

April 8, 1976

M E M O R A N D U M

TO: The Honorable Kay Poland
Senate Finance Committee

FROM: Bilton B. Barker ^{MB}
Fiscal Analyst
Legislative Finance Division

SUBJECT: SCS CSHB 674

In response to your request, I have reviewed SCS CSHB 674. The Governor's letter explains the provisions contained in the original bill. The additional language in lines 23-25 on page 1 of the bill was added in CSHB 674 by the House Finance Committee at the suggestion of the City and Borough of Juneau.

Only Sec. 4 of the bill raises any questions. The instrumentalities established under this new Chapter 5' would be able to issue debt for the provision of municipal facilities and services as enumerated in AS 29.48.030 (attached) without securing voter approval as is required by AS 29.58.160 for all municipal general obligation bonds.

MBB:pw

COMMITTEE REPORT

SENATE

4/7/76

Mr. President:

Date

4/19/76

The Committee on Finance has had CSHB 074
Alaska Municipal Bond Bank Authority
under consideration. A Majority of the members of the Committee

- recommends it DO PASS
- recommends it DO NOT PASS
- recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- recommends it BE REPLACED WITH CS FOR _____ AND THAT
CS FOR _____ DO PASS
- "and" recommends it BE REFERRED TO THE _____
COMMITTEE
- reports it back WITHOUT RECOMMENDATION
- "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

Chairman

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5 - JUNEAU 99811

March 31, 1976

Honorable Pat Rodey
Chairman
Senate Community & Regional
Affairs Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Re: Committee Substitute for House Bill No. 674 and Senate Bill No. 704

Dear Senator Rodey:

Committee Substitute for House Bill No. 674, an Act relating to the Alaska Municipal Bond Bank Authority was introduced in the Senate on March 25, 1976 and was referred to the Senate Community & Regional Affairs and Finance Committees.

Senate Bill No. 704, an Act relating to the Alaska Municipal Bond Bank Authority was introduced in the Senate on March 17, 1976 and was referred to the Senate Community & Regional Affairs Committee.

For the consideration of the Senate Community & Regional Affairs Committee, I am enclosing a copy of a Fiscal Note and accompanying attachment that will concern Committee Substitute for House Bill No. 674, as prepared by Lawrence C. Eppenbach, Deputy Commissioner, Treasury, Department of Revenue.

There is also attached a copy of a memorandum dated March 23, 1976 from Lawrence C. Eppenbach, Deputy Commissioner, Treasury, Department of Revenue advising that Senate Bill No. 704 is identical in all material aspects to Committee Substitute for House Bill No. 674.

If you or any of the members of the Senate Community & Regional Affairs Committee have any questions on the material submitted, please contact the writer by telephone and I will contact Mr. Eppenbach for further information or testimony.

Honorable Pat Rodey

-2-

March 31, 1976

Very truly yours,

R. D. Stevenson
Special Assistant

Enclosures

cc: The Honorable Bill Ray
Chairman
Senate Finance Committee

Lawrence C. Eppenbach
Deputy Commissioner, Treasury
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 674
 Title: Alaska Municipal Bond Bank Authority
 Requested by: House Finance Committee Date: February 27, 1976
 Return Date Requested: March 3, 1976
 Agency: Revenue Program: Treasury

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

There are no measurable financial impacts in H.B. 674. There are, however, several important financial implications in this bill and these are described in the following section-by-section analysis:

(See attached)

IV. ATTACHMENTS

V. DATE: March 1, 1976 PREPARED BY: [Signature]

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

H.B. 674 - Alaska Municipal Bond Bank Authority

1. Sec. 44.58.060. The change in this section would allow the Commissioner of Revenue and Community and Regional Affairs to remain Directors of the Municipal Bond Bank Authority without having to forfeit their offices. This change corrects a typographical error in the original Bond Bank bill.

2. Sec. 44.58.180(b). The changes in this section affects the treatment of revenue withheld by state agencies when municipalities are in default on bonds held by the Municipal Bond Bank Authority. This section first expands the kind of revenue that may be withheld to include funds administered by any department or agency of the State. This would increase the scope of State fiscal intervention in the case of default.

