

COMMITTEE REPORT

5/22/75

HOUSE

Mr. Speaker:

Date May 22 1975

The Committee on FINANCE has had CSSB 433 am

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:

<u>[Signature]</u>	<u>[Signature]</u>	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____
<u>[Signature]</u>	_____	_____

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

[Signature] Chairman

Offered: 5/20/75  
Referred: Rules

Original sponsor: Willis

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 433 am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to purchase of municipal bonds in  
7 cases of suit."

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

9 \*Section 1. AS 37.10.079(a) is amended to read:

10 (a) Notwithstanding the provisions of any other law, when the  
11 commissioner of revenue determines that there are funds in the state  
12 treasury above an amount sufficient to meet current demands, he may  
13 [UP TO \$18,365,000 OF THEM MAY BE USED TO] invest in general obligation  
14 bonds of political subdivisions of the state which meet the standards  
15 described in (b) of this section.

16 \* Sec. 2. AS 37.10.079(b)(2) is amended to read:

17 (2) the bond counsel nominated by the issuing political  
18 subdivision in connection with the original offer for sale of the bonds  
19 certifies

20 (A) that a lawsuit has been filed or is threatened which  
21 challenges the corporate existence of the issuer or its power to  
22 issue the bonds or to levy taxes to pay the bonds or otherwise  
23 prevents the statement as to litigation referred to in (1) of this  
24 subsection,

25 (B) that as a consequence of the filing of the suit,  
26 the bonds cannot be sold or can only be sold at interest rates  
27 substantially in excess of the interest rates the municipality  
28 would otherwise reasonably expect to pay, and [THE BUYER HAS  
29 PROPER CAUSE TO AVOID HIS CONTRACT FOR THE PURCHASE OF THE BONDS.

1 (C) THAT HE KNOWS OF NO EVIDENCE THAT THE FILING OF  
2 THE SUIT HAS BEEN ARRANGED OR CONTRIVED DIRECTLY OR INDIRECTLY BY  
3 EITHER THE ISSUER OR THE BUYER, AND]

4 (D) that, in his opinion, the municipality is or will  
5 be pursuing all available means to establish the validity of the  
6 bonds so that the lawsuit will be ultimately determined so as to  
7 permit the delivery of the bonds with the statement as to litigation  
8 referred to in (1) of this subsection.

9 \* Sec. 3. AS 37.10.079(c) is amended to read:

10 (c) The purchase price for the bonds shall be their market value  
11 which is the price the commissioner of revenue determines most nearly  
12 equals the price the bonds would bear at the time of purchase if the  
13 bonds could then be delivered with an unqualified approving opinion of  
14 bond counsel as to the legality of the bonds and the other certificates  
15 and statements customary in the delivery of bonds of political sub-  
16 divisions [THE APPROVING OPINIONS, CERTIFICATES AND STATEMENTS RELATIVE  
17 TO NO LITIGATION, PENDING OR THREATENED, AFFECTING THE VALIDITY OF THE  
18 BONDS REFERRED TO IN THE ORIGINAL NOTICES OF SALE OF THE BONDS], pro-  
19 vided, that this price shall not cause the effective interest rate on  
20 any of these bonds to exceed eight [SEVEN AND ONE-HALF] per cent per  
21 year. Before the purchase of the bonds by the commissioner of revenue,  
22 the political subdivision shall agree (1) to pay to the commissioner  
23 of revenue, to the extent any appropriation is made available, any  
24 loss incurred by the state on resale of the bonds by the state, or (2)  
25 if the commissioner of revenue so determines, (A) to repurchase the  
26 bonds from the commissioner of revenue at the same price as the bonds  
27 were sold to the state at such time as the political subdivision is  
28 able to sell and deliver other [REFUNDING] bonds to provide funds to  
29 repurchase the bonds purchased by the state or (B) to exchange the

1 bonds purchased by the commissioner of revenue for bonds thereafter  
2 authorized by the political subdivision for the same purposes, bearing  
3 the same effective interest rate and issued with the unqualified  
4 approving opinion of bond counsel as to the legality of the bonds and  
5 the other documents customary in the delivery of bonds by political  
6 subdivisions. The commissioner of revenue may resell the bonds purchased  
7 from the political subdivision under this section to any purchaser or  
8 purchasers, or, in the alternative may resell the bonds to the political  
9 subdivision in accordance with the terms and conditions of this subsec-  
10 tion. The proceeds of sale shall be paid into the general fund provided  
11 that any profit on the resale of the bonds shall be paid to the political  
12 subdivision.

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Introduced: 5/9/75  
Referred: Community and  
Regional Affairs and  
Finance

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BY WILLIS

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