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Referred: Community and Regional
Affairs and Finance

1 IN THE SENATE

BY FAHRENKAMP AND BENNETT

2 SENATE BILL NO. 38

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the assumption of municipal
7 bonded indebtedness by the state; establishing the
8 municipal debt redemption fund; and providing for an
9 effective date."

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

11 * Section 1. AS 29 is amended by adding a new chapter to read:

12 CHAPTER 86. MUNICIPAL DEBT REDEMPTION.

13 Sec. 29.86.010. MUNICIPAL DEBT REDEMPTION FUND. (a) A municipal
14 debt redemption fund is established in the Department of Administration
15 for the purpose of providing state assistance to municipalities by
16 assuming municipal general obligation bonded indebtedness.

17 (b) On the effective date of an appropriation to the municipal
18 debt redemption fund, the Department of Administration shall assume the
19 existing debts of all municipalities which are secured by general
20 obligation bonds issued in accordance with AS 29.58.150 - 29.58.180.
21 If the amount of an appropriation is inadequate to cover the total
22 general obligation bonded indebtedness of all municipalities outstanding
23 on the effective date of the appropriation, the Department of Adminis-
24 tration shall request an additional appropriation of the balance needed
25 to cover the total indebtedness. If an additional appropriation of at
26 least the amount requested is not made within 60 days, the original,
27 inadequate appropriation lapses into the general fund.

28 Sec. 29.86.020. ADMINISTRATION. (a) The Department of Adminis-
29 tration shall administer the municipal debt redemption fund and shall

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1 (1) request the necessary documents and financial reports on
2 outstanding general obligation bonds from each municipality;

3 (2) notify each paying agent or trustee that it will make
4 debt service payments on general obligation municipal bonds which are
5 assumed under AS 29.86.010;

6 (3) make all debt service payments, including principal and
7 interest, on general obligation municipal bonds assumed under AS 29.86.-
8 010 as each payment becomes due;

9 (4) provide for the proper storage or destruction of bonds
10 and bond coupons paid for from the fund;

11 (5) prepare an annual financial report for the legislature
12 indicating the amount of municipal general obligation bonded indebted-
13 ness which has been assumed under AS 29.86.010 and the amount of muni-
14 cipal general obligation bonded indebtedness which is outstanding and
15 has not been assumed at the time of the report.

16 (b) The Department of Revenue shall manage and invest money in
17 the municipal debt redemption fund in accordance with AS 44.25.020(2).

18 Sec. 29.86.030. RECORDS. Upon the assumption of its general
19 obligation bonded indebtedness of a municipality under AS 29.86.010,
20 the municipality shall furnish to the Department of Administration

21 (1) the bond attorney's legal opinion concerning the bonds;
22 (2) a schedule of debt service payments to be made on the
23 bonds;

24 (3) the names and addresses of each paying agent or trustee
25 to whom debt service payments must be sent;

26 (4) other reports required by the Department of Administra-
27 tion.

28 Sec. 29.86.040. REIMBURSEMENT. If a municipality has not fur-
29 nished the records required under AS 29.86.030 by 60 days before a debt

1 service payment is due on the indebtedness assumed under AS 29.86.010,
2 the municipality shall make the debt service payment. After the munic-
3 ipality furnishes the records, it shall notify the Department of Adminis-
4 tration of a payment made in accordance with this subsection and the
5 department shall, within 30 days of receipt of the notice, reimburse
6 the municipality for the payment from the municipal debt redemption
7 fund.

8 Sec. 29.86.050. ENTITLEMENTS. Notwithstanding AS 29.86.020 a
9 municipality may elect to receive an entitlement from the municipal
10 debt redemption fund for debt service payments on general obligation
11 bonds issued by the municipality which would otherwise be paid from the
12 municipal debt redemption fund. If a municipality elects to receive an
13 entitlement under this section, that municipality shall make all debt
14 service payments on the bonds for which the entitlement was received
15 and the bonded indebtedness of the municipality may not be assumed
16 under AS 29.86.010.

17 Sec. 29.86.060. EFFECT OF ASSUMPTION OF INDEBTEDNESS. Upon the
18 assumption of indebtedness under AS 29.86.010, the indebtedness is not
19 an obligation of the municipality for purposes of any requirement
20 imposed by charter or ordinance, and the municipality is not authorized
21 under AS 29.53.055 or AS 29.58.180(a) to levy taxes to pay the assumed
22 indebtedness. However, if a municipality does not receive notice of
23 the assumption of the indebtedness before May 1 of the year the in-
24 debtedness is assumed, the municipality may levy taxes authorized under
25 AS 29.53.055 or AS 29.58.180(a) during the year the indebtedness is
26 assumed.

27 * Sec. 2. This Act takes effect July 1, 1981.
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