Second, it provides for the payment of such funds withheld to meet debt service on bonds in default. The present statute requires the Department of Revenue to simply withhold revenue sharing funds and thus the municipality in default is doubly harmed by having their revenue sharing funds withheld from them without any provision that they be used to pay debt service.

3. Sec. 44.80.280(h). The change in this section provides for a clearly identifiable source of income for the Municipal Bond Bank Authority. This should reduce uncertainty in the minds of potential revenue bond purchasers about how the Authority can generate operating income. The change provides for the use of the investment income of the reserve account to fund the operating expenditures of the Authority with the excess returning to the general fund. The operating expenses of the Authority remain limited by budget authorizations. The net result is not a significant change with respect to the general fund but there should be an increase in the security value of the municipal bond bank debt in that its operating income is clearly established.

Original sponsor: Rules Committee by
request of the Governor

Offered: 3/15/76
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority; and providing for an effective date."

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

9 * Section 1. AS 44.58.060 is amended to read:

10 Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the
11 bond bank authority shall serve without compensation, but the bond bank
12 authority shall reimburse its directors for actual expenses necessarily
13 incurred in the discharge of their duties. Notwithstanding any other
14 law, an officer or employee of the state need not [SHALL] forfeit his
15 office or employment or [AND] any benefits by reason of his acceptance
16 of appointment to the office of director of the bond bank authority.

17 * Sec. 2. AS 44.58.170 is amended to read:

18 Sec. 44.58.170. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond
19 bank authority, to carry out the purposes and policies of this chapter,
20 may lend money to municipalities through the purchase by the bond bank
21 authority of municipal bonds of municipalities. Notwithstanding a home
22 rule charter provision requiring public sale by a municipality of its
23 municipal bonds, a municipality may sell its municipal bonds to the bond
24 bank authority at a negotiated, private sale. The bond bank authority,
25 for this purpose, may issue its bonds and notes payable solely from the
26 revenues or funds available to the bond bank authority for such payment
27 and may otherwise assist municipalities as provided in this chapter.

28 (b) Notwithstanding any provision of law, to [TO] the extent that
29 any department or agency of the state [THE COMMISSIONER OF REVENUE] is

1 the custodian of money payable to a municipality, at any time after
2 written notice to the department or agency head [HIM] from the bond bank
3 authority that the municipality is in default on the payment of princi-
4 pal or interest on municipal bonds of the municipality then held or
5 owned by the bond bank authority, the department or agency [COMMISSIONER
6 OF REVENUE] shall withhold the payment of that money from that municipali-
7 ty and pay over the money to the bond bank authority for the purpose of
8 paying principal of and interest on bonds of the bond bank authority
9 [UNTIL THE AMOUNT OF THE PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS
10 BEEN PAID TO THE BOND BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF
11 REVENUE HAS BEEN ADVISED THAT ARRANGEMENTS, SATISFACTORY TO THE BOND
12 BANK AUTHORITY, HAVE BEEN MADE FOR THE PAYMENT OF THE PRINCIPAL AND
13 INTEREST].

14 * Sec. 3. AS 44.58.270(h) is amended to read:

15 (h) All amounts received on account of money appropriated to the
16 reserve fund referred to in (a)(3) of this section shall be held and
17 applied in accordance with (b) of this section; however, at the end of
18 each fiscal year, if the amount in the reserve fund is in excess of the
19 required debt service reserve, any amount representing earnings or
20 income received on account of money appropriated to the reserve fund
21 which exceeds the operating expenses of the authority for that fiscal
22 year shall be transferred to the general fund of the state.

23 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

MEMORANDUM

State of Alaska

TO:

R. D. Stevenson
Special Assistant
Department of Revenue

DATE:

March 23, 1976

FILE NO:

TELEPHONE NO:

FROM: Lawrence C. Eppenbach
Deputy Commissioner, Treasury
Department of Revenue

SUBJECT: SB 704

Senate Bill No. 704 is identical in all material aspects to CS for HB 674. Please refer to comments regarding HB 674 for a determination of effect.

