

HB

609



Official Business

Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senator Vic Fischer, Chair
Senate State Affairs Committee

RE: SCS CSHB 609 (State Affairs)

DATE: May 15, 1984

Attached is a copy of the proposed CS for HR 609 Relating to the State Bond Committee. The changes to the bill are as follows:

page 1, lines 13-15, the Bond Committee would remain a three member committee with the same members. The location of the State Bond Committee would be moved to Revenue. In the bill that came to committee the State Bond Committee had five members;

page 3, lines 2-8, the Bond Committee's report was expanded.

page 3, lines 10-12, requires the State Bond Committee to publicize the report and make it available to the public;

page 3, lines 13-22, breaks down the policies and guidelines into three parts-- (c), (d), and (e). The policies apply only to debt of the state.

If you have any specific concerns with the proposed CS, please let me know as soon as possible.

Thanks.

Sen Pat Rodley



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Alaska State Legislature

Senate Committee on State Affairs

Vic Fischer, Chair • Pouch V
Juneau, Alaska 99811
(907) 465-4954

Official Business

MEMORANDUM

TO: Senate State Affairs Committee

FROM: Senate State Affairs Committee Staff

RE: CSHB 609 (Fin), relating to debt of the state, its agencies, and municipalities

DATE: May 8, 1984

This bill is based on recommendations made by the Government Finance Research Center in its report to the Legislative Budget and Audit Committee.

Sectional analysis

Section 1 adds to the membership of the state bond committee and places it within the Department of Revenue. The two new members are a chief fiscal officer of a city or borough and a member of the board of a public corporation of the state.

Section 2 changes the state bond committee chairman from the Commissioner of Commerce to the Commissioner of Revenue, allows the committee to meet by electronic media, and allows 24 hour notice of a meeting to authorize issuance of bonds.

Section 3 expands the duties of the state bond committee to include submission of an annual report concerning the amount, type, and impact of state debt, the development of policies for management of state debt and guidelines for management of municipal debt, and the requiring of debt-issuing state entities to submit a calendar of proposed debt.

Section 4 allows the state bond committee to employ an executive director and other staff.

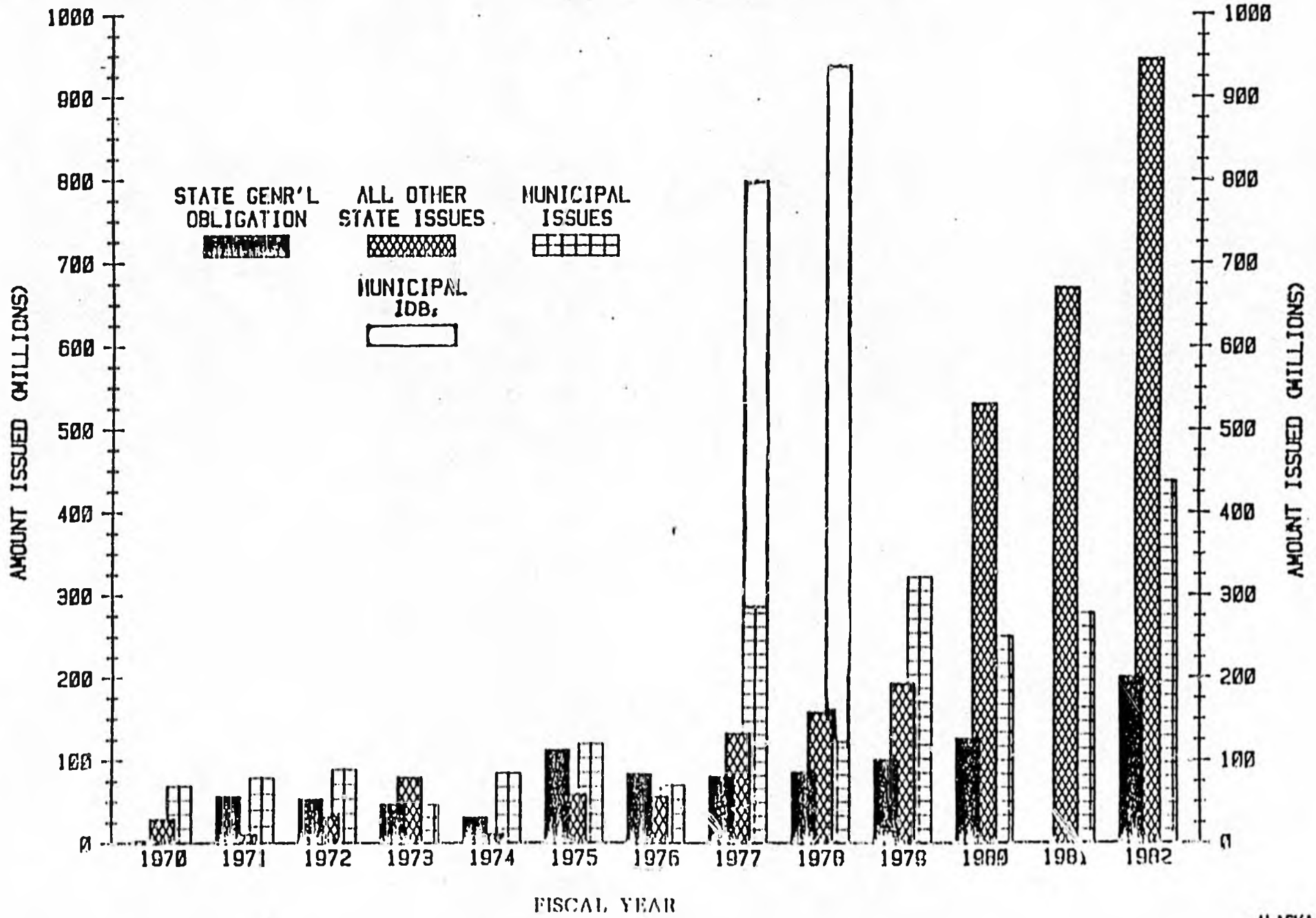
Section 5 places the employees of the state bond committee in the partially exempt service.

