

Original sponsor: Rules Committee by  
request of the Governor

Offered: 6/3/78

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 603 (Rules)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating the Gas Pipeline Financing Authority;  
7 and providing for an effective date."

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

9 \* Section 1. AS 44 is amended by adding a new chapter to read:

10 Sec. 44.55.010. LEGISLATIVE FINDINGS. The legislature finds that

11 (1) timely construction of the Alaska Highway Natural Gas  
12 Pipeline Project is in the best interest of the state and of the United  
13 States;

14 (2) state assistance to the financing of the project will  
15 promote an essential public purpose in assuring early transportation to  
16 market of Prudhoe Bay natural gas;

17 (3) the project is essential to the development of the  
18 natural resources and the long-term economic growth of the state, and  
19 will directly and indirectly alleviate unemployment in the state;

20 (4) additional benefits to Alaska from the project include  
21 increased state and local tax revenue, enhanced availability of natural  
22 gas for Alaska communities, and stimulus and expansion of the private  
23 sector economy, including greater potential for development of in-state  
24 manufacturing, refining and processing facilities;

25 (5) construction of the project is a matter of immediate  
26 statewide concern; there is no existing general law adequate for the  
27 purpose of assisting with financing of the project, as provided in this  
28 chapter;

29 (6) it is a public purpose of the State of Alaska to promote

1 early completion of the project through the creation of an instrumen-  
2 tality empowered to sell revenue bonds, the interest on which is exempt  
3 from federal income tax except when held by a substantial user or  
4 related person as these terms are defined in sec. 103 of the Internal  
5 Revenue Code of 1954 as amended, and to use the proceeds to purchase or  
6 otherwise acquire obligations issued with respect to the project;

7 (7) an amendment by Act of Congress to sec. 103 of the Internal  
8 Revenue Code of 1954 as amended is required if the authority is to be  
9 empowered to sell revenue bonds, the interest on which is exempt from  
10 federal income tax but the State of Alaska recognizes that enactment of  
11 this amendment is a matter of federal policy.

12 Sec. 44.55.020. CREATION OF AUTHORITY. There is created the  
13 Gas Pipeline Financing Authority. The authority is a public corporation  
14 of the state. It is an instrumentality of the state within the Depart-  
15 ment of Revenue, but has a legal existence independent of and separate  
16 from the state. Exercise by the authority of the powers conferred by  
17 this chapter is an essential governmental function of the state.

18 Sec. 44.55.030. MEMBERSHIP. The membership of the authority  
19 consists of the commissioner of revenue, the commissioner of commerce  
20 and economic development, and the commissioner of natural resources.  
21 The commissioner of revenue is chairman of the authority. If a member  
22 is unable for any reason to attend a meeting of the authority, the  
23 member may, by a written instrument filed with the authority, designate  
24 a person within his department to act in the member's place at the  
25 meeting. For all purposes of this chapter, the designee is a member of  
26 the authority at the meeting.

27 Sec. 44.55.040. OFFICERS AND QUORUM. The members may elect other  
28 officers as they consider desirable. Two members constitute a quorum.  
29 Action may be taken and motions and resolutions adopted by the authority

1 at a meeting by the affirmative vote of at least two members.

2 Sec. 44.55.050. COMPENSATION. The members of the authority are  
3 entitled to reimbursement from the authority for actual expenses in-  
4 curred in the performance of their duties.

5 Sec. 44.55.060. STAFF. The authority may employ an executive  
6 director who may, with the approval of the authority, select and employ  
7 additional staff as necessary. Employees of the authority are in the  
8 exempt service under AS 39.25.110. In addition to its staff of regular  
9 employees, the authority may contract for and engage the services of  
10 bond counsel, consultants, experts, and financial advisors the authority  
11 considers necessary for the purpose of developing information, furnish-  
12 ing advice, or conducting studies, investigations, hearings, or other  
13 proceedings.

14 Sec. 44.55.070. LEGAL COUNSEL. The attorney general is the legal  
15 counsel for the corporation. He shall advise the corporation in legal  
16 matters and represent it in legal actions.