LCE:ge

Introduced: 3/17/76
Referred: Community and Regional
Affairs

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 704

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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14 law, an officer or employee of the state need not [SHALL] forfeit his
15 office or employment or [AND] any benefits by reason of his acceptance
16 of appointment to the office of director of the bond bank authority.

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19 bank authority, to carry out the purposes and policies of this chapter,
20 may lend money to municipalities through the purchase by the bond bank
21 authority of municipal bonds of municipalities. Notwithstanding a home
22 rule charter provision requiring public sale by a municipality of its
23 municipal bonds, a municipality may sell its municipal bonds to the bond
24 bank authority at a negotiated, private sale. The bond bank authority,
25 for this purpose, may issue its bonds and notes payable solely from the
26 revenues or funds available to the bond bank authority for such payment
27 and may otherwise assist municipalities as provided in this chapter.

28 (b) To the extent that any department or agency of the state
29 [THE COMMISSIONER OF REVENUE] is the custodian of money payable to a

1 municipality, at any time after written notice to the department or
2 agency head [HIM] from the bond bank authority that the municipality
3 is in default on the payment of principal or interest on municipal bonds
4 of the municipality then held or owned by the bond bank authority, the
5 department or agency [COMMISSIONER OF REVENUE] shall withhold the pay-
6 ment of that money from that municipality and pay over the money to the
7 bond bank authority for the purpose of paying principal of and interest
8 on bonds of the bond bank authority [UNTIL THE AMOUNT OF THE PRINCIPAL
9 OR INTEREST THEN DUE AND UNPAID HAS BEEN PAID TO THE BOND BANK AUTHOR-
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12 PAYMENT OF THE PRINCIPAL AND INTEREST].

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15 reserve fund referred to in (a)(3) of this section shall be held and
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17 each fiscal year, if the amount in the reserve fund is in excess of the
18 required debt service reserve, any amount representing earnings or
19 income received on account of money appropriated to the reserve fund
20 which exceeds the operating expenses of the authority for that fiscal
21 year shall be transferred to the general fund of the state.

22 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

Introduced: 1/30/76
Referred: Community &
Regional Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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11 which exceeds the operating expenses of the authority for that fiscal
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13 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Original sponsor: Rules Committee by
request of the Governor

Offered: 4/7/76
Referred: Finance

1 IN THE HOUSE

BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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24 municipal bonds, a municipality may sell its municipal bonds to the bond
25 bank authority at a negotiated, private sale. The bond bank authority,
26 for this purpose, may issue its bonds and notes payable solely from the
27 revenues or funds available to the bond bank authority for such payment
28 and may otherwise assist municipalities as provided in this chapter.

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2 the custodian of money payable to a municipality, at any time after
3 written notice to the department or agency head [HIM] from the bond bank
4 authority that the municipality is in default on the payment of princi-
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20 required debt service reserve, any amount representing earnings or
21 income received on account of money appropriated to the reserve fund
22 which exceeds the operating expenses of the authority for that fiscal
23 year shall be transferred to the general fund of the state.

24 * Sec. 4. AS 29 is amended by adding a new chapter to read:

25 CHAPTER 59. OBLIGATIONS ISSUED ON BEHALF OF MUNICIPALITIES.

26 Sec. 29.59.010. AUTHORITY TO ISSUE OBLIGATIONS FOR SPECIFIED
27 PURPOSES. (a) A home rule or general law municipality may establish
28 a public corporation or other municipal instrumentality. This public
29 corporation or other municipal instrumentality may issue obligations

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to provide the public facilities and services enumerated in AS 29.48.-
030(a).

(b) The public corporation or other municipal instrumentality
created under authority of (a) of this section shall be created and
operated solely to provide one or more of the public facilities or
services enumerated in AS 29.48.030(a).

