

Introduced: 3/4/71
Referred: Local Government
and Finance

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COLLETTA, HAUGEN AND TILLION

1 IN THE HOUSE

2 HOUSE BILL NO. 261

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state assistance in payment of
7 local government bonded debt; and providing for an
8 effective date."

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

10 * Section 1. AS 43.18.010 is amended by adding a new subsection to read:

11 (j) During each fiscal year the state shall pay to a city or
12 organized borough a sum equal to five per cent of the total amount
13 collected for the prior tax year under the Alaska Net Income Tax Act
14 (AS 43.20) from taxpayers residing in the city or, with respect to the
15 borough allocation, the borough area outside cities, subject to the
16 pro rata distribution of a lesser sum appropriated as provided in sec.
17 20(b) of this chapter. Payments received under this subsection shall
18 be held and applied to amortization of the total amount of bonded
19 indebtedness authorized and issued by the local government before they
20 may be expended for another municipal purpose.

21 * Sec. 2. AS 43.18.010(f) is amended to read:

22 (f) Funds received by a city, borough or service area under this
23 section may be expended for any public purpose for which the city,
24 borough or service area [IT] has power to expend public funds, except
25 as provided in (h) and (j) of this section.

26 * Sec. 3. AS 44.19 is amended by adding a new section to read:

27 Sec. 44.19.208. STATE MUNICIPAL BOND GUARANTEE FUND. (a) There
28 is in the Local Affairs Agency the municipal bond guarantee fund in
29 which there shall be deposited all money appropriated by the legislature

1 for the purpose of the fund. Money in the fund shall be held and
2 applied solely to provide a state guarantee and an additional pledge
3 of payment of all bonds and notes of political subdivisions issued
4 before or on or after the effective date of this Act.

5 (b) Upon being informed by the chief executive of a political
6 subdivision that a municipal bond debt service payment may not be met,
7 the agency shall make payment from money in the fund directly to the
8 pertinent paying agent in the name of the political subdivision if
9 payment is necessary to avoid a default. The payment shall be con-
10 sidered, to the extent of the payment, a transfer of indebtedness from
11 the holder of the debt instrument in respect of which payment was
12 made to the state and shall be reimbursed to the state as provided in
13 (c) of this section.

14 (c) Upon making a payment under (b) of this section, the agency
15 shall notify the Departments of Administration and Revenue that a debt
16 of a political subdivision has been paid from the municipal bond
17 guarantee fund. The fund shall be reimbursed from funds appropriated
18 for allocation, but not yet paid, to the political subdivision, notwith-
19 standing any other provision of law. However, a tax which is dedicated
20 on the effective date of this Act and is allocated to political sub-
21 divisions in accordance with the dedication shall not be applied to
22 reimbursement of the fund under this subsection. Other appropriations
23 for allocation to political subdivisions shall recite the condition
24 of this subsection that funds allocated may be used to reimburse the
25 fund for payments made from it under (b) of this section.

26 (d) Upon making a payment under (b) of this section, the agency
27 may require that the bond covenants of the debt instrument in respect
28 of which payment was made be fully implemented to cure the condition
29 of default which would have existed except for the agency's making

1 payment for the political subdivision. To enforce compliance with
2 this requirement, the agency may institute appropriate legal and
3 administrative proceedings and assess costs of enforcing compliance
4 against the political subdivision.

5 (e) Money in the municipal bond guarantee fund which exceeds at
6 any time five per cent of the total bonded debt of all political
7 subdivisions, as of the prior calendar year, whether by reason of
8 investment or otherwise, shall be withdrawn from the fund and trans-
9 ferred to the general fund.

10 (f) Money in the guarantee fund may be invested at any time in
11 direct obligations of, or obligations on which the principal and
12 interest is guaranteed by, the United States, the state, or a political
13 subdivision.

14 (g) For the purpose of valuation, investments of the guarantee
15 fund shall be valued at the lowest of (1) the par value, (2) the
16 cost to the agency, or (3) market value of the investments. Valuation
17 on a particular date shall include the amount of interest earned or
18 accrued to that date on any amount or investment of the guarantee fund.

19 (h) In order to assure the maintenance of the guarantee fund,
20 there is authorized to be appropriated annually and paid to the fund,
21 such sum, if any, as is certified to the governor by the director of
22 the Local Affairs Agency as necessary to restore the fund to an
23 amount equal to five per cent of the total of bonded debt of all
24 political subdivisions outstanding as of the prior calendar year.
25 The director shall annually, on or before December 1, make and deliver
26 to the governor his certificate stating the sum, if any, required to
27 restore the fund to that amount, and the sum or sums so certified are
28 authorized to be appropriated and paid to the authority during the
29 then current state fiscal year.

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* Sec. 4. This Act takes effect July 1, 1971.