17 Sec. 44.55.080. PURPOSE OF AUTHORITY. The purpose of the autho-  
18 rity is to assist in the financing of the project through the issuance  
19 of revenue bonds as provided in this chapter. No bonds may be sold by  
20 the authority until a binding commitment of not less than 50 per cent  
21 of all the financing required for construction and cost overrun for all  
22 segments of the pipeline has been obtained.

23 Sec. 44.55.090. GENERAL POWERS. In furtherance of its purpose,  
24 the authority has the following powers in addition to its other powers:

- 25 (1) to sue and be sued;
- 26 (2) to have a seal and alter it at pleasure;
- 27 (3) to make and alter bylaws for its organization and inter-  
28 nal management;
- 29 (4) to maintain an office at any place in the state;

1 (5) to acquire, hold, use, mortgage, encumber, or otherwise  
2 dispose of income, revenue, funds, memberships, contracts, bonds or  
3 other property or interests in a corporation or other legal entity, or  
4 any other real or personal property;

5 (6) to accept gifts, grants, or loans from, and enter into  
6 contracts or other transactions with, any national, state, or municipal  
7 government, or agency or instrumentality of a government, or with any  
8 private organization, or other source;

9 (7) to deposit or invest its funds subject to agreements with  
10 bondholders and other parties; and

11 (8) to enter into contracts or agreements with respect to the  
12 exercise of its powers, and to do all things necessary or convenient to  
13 carry out its purpose and to exercise the powers granted in this chap-  
14 ter.

15 Sec. 44.55.100. BONDS OF THE AUTHORITY. (a) The authority may  
16 borrow money and issue revenue bonds, in one or more series, the in-  
17 terest on which is exempt from federal income tax except when held by a  
18 substantial user or related person as defined in sec. 103 of the Inter-  
19 nal Revenue Code of 1954 as amended, up to the principal amount of  
20 \$1,000,000,000 exclusive of refunding bonds and amounts required for  
21 fund reserves, capitalized interest, and costs of issuance of the bonds  
22 or notes. Bonds of the authority may be issued for the purpose of  
23 purchasing or otherwise acquiring any obligation issued with respect to  
24 the project in any form which is fixed and certain as to terms of repay-  
25 ment and for the establishment of reserves to secure or to pay bonds or  
26 notes or interest on bonds or notes and all other costs of the authority  
27 incident to and necessary for issuance of bonds or notes. The principal  
28 and interest on the bonds are payable from the income and receipts or  
29 other money derived by the authority with respect to the project, except

1 to the extent payable out of money attributable to the proceeds of the  
2 sale of the bonds or out of income from the temporary investment of  
3 those proceeds.

4 (b) The bonds issued by the authority do not constitute an indebt-  
5 edness or other liability of the state or of a political subdivision of  
6 the state, but are payable solely from the income and receipts or other  
7 money of the authority. The authority may not pledge the faith or  
8 credit of the state or of a political subdivision of the state to the  
9 payment of a bond, and the issuance of a bond by the authority may not  
10 directly or indirectly or contingently obligate the state or a political  
11 subdivision of the state in any manner, except as specifically provided  
12 in this chapter.

13 (c) Bonds shall be authorized by resolution of the authority and  
14 shall be dated and mature as the resolution provides. Bonds shall bear  
15 interest at the rate or rates, be in the denominations but at least 50  
16 per cent of the securities must be in denominations of \$25,000 or greater  
17 be in the form, either coupon or registered, carry the registration  
18 privileges, be executed in the manner, be payable in the medium of  
19 payment, at the place or places, and be subject to the terms of redemp-  
20 tion which the resolution provides.

21 (d) All bonds, regardless of form or character, are negotiable  
22 instruments for all the purposes of the Uniform Commercial Code.

23 (e) All bonds may be sold at public or private sale in the manner,  
24 for the price, and at the time or times which the authority determines.

