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1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

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CS FOR SENATE BILL NO. 268 (L&C)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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

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

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

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* Sec. 2. AS 21.76.020 is repealed and reenacted to read:

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Sec. 21.76.020. REGULATION BY DIVISION OF INSURANCE AND ANNUAL
REPORT. (a) A joint insurance arrangement may not be considered
insurance for the purpose of any other law of the state and is not
subject to regulations adopted by the director.

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(b) By October 1 of each year the administrator of a joint
insurance arrangement shall prepare and deliver to the Legislative
Budget and Audit Committee a report showing the true and correct
financial condition of the joint insurance arrangement. The report
must

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(1) be attested to by the administrator and the board of

1 directors;

2 (2) include an analysis certified by a member of the Ameri-
3 can Academy of Actuaries, of the sufficiency of the loss reserves; and

4 (3) be certified by a certified public accountant.

5 * Sec. 3. AS 21.76.080(b) is amended to read:

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

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

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

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

17 * Sec. 4. AS 21.76 is amended by adding a new section to read:

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

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

1 participation issued under (a) of this section may be sold at either
2 public or private sale as provided by the participants in the munici-
3 pal joint insurance arrangement in the manner and at the price the
4 participants determine.

5 * Sec. 5. AS 37.10.085 is amended by adding a new subsection to read:

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

8 * Sec. 6. AS 44.85.010(a) is amended to read:

9 (a) It is the policy of the state

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

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

27 (3) to assist municipalities to provide for adequate insur-
28 ance coverage by authorizing the Alaska Municipal Bond Bank Authority
29 to issue negotiable or nonnegotiable revenue bonds, notes, or

1 certificates of participation either directly or through an entity it
2 may create for the purpose of providing a self-insurance program for
3 municipalities or municipal joint insurance arrangements organized
4 under AS 21.76.

5 * Sec. 7. AS 44.85.080 is amended by adding a new paragraph to read:

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

15 * Sec. 8. AS 44.85.170 is amended to read:

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

1 otherwise assist municipalities as provided in this chapter.

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

14 * Sec. 9. AS 44.85.180(a) is amended to read:

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

18 (1) the purchase of municipal bonds;

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

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

27 (4) the establishment or increase of reserves to secure or
28 to pay bonds or notes or interest on bonds or notes and all other
29 costs or expenses of the bond bank authority incident to and necessary

1 or convenient to carry out its corporate purposes and powers.

2 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).