

Original sponsor: Haugen

Offered: 4/20/74
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 705

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal bonded indebtedness
7 incurred for school construction."

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

9 * Section 1. AS 29.58 is amended by adding new sections to read:

10 Sec. 29.58.340. BONDED INDEBTEDNESS FOR SCHOOL CONSTRUCTION. (a)

11 A home rule or general law municipality, upon furnishing proof satis-
12 factory to the Department of Education and the Department of Community
13 and Regional Affairs of the need for school facilities which, if pro-
14 vided, will require the municipality to exceed limits on authorizing
15 or issuing bonds which may be established by law, charter, or are fixed
16 at one-half of 10 per cent of the municipality's assessed valuation as
17 of the prior January 1, may exceed the limits to the extent necessary
18 to provide minimum school facilities.

19 (b) In this section "minimum school facilities" means instruc-
20 tional and auxiliary facilities and initial equipment necessary to
21 operate a program of instruction for the school membership at normal
22 capacity; the term does not include athletic stadiums or structures or
23 facilities intended primarily for athletic exhibitions, contests, or
24 games.

25 Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment
26 by the state of the principal and interest of bonds issued under the
27 enabling authority of sec. 340 of this chapter, there is in the Depart-
28 ment of Community and Regional Affairs a special fund called the local
29 school bond guarantee fund in which there shall be deposited all money

1 appropriated by the legislature for the purpose of the fund and other
2 money which may be made available for the purpose of the fund from any
3 other source. Money in the fund shall be held and applied solely to
4 further guarantee and provide an additional pledge of payment of all
5 bonds issued under the provisions of sec. 340 of this chapter. Money
6 shall not be withdrawn from the fund if a withdrawal would reduce the
7 amount in the fund to an amount equal to less than the "maximum debt
8 service reserve" (as defined in this section), except for payment of
9 interest then due and payable on bonds and the principal of bonds then
10 maturing and payable and for the retirement of bonds in accordance with
11 the terms of a contract between the municipality and its bondholders and
12 for the payments on account of which interest or principal or retire-
13 ment of bonds other money is not then available in accordance with the
14 terms of the contract. In this section "maximum debt service reserve"
15 means, as of any date of computation, the largest amount of money
16 required by the terms of all contracts between municipalities and their
17 bondholders as to bonds issued under sec. 340 of this chapter to be
18 raised in any succeeding calendar year for the payment of interest on
19 and maturing principal of outstanding bonds and payments required by
20 the terms of the contracts to sinking funds established for the payment
21 or redemption of the bonds, all calculated on the assumption that bonds
22 will cease to be outstanding after the date of the computation by
23 reason of the payment of bonds at their respective maturities and the
24 payments of the required money to sinking funds and the application of
25 the money in accordance with the terms of the contracts to the retire-
26 ment of bonds.

27 (b) Money in the guarantee fund at any time in excess of the
28 maximum debt service reserve, whether by reason of investment or other-
29 wise, may be withdrawn by the department and transferred to the general

1 fund.

2 (c) Money at any time in the guarantee fund may be invested in any
3 direct obligation of, or obligations as to which principal and interest
4 is guaranteed by, the United States, the state or a political subdivision.

5 (d) For purposes of valuation, investments in the guarantee fund
6 shall be valued at the lowest of the par value, cost to the authority, or
7 market value of the investments. Valuation on any particular date shall
8 include the amount of interest then earned or accrued to that date on any
9 money or investments in the fund.

10 (e) Other provisions of this section notwithstanding, no bonds may
11 be issued carrying the guarantee provided in this section unless there is
12 in the guarantee fund the maximum debt service reserve for all bonds then
13 issued and outstanding and the bonds about to be issued, but nothing
14 prevents or precludes a municipality from satisfying the foregoing
15 requirement by depositing so much of the proceeds of the bonds about to
16 be issued, upon their issuance, as is needed to achieve the maximum
17 debt service reserve.

18 (f) In order to assure the maintenance of the maximum debt service
19 reserve in the guarantee fund, there is authorized to be appropriated
20 annually and paid to the Department of Community and Regional Affairs
21 for deposit in the fund, such sum, if any, as shall be certified by the
22 commissioner of community and regional affairs to the governor as
23 necessary to restore the fund to an amount equal to the maximum debt
24 service reserve. The commissioner shall annually, before December 2,
25 deliver to the governor his certificate stating the sum, if any, re-
26 quired to restore the fund to that amount, and the sum so certified is
27 authorized to be appropriated and paid to the fund during the then
28 current state fiscal year.

29 (g) Nothing in this section may be considered to cause bonds,

1 payment of which is guaranteed from money in the fund established
2 under this section, to be in any way a debt or liability of the state
3 or any political subdivision of the state other than the political
4 subdivision issuing the bonds, and the bonds, whether or not payable
5 from the maximum debt service reserve created and established under
6 this section, shall not create or constitute an indebtedness, liability
7 or obligation of the state or be or constitute a pledge of the faith
8 and credit of the state.

9 * Sec. 2. AS 29.13.100 is amended by adding a new paragraph to read:

10 (35) AS 29.58.340 - 29.58.350 (bonded debt for school
11 construction)