

Original sponsor: Haugen

Offered: 4/25/74  
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR 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 home rule city 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.

11 A home rule city levying property taxes for schools, upon furnishing  
12 proof satisfactory to the Department of Education and the Department  
13 of Community and Regional Affairs of the need for school facilities  
14 which, if provided, will require the city to exceed limits on authori-  
15 zing or issuing bonds which may be established by charter, may exceed  
16 the limits to the extent necessary to pay costs of school construction.  
17 In this section "costs of school construction" means costs as defined  
18 in AS 43.18.100(g)(2).

19 Sec. 29.58.350. BOND GUARANTEE FUND. (a) To guarantee payment  
20 by the state of the principal and interest of bonds issued under the  
21 enabling authority of sec. 340 of this chapter, there is in the Depart-  
22 ment of Community and Regional Affairs a special fund called the local  
23 school bond guarantee fund in which there shall be deposited all money  
24 appropriated by the legislature for the purpose of the fund and other  
25 money which may be made available for the purpose of the fund from any  
26 other source. Money in the fund shall be held and applied solely to  
27 further guarantee and provide an additional pledge of payment of all  
28 bonds issued under the provisions of sec. 340 of this chapter. Money  
29 shall not be withdrawn from the fund if a withdrawal would reduce the

1 amount in the fund to an amount equal to less than the "maximum debt  
2 service reserve" (as defined in this section), except for payment of  
3 interest then due and payable on bonds and the principal of bonds then  
4 maturing and payable and for the retirement of bonds in accordance with  
5 the terms of a contract between the municipality and its bondholders and  
6 for the payments on account of which interest or principal or retire-  
7 ment of bonds other money is not then available in accordance with the  
8 terms of the contract. In this section "maximum debt service reserve"  
9 means, as of any date of computation, the largest amount of money  
10 required by the terms of all contracts between municipalities and their  
11 bondholders as to bonds issued under sec. 340 of this chapter to be  
12 raised in any succeeding calendar year for the payment of interest on  
13 and maturing principal of outstanding bonds and payments required by  
14 the terms of the contracts to sinking funds established for the payment  
15 or redemption of the bonds, all calculated on the assumption that bonds  
16 will cease to be outstanding after the date of the computation by  
17 reason of the payment of bonds at their respective maturities and the  
18 payments of the required money to sinking funds and the application of  
19 the money in accordance with the terms of the contracts to the retire-  
20 ment of bonds.

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

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

29 (d) For purposes of valuation, investments in the guarantee fund

1 shall be valued at the lowest of the par value, cost to the authority,  
2 or market value of the investments. Valuation on any particular date  
3 shall include the amount of interest then earned or accrued to that  
4 date on any money or investments in the fund.

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

13 (f) In order to assure the maintenance of the maximum debt  
14 service reserve in the guarantee fund, there is authorized to be  
15 appropriated annually and paid to the authority for deposit in the  
16 fund, such sum, if any, as shall be certified by the commissioner of  
17 community and regional affairs to the governor as necessary to restore  
18 the fund to an amount equal to the maximum debt service reserve. The  
19 chairman shall annually, before December 2, deliver to the governor  
20 his certificate stating the sum, if any, required to restore the fund  
21 to that amount, and the sum so certified is authorized to be appropri-  
22 ated and paid to the fund during the then current state fiscal year.

23 (g) Nothing in this section may be considered to cause bonds,  
24 payment of which is guaranteed from money in the fund established  
25 under this section, to be in any way a debt or liability of the state  
26 or any political subdivision of the state other than the political  
27 subdivision issuing the bonds, and the bonds, whether or not payable  
28 from the maximum debt service reserve created and established under  
29 this section, shall not create or constitute an indebtedness, liability

1 or obligation of the state or be or constitute a pledge of the faith  
2 and credit of the state.

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

4 (35) AS 29.58.340 - 29.58.350 (bonded debt for school  
5 construction)