Section 6 provides for an immediate effective date.

Back-up information

CSHB 609 (Fin), CSHB 609 (Loans), HB 609
Fiscal note
Statutes
Executive summary of debt management report

**ANNUAL STATE DEBT ISSUANCE
1970 TO 1982
(MILLIONS OF DOLLARS)**



COMPOSITION OF STATE DEBT OUTSTANDING

SELECTED FISCAL YEARS

DEBT-GENERAL OBLIGATION

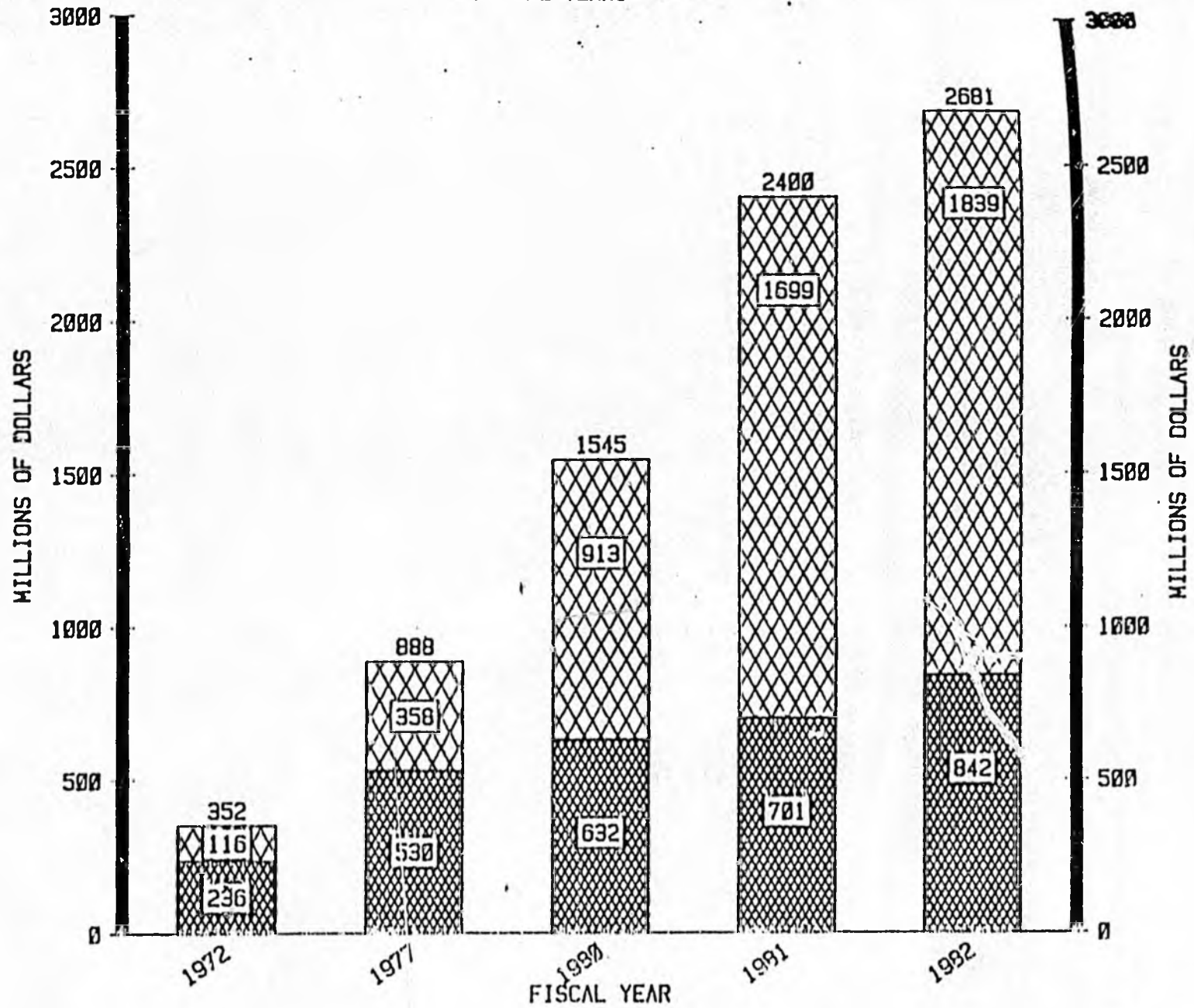


DEBT-OTHER



Exhibit 3.2

53



TOTAL STATE DEBT OUTSTANDING BY ISSUER
(DOLLARS IN 000'S AS OF APRIL 1, 1983)

