
11 of municipal bonds by the bond bank authority, including date and maturities of the
12 bonds, provisions as to redemption or payment before maturity, and any other matters
13 that in connection with the purchase are necessary, desirable, or advisable in the
14 judgment of the bond bank authority;

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

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

22 (20) by regulation, create a new entity or new entities for the purpose
23 of issuing negotiable or nonnegotiable revenue bonds, notes, or certificates of
24 participation to finance a self-insurance program for municipalities or municipal joint
25 insurance arrangements organized under AS 21.76 or to provide assistance to
26 governmental employers under AS 44.85.085(a); the powers, duties, and membership
27 of the new entity or entities shall be limited to the powers, duties, and membership of
28 the authority and stated in the regulation; the new entity or entities shall each be a
29 public corporation and an instrumentality of the state with the same legal existence
30 and continuing succession as the bond bank authority; and

31 (21) do all acts and things necessary, convenient, or desirable to carry

1 out the powers expressly granted or necessarily implied in this chapter.

2 * **Sec. 4.** AS 44.85.090 is amended to read:

3 **Sec. 44.85.090. Limitations.** Under this chapter, the bond bank authority may
4 not

5 (1) make loans of money to a person, firm, or corporation **except**
6 [OTHER THAN A MUNICIPALITY OR THE UNIVERSITY OF ALASKA OR
7 PURCHASE SECURITIES ISSUED BY A PERSON, OTHER THAN A
8 MUNICIPALITY EXCEPT FOR INVESTMENT] as provided in this chapter;

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

13 (3) be or constitute a bank or trust company within the jurisdiction or
14 under the control of a regulatory or supervisory board or department of the state, or the
15 Comptroller of the Currency of the United States, or the Department of the Treasury,
16 or Federal Reserve Board of the United States; [OR]

17 (4) be or constitute a bank, banker, or dealer in securities within the
18 meaning of or subject to the provisions of securities, securities exchange, or securities
19 dealers law, of the United States or of this state or of another state; **or**

20 **(5) issue bonds or notes to a regional health organization unless**

21 **(A) the bond bank authority finances not more than 49**
22 **percent of a project;**

23 **(B) the remaining costs of a project are secured or delivered**
24 **to the bond bank authority before the bond bank authority provides**
25 **financing under (A) of this paragraph; and**

26 **(C) the bonds or notes do not exceed \$102,500,000 for a**
27 **single project.**

28 * **Sec. 5.** AS 44.85.170(b) is amended to read:

29 (b) Notwithstanding any other provision of law, to the extent that any
30 department or agency of the state is the custodian of money payable to a **political**
31 **subdivision** [MUNICIPALITY], at any time after written notice to the department or

1 agency head from the bond bank authority that the **political subdivision**
 2 [MUNICIPALITY] is in default on the payment of principal or interest on municipal
 3 bonds then held or owned by the bond bank authority, or amounts due under an
 4 agreement between the bond bank authority and a **political subdivision**
 5 [MUNICIPALITY] or a municipal joint insurance arrangement organized under
 6 AS 21.76, the department or agency shall withhold the payment of that money from
 7 that **political subdivision** [MUNICIPALITY] and pay over the money to the bond
 8 bank authority for the purpose of paying principal of and interest on the bonds or debt.
 9 The notice shall be given in each instance of default.

10 * **Sec. 6.** AS 44.85.180(d) is amended to read:

11 (d) In deciding to purchase municipal bonds [OF A MUNICIPALITY], the
 12 bond bank authority shall give preference to the **entities** [MUNICIPALITIES] referred
 13 to in AS 44.85.005. In addition, the following, listed in order of preference, are
 14 preferred purposes of the municipal bonds that may be considered by the bond bank
 15 authority for purchase: schools, waste water treatment facilities, fire protection and
 16 public safety facilities, public health facilities, and public transportation facilities.

17 * **Sec. 7.** AS 44.85.180(e) is amended to read:

18 (e) Notwithstanding (a), (b), and (c) of this section, the bond bank authority
 19 may issue its bonds or notes

20 **(1) in principal amounts not to exceed \$87,500,000 for the purpose of**
 21 **making loans to the University of Alaska; and**

22 **(2) in principal amounts not to exceed \$205,000,000 at any one**
 23 **time for the purpose of making loans to a regional health organization; this**
 24 **paragraph does not apply to bonds or notes issued to fund or refund bonds or**
 25 **notes.**

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

27 (4) "municipal bond" means a bond or note or evidence of debt that
 28 constitutes

29 (A) a general obligation bond that is a direct and general
 30 obligation of a political subdivision of the state, all the taxable property within
 31 which is subject to taxation to pay the bond, note, or evidence of debt, and the

1 interest without limitation, as to rate or amount generally to the extent
 2 permitted by law or to avoid a default as provided for second class cities under
 3 AS 29.45.590;

4 (B) a revenue bond issued by a municipality, the University of
 5 Alaska, **a regional health organization, a joint action agency formed under**
 6 **AS 42.45.310**, a solid waste management authority, or a port authority that
 7 pledges the revenue of a revenue-producing capital improvement and that is
 8 payable solely from the revenue of the revenue-producing capital
 9 improvement;

10 (C) a general obligation bond or revenue bond combined or
 11 additionally secured;

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

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

15 (i) special assessments on benefited property;

16 (ii) tax increments and a letter of credit or equal

17 security; or

18 (iii) a lease;

19 * **Sec. 9.** AS 44.85.410 is amended by adding a new paragraph to read:

20 (9) "regional health organization" has the meaning given in

21 AS 18.28.100.

22 * **Sec. 10.** This Act takes effect immediately under AS 01.10.070(c).