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BY MESSRS. WIDMARK, KUBLEY  
AND BOARDMAN

IN THE HOUSE

HOUSE BILL NO. 438

IN THE LEGISLATURE OF THE STATE OF ALASKA

SECOND LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the creation of a second class city school construction revolving fund."

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

Section 1. REVOLVING FUND. The second class city school construction revolving fund, referred to in this Act as the fund, is created to assist second class cities in Alaska to finance the constructing and equipping of new schools.

Sec. 2. ADMINISTRATION OF FUND. a. The fund is administered by the commissioner of education, referred to in this Act as the commissioner. The commissioner may promulgate regulations concerning the use of the fund.

b. The commissioner of revenue is the custodian of the fund and shall dispose of it as requested by the commissioner of education.

Sec. 3. LOANS. a. A second class city may apply to the commissioner for a loan after it has followed the same procedure required by law for its incurring indebtedness by issuing general obligation bonds. A loan application shall be accompanied by a comprehensive statement describing the following:

- (1) the school to be constructed;
- (2) the proposed method of financing school construction, which shall include an explanation of how a loan provided by this Act would be repaid; and

1 (3) any additional information required by the com-  
2 missioner.

3 b. The commissioner may, at his discretion, make loans  
4 from the fund to second class cities. However, before the com-  
5 missioner may loan from the fund he shall determine that the  
6 following conditions are satisfied:

7 (1) the proposed school is needed;

8 (2) the construction plans of the proposed school  
9 conform to accepted standards for school construction;

10 (3) the financing of the proposed school with general  
11 obligation bonds issued by the second class city is not feasible;  
12 and

13 (4) an adequate method for repaying the loan has been  
14 agreed upon.

15 c. No loan may exceed \$120,000.

16 d. The rate of interest for a loan from the fund is four  
17 per cent a year computed on the part of the loan outstanding.  
18 The maximum term of a loan is 20 years.

19 Sec. 4. SECURITY FOR LOAN. a. A second class city contract-  
20 ing for a loan from the fund shall deposit with the commissioner  
21 of revenue a promissory note.

22 b. Loans shall be secured by pledging revenue received by  
23 a borrowing political subdivision from the "School Fund" provided  
24 by Ch. 187, SLA 1955, as amended.

25 c. Additional forms of security may be required by the  
26 commissioner.

27 Sec. 5. SALE OF PROMISSORY NOTES. Promissory notes held  
28 by the commissioner of revenue may be accepted as a lawful in-  
29 vestment and security for all fiduciary, trust and public funds

1 of the State of Alaska or its political subdivisions. If a promis-  
2 sory note is resold, all rights and interest in it shall accrue  
3 to the purchaser.

4 Sec. 6. REPAYMENT TO FUND. The principal and interest from  
5 loans repaid by second class cities shall be deposited in the  
6 fund for continuous use.

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