* Sec. 5. AS 29.13.100 is amended by adding a new paragraph to read:

(37) AS 29.59.010 (obligations issued on behalf of municipi-
palities)

* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
070(c).

#

Original sponsor: Rules Committee by
request of the Governor

Offered: 3/15/76
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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20 income received on account of money appropriated to the reserve fund
21 which exceeds the operating expenses of the authority for that fiscal
22 year shall be transferred to the general fund of the state.

23 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

HB 674

HB 674

January 30, 1976

The Honorable Mike Bradner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to make amendments to AS 44.58 relating to the Municipal Bond Bank Authority.

Section 1 of the bill corrects a clerical error which persisted through all versions of the bill and which was eventually enacted as Chapter 79 SLA 75. AS 44.58.060 presents a direct conflict with AS 44.58.030 which specifically provides that the commissioner of revenue and the commissioner of community and regional affairs serve as ex officio directors of the authority. Surely the intent of the law was not to have the commissioner of revenue and the commissioner of community and regional affairs serve as directors and then forfeit their offices.

Section 2 provides that where municipal bonds owned by the authority are in default that any money in the hands of a state department or agency which are payable to the municipality would be instead paid directly to the authority to pay interest and principal on authority bonds. Since default on municipal bonds will jeopardize authority bonds, the provision for direct payment of money owed by the municipality to the authority is considered an equitable and efficient means of preventing a default on authority bonds. The financial advisor and the prospective underwriter of the Bond Bank Authority bonds advises that the bond rating services view such a provision as necessary in the Bond Bank Authority legislation to secure a bond rating of better than "medium grade."

Section 3 of the bill provides that the earnings on the reserve fund appropriation by the state which exceed the authority's operating expenses must be transferred at the end of each fiscal year to the general fund of the state. This amends the existing provision which

provides that all earnings on state appropriated funds must be automatically returned to the state at the end of each fiscal year. The provision contemplates that the authority would fund its operating expenses which are not directly associated with particular bond issues from earnings on the state appropriation. Amendment of the legislation in this regard would indicate to prospective bondholders that the state is committed to support the authority. It is contemplated that after attainment of a reasonable volume of bonds outstanding, the authority could operate without using earnings on the state appropriation.

Sincerely,

Jay S. Hammond
Governor

COMMITTEE REPORT

2/12/76

HOUSE

Mr. Speaker:

Date 3-11-76

The Committee on FINANCE has had HB 674

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR HB 674 AND THAT

CS FOR HB 674 DO PASS

() "and" recommends it BE REFERRED TO THE COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

[Handwritten signatures]

Members NOT concurring in the Majority report:

[Handwritten signature] recommends:

_____ recommends:

[Handwritten signature] Chairman

Introduced: 1/30/76
Referred: Community &
Regional Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 674

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6 reserve fund referred to in (a)(3) of this section shall be held and
7 applied in accordance with (b) of this section; however, at the end of
8 each fiscal year, if the amount in the reserve fund is in excess of the
9 required debt service reserve, any amount representing earnings or in-
10 come received on account of money appropriated to the reserve fund
11 which exceeds the operating expenses of the authority for that fiscal
12 year shall be transferred to the general fund of the state.

13 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

Original sponsor: Rules Committee by
request of the Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 674

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank
7 Authority; and providing for an effective date."

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

9 * Section 1. AS 44.58.060 is amended to read:

10 Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the
11 bond bank authority shall serve without compensation, but the bond bank
12 authority shall reimburse its directors for actual expenses necessarily
13 incurred in the discharge of their duties. Notwithstanding any other
14 law, an officer or employee of the state need not [SHALL] forfeit his
15 office or employment or [AND] any benefits by reason of his acceptance
16 of appointment to the office of director of the bond bank authority.

