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1 IN THE HOUSE

BY NAVARRE AND SWACKHAMMER

2

HOUSE BILL NO. 295

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to municipal financing and municipal
7 joint insurance arrangements; the Alaska Municipal
8 Bond Bank Authority; and providing for an effective
9 date."

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

11 * Section 1. FINDING AND PURPOSE. (a) The legislature finds that
12 dramatic increases in the cost of liability and other insurance coverage
13 for municipalities has adversely affected municipal budgets, and that even
14 at increased premiums, insurance coverage is often not available to cover
15 important liability exposure.

16 (b) The purpose of this Act is to allow municipalities and municipal
17 joint insurance arrangements organized under AS 21.76 to utilize debt
18 financing to establish reserves to self-insure against liability, when the
19 cost of excess insurance or reinsurance is too high.

20 * Sec. 2. AS 21.76.020 is amended by adding a new subsection to read:

21 (e) If member contributions or debt financing of a municipal
22 joint insurance arrangement is used to establish reserves or to self-
23 insure against liability not covered by excess insurance or reinsur-
24 ance, evidence of assets allowable under (c)(3) of this section may be
25 used in place of or to supplement the certificates required under
26 (c)(1) and (2) of this section.

27 * Sec. 3. AS 21.76.030 is amended by adding a new subsection to read:

28 (b) A cooperative agreement between members of a municipal joint
29 insurance arrangement that pledges money to pay bonds of the Alaska

1 Municipal Bond Bank Authority is not subject to regulations of the
2 director and may contain other or different provisions from those
3 required under (a) of this section.

4 * Sec. 4. AS 21.76.080(b) is amended to read:

5 (b) An expenditure may be made from a joint insurance fund only
6 to

7 (1) pay claims, losses, or benefits, including interest on
8 them, and the administrative and adjustment expenses incurred in
9 connection with them, involving the types of protection for which the
10 fund provides coverage as specified in the joint insurance agreement;

11 (2) pay contractual obligations of a joint insurance fund
12 established by a municipal joint insurance arrangement to the Alaska
13 Municipal Bond Bank Authority or other lender; and

14 (3) purchase insurance coverage for members of a municipal
15 joint insurance arrangement on a group basis.

16 * Sec. 5. AS 21.76 is amended by adding a new section to read:

17 Sec. 21.76.120. DEBT FINANCING. (a) A municipality or a munic-
18 ipal joint insurance arrangement may authorize the issuance of nego-
19 tiable or nonnegotiable notes or certificates of participation to
20 establish reserves and to self-insure against liability not covered by
21 excess insurance or reinsurance. A note or certificate issued under
22 this subsection by a municipal joint insurance arrangement shall be
23 secured and payable from participating members of the municipal joint
24 insurance arrangement as provided in the cooperative agreement.

25 (b) A municipality that has entered into a municipal joint
26 insurance arrangement may enter into contracts and agreements concern-
27 ing debt issued under (a) of this section and provide for matters that
28 affect the security of the debt. Notes and certificates of participa-
29 tion issued under (a) of this section may be sold at either public or

1 private sale as provided by the participants in the municipal joint
2 insurance arrangement in the manner and at the price the participants
3 determine.

4 * Sec. 6. AS 37.10.085 is amended by adding a new subsection to read:

5 (b) This section does not apply to debt issued by a municipality
6 or a municipal joint insurance arrangement under AS 21.76.120.

7 * Sec. 7. AS 44.85.010(a) is amended to read:

8 (a) It is the policy of the state

9 (1) to foster and promote by all reasonable means the
10 provision of adequate capital markets and facilities for borrowing
11 money by municipalities in the state to finance capital improvements
12 or for other authorized purposes, to assist these municipalities in
13 fulfilling their capital needs and requirements by use of borrowed
14 money within statutory interest rate or cost of borrowing limitations,
15 to the greatest extent possible to reduce costs of borrowed money to
16 taxpayers and residents of the state, and equally to encourage contin-
17 ued investor interest in the purchase of bonds or notes of municipal-
18 ities as sound and preferred securities for investment;