25 (f) The authority may enter into financing agreements necessary or  
26 desirable to secure the bonds. Before the issuance of bonds, the  
27 authority shall make provision by agreement with the owner or user of  
28 the project for payment by the owner or user of amounts at least suffi-  
29 cient in the judgment of the authority to pay the principal of and

1 interest on the bonds as they become due, to establish or maintain the  
2 reserves for payment, if any, as the authority considers necessary or  
3 desirable.

4 (g) Refunding obligations may be sold or exchanged for outstanding  
5 obligations issued under this chapter. If sold, the proceeds may be  
6 applied, in addition to other authorized purposes, to the purchase,  
7 redemption or payment of the outstanding obligations. Pending the  
8 application of the proceeds of any refunding obligations, with any other  
9 available funds, to the payment of the principal (accrued interest and  
10 any redemption premium on the obligations being refunded, and if so  
11 provided or permitted in the authorization for issuance of the refunding  
12 obligations, to the payment of any interest on the refunding obligations  
13 and any expenses in connection with the refunding), the proceeds may be  
14 invested in direct obligations of, or obligations the principal of and  
15 the interest on which are unconditionally guaranteed by, the United  
16 States of America which mature or which will be subject to redemption,  
17 at the option of the holders of them, not later than the respective  
18 dates when the proceeds, together with the interest accruing on them,  
19 will be required for the purposes intended.

20 Sec. 44.55.110. APPROVAL OF FINANCING PLAN. (a) The authority  
21 shall submit to the legislature during the first days of a legislative  
22 session a financing plan for the project. The plan must include the  
23 proposed methods and procedures by which the project will be financed  
24 including the amounts and times of issuance of bonds by the authority,  
25 the method of securing the bonds, projected debt service requirements of  
26 the bonds, and projected revenues for the period of time during which  
27 accurate projections can be made, which will be available to the au-  
28 thority to meet debt service requirements.

29 (b) The legislature may approve or disapprove the financing plan

1 by concurrent resolution. If the plan is not disapproved within 30  
2 days after presentation to the legislature, it is approved. The legis-  
3 lature may approve the plan with conditions concerning matters included  
4 in the financing plan, and the conditional approval becomes effective  
5 upon certification to the legislature by the authority that the author-  
6 ity has accepted the conditions and modified the plan in accordance. No  
7 bonds or notes may be issued or sold until the approval required by this  
8 section has been obtained, and no bonds or notes may be issued or sold  
9 except in accordance with the approved financing plan. Amendments to  
10 the financing plan may be submitted by the authority to the legislature  
11 and become effective upon approval by the legislature by concurrent  
12 resolution.

13 Sec. 44.55.120. TRUST INDENTURES AND TRUST AGREEMENTS. In the  
14 discretion of the authority, an issue of bonds may be secured by a trust  
15 indenture or trust agreement between the authority and a corporate  
16 trustee (which may be a trust company, bank, or national banking asso-  
17 ciation, with corporate trust powers, located inside or outside the  
18 state) or by a secured loan agreement or other instrument or under a  
19 resolution giving powers to a corporate trustee by means of which the  
20 authority may

21 (1) make and enter into all agreements with the trustee or  
22 the holders of the bonds which the authority may determine to be neces-  
23 sary or desirable;

24 (2) pledge, mortgage, or assign money, agreements, property  
25 or other assets of the authority either presently in hand or to be  
26 received in the future, or both; and

27 (3) provide for any other matters of like or different  
28 character which may in any way affect the security or protection of the  
29 bonds.

1           Sec. 44.55.130. NONLIABILITY ON BONDS. Neither the members of the  
2 authority nor a person executing the bonds is liable personally on the  
3 bonds or subject to personal liability or accountability by reason of  
4 the issuance of the bonds.