17 * Sec. 2. AS 44.58.170 is amended to read:

18 Sec. 44.58.170. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond
19 bank authority, to carry out the purposes and policies of this chapter,
20 may lend money to municipalities through the purchase by the bond bank
21 authority of municipal bonds of municipalities. Notwithstanding a home
22 rule charter provision requiring public sale by a municipality of its
23 municipal bonds, a municipality may sell its municipal bonds to the bond
24 bank authority at a negotiated, private sale. The bond bank authority,
25 for this purpose, may issue its bonds and notes payable solely from the
26 revenues or funds available to the bond bank authority for such payment
27 and may otherwise assist municipalities as provided in this chapter.

28 (b) Notwithstanding any provision of law, to [TO] the extent that
29 any department or agency of the state [THE COMMISSIONER OF REVENUE] is

1 the custodian of money payable to a municipality, at any time after
2 written notice to the department or agency head [HIM] from the bond bank
3 authority that the municipality is in default on the payment of princ¹-
4 pal or interest on municipal bonds of the municipality then held or
5 owned by the bond bank authority, the department or agency [COMMISSIONER
6 OF REVENUE] shall withhold the payment of that money from that municipali-
7 ty and pay over the money to the bond bank authority for the purpose of
8 paying principal of and interest on bonds of the bond bank authority
9 [UNTIL THE AMOUNT OF THE PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS
10 BEEN PAID TO THE BOND BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF
11 REVENUE HAS BEEN ADVISED THAT ARRANGEMENTS, SATISFACTORY TO THE BOND
12 BANK AUTHORITY, HAVE BEEN MADE FOR THE PAYMENT OF THE PRINCIPAL AND
13 INTEREST].

14 * Sec. 3. AS 44.50.270(h) is amended to read:

15 (h) All amounts received on account of money appropriated to the
16 reserve fund referred to in (a)(3) of this section shall be held and
17 applied in accordance with (b) of this section; however, at the end of
18 each fiscal year, if the amount in the reserve fund is in excess of the
19 required debt service reserve, any amount representing earnings or
20 income received on account of money appropriated to the reserve fund
21 which exceeds the operating expenses of the authority for that fiscal
22 year shall be transferred to the general fund of the state.

23 * Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-
24 070(c).

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W — ALASKA OFFICE BUILDING

FINANCE DIVISION
POUCH WF — STATE CAPITOL

JUNEAU 99801

April 8, 1976

MEMORANDUM

TO: The Honorable Kay Poland
Senate Finance Committee

FROM: Milton B. Barker *MB*
Fiscal Analyst
Legislative Finance Division

SUBJECT: SCS CSHB 674

In response to your request, I have reviewed SCS CSHB 674. The Governor's letter explains the provisions contained in the original bill. The additional language in lines 23-25 on page 1 of the bill was added in CSHB 674 by the House Finance Committee at the suggestion of the City and Borough of Juneau.

Only Sec. 4 of the bill raises any questions. The instrumentalities established under this new Chapter 59 would be able to issue debt for the provision of municipal facilities and services as enumerated in AS 29.48.030 (attached) without securing voter approval as is required by AS 29.58.160 for all municipal general obligation bonds.

MBB:pw

Original sponsor: Rules Committee by Offered: 4/7/76
request of the Governor Referred: Finance

IN THE HOUSE BY THE COMMUNITY AND
REGIONAL AFFAIRS COMMITTEE
BUDGET AND AUDIT COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 674

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Municipal Bond Bank Authority; its obligations issued on behalf of municipalities; and providing for an effective date."

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

* Section 1. AS 44.58.060 is amended to read:

Sec. 44.58.060. COMPENSATION AND EXPENSES. The directors of the bond bank authority shall serve without compensation, but the bond bank authority shall reimburse its directors for actual expenses necessarily incurred in the discharge of their duties. Notwithstanding any other law, an officer or employee of the state need not [SHALL] forfeit his office or employment or [AND] any benefits by reason of his acceptance of appointment to the office of director of the bond bank authority.

