

BY SENATORS OWEN, COGHILL,
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1 IN THE SENATE

2 SENATE BILL NO. 203

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SECOND LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to loans for school con-
7 struction; and creating a school construc-
8 tion revolving fund."

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

10 Section 1. PURPOSE. The purpose of this Act is to provide
11 long-term loans to political subdivisions to finance the construc-
12 tion and equipping of new schools when it would be difficult or
13 financially unsound for them to issue general obligation bonds.

14 Sec. 2. SCHOOL CONSTRUCTION REVOLVING FUND. The school
15 construction revolving fund, referred to in this Act as the fund,
16 is created to assist eligible political subdivisions of Alaska
17 to finance the construction and equipping of new schools.

18 Sec. 3. ELIGIBLE POLITICAL SUBDIVISIONS. a. A political
19 subdivision of Alaska is eligible to apply for a school construc-
20 tion loan if it is permitted by law at the time of applying for
21 a loan to issue general obligation bonds for school construction

22 b. If a political subdivision's application for a loan is
23 approved, it is eligible to receive the loan after it has fol-
24 lowed the same procedure required by law for incurring indebted-
25 ness by issuing general obligation bonds.

26 Sec. 4. ADMINISTRATION OF FUND. a. The fund is admin-
27 istered by the commissioner of education, referred to in this
28 Act as the commissioner. The commissioner shall promulgate
29 regulations concerning the use of the fund, specific eligibility

1 for a loan and other necessary regulations.

2 b. The commissioner of revenue is the custodian of the fund
3 and shall receive and disperse money as requested by the commis-
4 sioner of education.

5 Sec. 5. LOANS. a. An eligible political subdivision may
6 apply to the commissioner for a loan. A loan application shall
7 be accompanied by a comprehensive statement describing the fol-
8 lowing:

9 (1) the school to be constructed;

10 (2) the proposed method of financing school construc-
11 tion, which shall include an explanation of how a loan provided
12 by this Act would be repaid; and

13 (3) any additional information required by the commis-
14 sioner.

15 b. The commissioner may, at his discretion, make loans from
16 the fund to eligible political subdivisions. However, before the
17 commissioner may lend from the fund he shall determine that the
18 following conditions are satisfied:

19 (1) the proposed school is needed;

20 (2) the architectural and construction plans of the
21 proposed school conform to accepted standards for school construc-
22 tion;

23 (3) the financing of the proposed school with general
24 obligation bonds issued by the political subdivision is not
25 feasible; and

26 (4) an adequate method for repaying the loan has been
27 agreed upon.

28 c. The rate of interest for a loan from the fund is four
29 per cent a year computed on the part of the loan outstanding.

1 The maximum term of a loan is 20 years.

2 Sec. 6. SECURITY FOR LOAN. a. A political subdivision
3 contracting for a loan from the fund shall deposit with the com-
4 missioner of revenue a promissory note describing the terms of
5 the loan.

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

9 c. Additional forms of security may be required by the
10 commissioner.

11 d. If a political subdivision defaults in repaying a loan,
12 the commissioner may enforce his rights as allowed by law. This
13 may include a request for court action to attach the revenue re-
14 ceived by the political subdivision from state taxes shared with
15 it.

16 Sec. 7. SALE OF PROMISSORY NOTES. Promissory notes held
17 by the commissioner of revenue may be accepted as a lawful in-
18 vestment and security for all fiduciary, trust and public funds
19 of the State of Alaska or its political subdivisions. If a
20 promissory note is resold, all rights and interest in it shall
21 accrue to the purchaser.

22 Sec. 8. REPAYMENT TO FUND. The principal and interest
23 from loans repaid by political subdivisions and the proceeds
24 from the sale of promissory notes to the State of Alaska or its
25 political subdivisions shall be deposited in the fund for con-
26 tinuous use.

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