5           Sec. 44.55.140. PLEDGE OF THE STATE. The state pledges to agree  
6 with the holders of bonds issued under this chapter that the state will  
7 not limit or alter the rights and powers vested in the authority by this  
8 chapter to fulfill the terms of any contract made by the authority with  
9 those holders, or in any way impair the rights and remedies of those  
10 holders until the principal amount of the bonds, together with interest  
11 on them, with interest on unpaid installments of that interest, and all  
12 costs and expenses in connection with any action or proceeding by or on  
13 behalf of those holders, are fully met and discharged. The authority is  
14 authorized to include this pledge and agreement of the state in a con-  
15 tract with those holders.

16           Sec. 44.55.150. EXEMPTION FROM TAXATION. All property of the  
17 authority is public property devoted to an essential public and govern-  
18 mental function and is exempt from all taxes of the state or a political  
19 subdivision of the state, including without limitation all boroughs,  
20 cities, and unified municipalities. All bonds of the authority are  
21 issued by a body corporate and politic of the state and for an essential  
22 public and governmental purpose, and the bonds, the interest on them,  
23 and the income and receipts pledged to pay or secure the payment of the  
24 bonds or interest on them, are at all times exempt from taxation by or  
25 under the authority of the state, except for inheritance and estate  
26 taxes on transfers by or in contemplation of death. Nothing in this  
27 section affects or limits an exemption from license fees, property  
28 taxes, or excise, income or any other taxes, provided under any other  
29 law, nor does it create a tax exemption with respect to the interest of

1 any business enterprise or other person, other than the authority, in  
2 any property, assets, income, receipts, project, or lease, whether or  
3 not financed under this chapter.

4 Sec. 44.55.160. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The  
5 bonds of the authority are securities in which all insurance companies  
6 and associations and other persons carrying on an insurance business,  
7 all banks, bankers, trust companies, savings banks, savings associations,  
8 including savings and loan associations and building and loan associa-  
9 tions, investment companies, and other persons carrying on a banking  
10 business, all administrators, guardians, executors, trustees and other  
11 fiduciaries, and all other persons or entities who are, as of the  
12 effective date of this Act, or may hereafter be, authorized to invest in  
13 bonds or other obligations of the state, may properly and legally invest  
14 funds, including capital in their control or belonging to them.

15 Sec. 44.55.170. REGULATIONS. The authority may adopt regulations  
16 to implement the purposes of this chapter.

17 Sec. 44.55.180. ANNUAL AUDIT. The authority shall have its finan-  
18 cial records audited annually by the legislative auditor or by a certi-  
19 fied public accountant approved by the legislative auditor. The legis-  
20 lative auditor may prescribe the form and content of the financial  
21 records of the authority and is entitled to access to these records at  
22 any time.

23 Sec. 44.55.190. ANNUAL REPORT. Before December 1 of each year,  
24 the authority shall submit to the governor and the legislature a compre-  
25 hensive report, in a form prescribed by the governor, describing opera-  
26 tions, income, and expenditures for the preceding 12-month period.

27 Sec. 44.55.200. DEFINITIONS. In this chapter

28 (1) "authority" means the Gas Pipeline Financing Authority,  
29 established under this chapter;

1 (2) "bonds" means bonds, notes, or other evidences of indebt-  
2 edness of the authority;

3 (3) "project" means the gas transmission pipeline (together  
4 with all related property and facilities) to extend from the Prudhoe Bay  
5 area on the North Slope of Alaska to a connection with the Trans-Canada  
6 Pipeline on the Alaska-Canada border, substantially as described in the  
7 President's report entitled "Decision and Report to Congress on the  
8 Alaska Natural Gas Transportation System", issued by the President on  
9 September 22, 1977, under provisions of the Alaska Natural Gas Trans-  
10 portation Act of 1976, and includes planning, design, and construction  
11 of the pipeline and facilities.

12 \* Sec. 2. This Act takes effect upon the effective date of an amendment  
13 to sec. 103 of the Internal Revenue Code of 1954 as amended which would have  
14 the effect of making interest on bonds issued by the Gas Pipeline Financing  
15 Authority exempt from federal income tax except when bonds are held by a sub-  
16 stantial user or related person as defined in the Internal Revenue Code.

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