* Sec. 2. AS 44.58.170 is amended to read:

Sec. 44.58.170. LOANS TO POLITICAL SUBDIVISIONS. (a) The bond bank authority, to carry out the purposes and policies of this chapter, may lend money to municipalities through the purchase by the bond bank authority of municipal bonds of municipalities. Notwithstanding a home rule charter provision requiring public sale by a municipality of its municipal bonds, a municipality may sell its municipal bonds to the bond bank authority at a negotiated, private sale. The bond bank authority, for this purpose, may issue its bonds and notes payable solely from the revenues or funds available to the bond bank authority for such payment and may otherwise assist municipalities as provided in this chapter.

(b) Notwithstanding any provision of law, to [TO] the extent that

1 any department or agency of the state [THE COMMISSIONER OF REVENUE] is
2 the custodian of money payable to a municipality, at any time after
3 written notice to the department or agency head [HIM] from the bond bank
4 authority that the municipality is in default on the payment of princi-
5 pal or interest on municipal bonds of the municipality then held or
6 owned by the bond bank authority, the department or agency [COMMISSIONER
7 OF REVENUE] shall withhold the payment of that money from that munici-
8 pality and pay over the money to the bond bank authority for the purpose
9 of paying principal of and interest on bonds of the bond bank authority
10 [UNTIL THE AMOUNT OF THE PRINCIPAL OR INTEREST THEN DUE AND UNPAID HAS
11 BEEN PAID TO THE BOND BANK AUTHORITY, OR UNTIL THE COMMISSIONER OF
12 REVENUE HAS BEEN ADVISED THAT ARRANGEMENTS, SATISFACTORY TO THE BOND
13 BANK AUTHORITY, HAVE BEEN MADE FOR THE PAYMENT OF THE PRINCIPAL AND
14 INTEREST].

15 * Sec. 3. AS 44.58.270(h) is amended to read:

16 (h) All amounts received on account of money appropriated to the
17 reserve fund referred to in (a)(3) of this section shall be held and
18 applied in accordance with (b) of this section; however, at the end of
19 each fiscal year, if the amount in the reserve fund is in excess of the
20 required debt service reserve, any amount representing earnings or
21 income received on account of money appropriated to the reserve fund
22 which exceeds the operating expenses of the authority for that fiscal
23 year shall be transferred to the general fund of the state.

24 * Sec. 4. AS 29 is amended by adding a new chapter to read:

25 CHAPTER 59. OBLIGATIONS ISSUED ON BEHALF OF MUNICIPALITIES.

26 Sec. 29.59.010. AUTHORITY TO ISSUE OBLIGATIONS FOR SPECIFIED
27 PURPOSES. (a) A home rule or general law municipality may establish
28 a public corporation or other municipal instrumentality. This public
29 corporation or other municipal instrumentality may issue obligations

1 to provide the public facilities and services enumerated in AS 29.48.-
2 030(a).

3 (b) The public corporation or other municipal instrumentality
4 created under authority of (a) of this section shall be created and
5 operated solely to provide one or more of the public facilities or
6 services enumerated in AS 29.48.030(a).

7 * Sec. 5. AS 29.13.100 is amended by adding a new paragraph to read:

8 (37) AS 29.59.010 (obligations issued on behalf of municipi-
9 palities)

10 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
11 070(c).

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HB 674

HB 674

January 30, 1976

The Honorable Mike Bradnor
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

In accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to make amendments to AS 44.58 relating to the Municipal Bond Bank Authority.

Section 1 of the bill corrects a clerical error which persisted through all versions of the bill and which was eventually enacted as Chapter 79 SLA 75. AS 44.58.060 presents a direct conflict with AS 44.58.030 which specifically provides that the commissioner of revenue and the commissioner of community and regional affairs serve as ex officio directors of the authority. Surely the intent of the law was not to have the commissioner of revenue and the commissioner of community and regional affairs serve as directors and then forfeit their offices.

Section 2 provides that where municipal bonds owned by the authority are in default that any money in the hands of a state department or agency which are payable to the municipality would be instead paid directly to the authority to pay interest and principal on authority bonds. Since default on municipal bonds will jeopardize authority bonds, the provision for direct payment of money owed by the municipality to the authority is considered an equitable and efficient means of preventing a default on authority bonds. The financial advisor and the prospective underwriter of the Bond Bank Authority bonds advises that the bond rating services view such a provision as necessary in the Bond Bank Authority legislation to secure a bond rating of better than "medium grade."