19 (2) to encourage municipalities to continue their indepen-
20 dent undertakings and financing of capital improvements and other
21 authorized purposes and to assist them by making capital funds avail-
22 able at reduced interest costs for orderly financing of capital im-
23 provements and other purposes especially during periods of restricted
24 credit or money supply, particularly for those municipalities not
25 otherwise able to borrow for capital needs;

26 (3) to assist municipalities to provide for adequate insur-
27 ance coverage by authorizing the Alaska Municipal Bond Bank Authority
28 to issue negotiable or nonnegotiable revenue bonds, notes, or certifi-
29 cates of participation either directly or through an entity it may

1 create for the purpose of providing a self-insurance program for
2 municipalities or municipal joint insurance arrangements organized
3 under AS 21.76.

4 * Sec. 8. AS 44.85.080 is amended by adding a new paragraph to read:

5 (21) by resolution, create a new entity for the purpose of
6 issuing negotiable or nonnegotiable revenue bonds, notes, or certifi-
7 cates of participation to finance a self-insurance program for munic-
8 ipalities or municipal joint insurance arrangements organized under
9 AS 21.76; the powers and duties of the new entity shall be stated in
10 the resolution; the new entity shall be a public corporation and an
11 instrumentality of the state with the same legal existence and contin-
12 uing succession as the bond bank authority.

13 * Sec. 9. AS 44.85.170 is amended to read:

14 Sec. 44.85.170. LOANS TO POLITICAL SUBDIVISIONS AND JOINT INSUR-
15 ANCE ARRANGEMENTS. (a) The bond bank authority, to carry out the
16 purposes and policies of this chapter, may lend money to municipal-
17 ities through the purchase by the bond bank authority of municipal
18 bonds of municipalities and if the purpose of the loan is to provide
19 financing for a municipal self-insurance program and the loan meets
20 the credit standards of the bond bank authority, may lend money to
21 municipalities, or municipal joint insurance arrangements organized
22 under AS 21.76. Notwithstanding a home rule charter provision re-
23 quiring public sale by a municipality of its municipal bonds, a munic-
24 ipality may sell its municipal bonds to the bond bank authority at a
25 negotiated, private sale. The bond bank authority, for this purpose,
26 may issue its bonds and notes payable solely from the revenues or
27 funds available to the bond bank authority for such payment and may
28 otherwise assist municipalities as provided in this chapter.

29 (b) Notwithstanding any other provision of law, to the extent

1 that any department or agency of the state is the custodian of money
2 payable to a municipality, at any time after written notice to the
3 department or agency head from the bond bank authority that the munic-
4 ipality is in default on the payment of principal or interest on
5 municipal bonds then held or owned by the bond bank authority, or
6 amounts due under an agreement between the bond bank authority and a
7 municipality or a municipal joint insurance arrangement organized
8 under AS 21.76, the department or agency shall withhold the payment of
9 that money from that municipality and pay over the money to the bond
10 bank authority for the purpose of paying principal of and interest on
11 the bonds or debt.

12 * Sec. 10. AS 44.85.180(a) is amended to read:

13 (a) Subject to AS 44.85.100(b), the bond bank authority may
14 issue its bonds or notes in principal amounts that it considers neces-
15 sary to provide funds for any purposes under this chapter, including

16 (1) the purchase of municipal bonds;

17 (2) the making of loans through the purchase of municipal
18 bonds, notes, or certificates of participation secured by an agreement
19 between the bond bank authority and a municipality or a municipal
20 joint insurance arrangement organized under AS 21.76;

21 (3) the payment, funding or refunding of the principal of,
22 or interest or redemption premiums on, bonds or notes issued by it
23 whether the bonds or notes or interest to be funded or refunded have
24 or have not become due;

25 (4) the establishment or increase of reserves to secure or
26 to pay bonds or notes or interest on bonds or notes and all other
27 costs or expenses of the bond bank authority incident to and necessary
28 or convenient to carry out its corporate purposes and powers.

29 * Sec. 11. This Act takes effect immediately under AS 01.10.070(c).