

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
7 construction; and creating a school
8 construction 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 unwise 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 followed
24 the same procedure required by law for incurring indebtedness by
25 issuing general obligation bonds.

26 Sec. 4. ADMINISTRATION OF FUND. a. The fund is administered
27 by the commissioner of education, referred to in this Act as the
28 commissioner. The commissioner shall promulgate regulations con-
29 cerning the use of the fund, specific eligibility for a loan and

1 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 construction,
11 which shall include an explanation of how a loan provided by this
12 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 all or a portion of the
7 revenue received by a borrowing political subdivision from the
8 "School Fund" provided by Ch. 187, SLA 1955, as amended. The
9 Commissioner of Education may in his discretion also require a
10 pledge of all or a portion of such other shared revenues to which
11 the political subdivision may be entitled.

12 c. Additional forms of security may be required by the
13 commissioner.

14 d. If a political subdivision defaults in repaying a loan,
15 the commissioner shall enforce his rights as allowed by law. This
16 may include a request for court action to attach the revenue
17 received by the political subdivision from state taxes shared with
18 it.

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

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

28 Passed by the Senate March 15, 1962
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