Section 3 of the bill provides that the earnings on the reserve fund appropriation by the state which exceed the authority's operating expenses must be transferred at the end of each fiscal year to the general fund of the state. This amends the existing provision which

provides that all earnings on state appropriated funds must be automatically returned to the state at the end of each fiscal year. The provision contemplates that the authority would fund its operating expenses which are not directly associated with particular bond issues from earnings on the state appropriation. Amendment of the legislation in this regard would indicate to prospective bondholders that the state is committed to support the authority. It is contemplated that after attainment of a reasonable volume of bonds outstanding, the authority could operate without using earnings on the state appropriation.

Sincerely,

Jay S. Hammond
Governor

Rec'd 2/26/76



THE CITY AND BOROUGH OF JUNEAU

CAPITAL OF ALASKA

155 SOUTH SEWARD ST. JUNEAU, ALASKA 99801

DATE: February 26, 1976

FILE NO. Legislature - 1976

SUBJECT: House Bill 674, Alaska Municipal Bond Bank Authority

The Honorable Hugh Malone, Chairman
House Finance Committee
Alaska State House of Representatives
Pouch V
State Capitol Building
Juneau, Alaska 99811

Dear Representative Malone:

You presently have in your committee House Bill 674 which would make certain technical amendments to the Alaska Bond Bank Authority Bill passed during the first session of the present legislature. The Assembly of the City and Borough of Juneau has directed that I request a change be made to this bill for the reasons set forth below.

The charter of the City and Borough of Juneau requires that all general obligation bonds of the municipality be sold at a public sale. Because the sale of bonds to the Alaska Municipal Bond Bank Authority is not a public (competitive) sale the City and Borough is unable to sell its G.O. to the Authority. Of course, the Authority was not in existence when the charter restriction was written. Had the possibility of selling bonds to the state been brought to the attention of the Charter Commissioners, it is most likely that an exception to the restriction would have been included in the charter. The most expedient means of overcoming the overly broad scope of the charter restriction would be for the legislature to authorize all home rule municipalities to sell their bonds to the bond bank in spite of any charter restriction requiring a public sale. I have discussed the problem and this approach to its solution with Eric Wohlforth who serves as counsel to the Authority. He agrees that it would be appropriate and desirable to add language to the present bill which would override such home rule charter restrictions. Dave Rose, Executive Director of the Bond Bank Authority informs me that the problem and this approach to its solution were discussed by the Board of Directors of the Bond Bank Authority at a meeting held on February 24, 1976 and the board concurs in the addition to the bill of language to override such charter restrictions. To accomplish this end, I would suggest that the following sentence be inserted at the end of the last sentence of AS 44.58.170(a):

KL 2/26/76

The Honorable Hugh Malone -2-

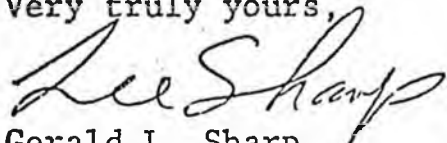
February 26, 1976

Notwithstanding a home rule charter provision requiring the public sale by a municipality of its municipal bonds, a municipality may sell its municipal bonds to the Bond Bank Authority at a negotiated, private sale.

Section 2 of House Bill 674 proposes an amendment to AS 44.58.170(b). This section of the bill could be changed to include the amendment to subparagraph (a) of the statute section:

If you have any questions relating the requested change, please do not hesitate to call me at 586-3300. Thank you for your time and consideration of this matter.

Very truly yours,



Gerald L. Sharp
City/Borough Attorney.

cc: Vice Chairperson Bucholdt,
Members Cowper, Duncan,
Gruening, Guy, Itta,
Naughton and Haugen
Virginia Kline, Mayor, City
and Borough of Juneau
Eric Wolforth, Esquire
Dave Rose

GLSmmmb

Chapter 48. Powers Applicable to All Municipalities.

Article 2. Facilities, Services and Regulation.

Section	Section
30. Municipal facilities and services	35. Regulatory powers
33. Garbage and solid waste services	37. Extraterritorial jurisdiction

Sec. 29.48.030. Municipal facilities and services. (a) A municipality may exercise the powers necessary to provide the following public facilities and services:

- (1) streets and sidewalks;
- (2) sewers and sewage treatment facilities;
- (3) harbors, wharves, and other marine facilities;
- (4) watercourse and flood control facilities;
- (5) health services and hospital facilities;
- (6) cemeteries;
- (7) police protection and jail facilities;
- (8) cold storage plants;
- (9) telephone systems;
- (10) light, power and heat;
- (11) water;
- (12) transportation systems;
- (13) community centers;
- (14) libraries;
- (15) recreation facilities;
- (16) airport and aviation facilities;
- (17) garbage and solid-waste collection and disposal service and facilities subject to § 33 of this chapter;
- (18) fire protection service and facilities, not in conflict with AS 18.70.075, but not limited to AS 18.70.075;
- (19) parking and parking facilities;
- (20) housing and urban renewal, rehabilitation and development;
- (21) preservation, maintenance and protection of historic sites, buildings and monuments;
- (22) consumer protection.

(am § 3 ch 215 SLA 1975)

Effect of amendment.— The 1975 amendment added "not in conflict with AS 18.70.075, but not limited to AS 18.70.075" to the end of paragraph (18) of subsection (a).

As the rest of the section was not

affected by the amendment, it is not set out.

Cited in *Girves v. Kenai Peninsula Borough*, Sup. Ct. Op. No. 1163 (File No. 2016), 536 P.2d 1221 (1975).

Sec. 29.48.033. Garbage and solid waste services.

(b) The council or governing body of any political subdivision may not prohibit a person holding a valid certificate from the Alaska Public Utilities Commission from continuing to collect and dispose

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 674
 Title: Alaska Municipal Bond Bank Authority
 Requested by: House Finance Committee Date: February 27, 1976
 Return Date Requested: March 3, 1976
 Agency: Revenue Program: Treasury

II. FISCAL DETAIL

Budget Request Unit(s) Affected: _____

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

There are no measurable financial impacts in H.B. 674. There are, however, several important financial implications in this bill and these are described in the following section-by-section analysis:

(See attached)

IV. ATTACHMENTS

V. DATE: March 1, 1976 PREPARED BY: Lawrence C. Eppelbach

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

H.B. 674 - Alaska Municipal Bond Bank Authority

1. Sec. 44.58.060. The change in this section would allow the Commissioner of Revenue and Community and Regional Affairs to remain Directors of the Municipal Bond Bank Authority without having to forfeit their offices. This change corrects a typographical error in the original Bond Bank bill.

2. Sec. 44.58.180(b). The changes in this section affects the treatment of revenue withheld by state agencies when municipalities are in default on bonds held by the Municipal Bond Bank Authority. This section first expands the kind of revenue that may be withheld to include funds administered by any department or agency of the State. This would increase the scope of State fiscal intervention in the case of default.

Second, it provides for the payment of such funds withheld to meet debt service on bonds in default. The present statute requires the Department of Revenue to simply withhold revenue sharing funds and thus the municipality in default is doubly harmed by having their revenue sharing funds withheld from them without any provision that they be used to pay debt service.

3. Sec. 44.80.280(h). The change in this section provides for a clearly identifiable source of income for the Municipal Bond Bank Authority. This should reduce uncertainty in the minds of potential revenue bond purchasers about how the Authority can generate operating income. The change provides for the use of the investment income of the reserve account to fund the operating expenditures of the Authority with the excess returning to the general fund. The operating expenses of the Authority remain limited by budget authorizations. The net result is not a significant change with respect to the general fund but there should be an increase in the security value of the municipal bond bank debt in that its operating income is clearly established.