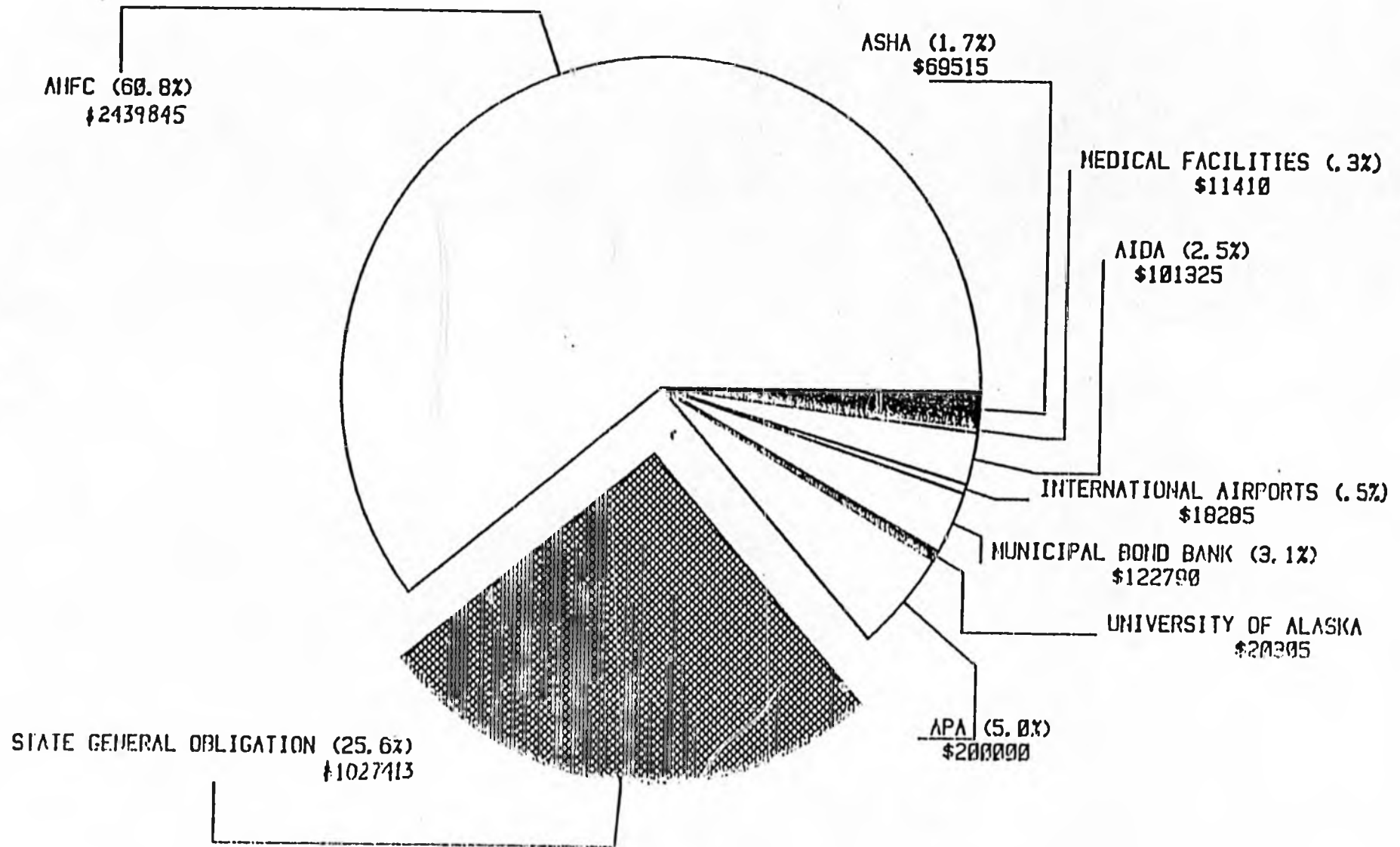


Exhibit 3.3

50

Table 5.3

Municipal Debt Ratios

<u>City/Borough(population)</u>	<u>G.O. Debt Per Capita</u>	<u>Debt as % of Assessed Value</u>
North Slope *	\$77,781	7.10%
Anchorage *****	1,278	2.46
Kenai Peninsula ***	3,064	4.45
Valdez *	22,864	4.97
Fairbanks North Star ****	1,146	2.78
Matanuska-Susitna ***	2,508	5.42
Juneau **	1,267	2.69
Kodiak Island **	1,576	4.58
Sitka *	2,127	4.15
Ketchikan Gateway **	1,166	2.17
Fairbanks ***	463	1.12
Ketchikan City *	1,043	2.58
Bristol Bay *	3,064	4.45
Kenai *	706	1.80
Palmer City	1,438	3.93
Unalaska *	1,821	4.76
Kodiak City *	553	1.00
Petersburg *	985	2.32
Homer City *	993	1.85
Nenana *	5,046	30.39
Wrangell *	1,085	2.94
Skagway *	2,312	3.21
Cordova *	747	1.44
Haines *	499	1.30
Haines City *	746	0.23
Bethel *	159	0.41
Nome *	148	0.32
Seldovia *	590	2.26
Dillingham *	40	0.11
Craig *	62	0.17
Statewide Average	\$ 4,648	3.75%

Moody's Local Debt Medians
Population

*****	200-300,000	361	2.1%
****	50-100,000	391	1.8
***	25-50,000	289	1.9
**	10-25,000	422	2.7
*	Under 10,000	600	3.2

Source: Department of Community and Regional Affairs,
Alaska Taxable, Fiscal year 1982.

Table 7.5

Total Outstanding State General Obligation and Revenue Bond Debt
Per \$1,000 of Personal Income
(1974-75 to 1980-81)^a

State	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Alabama	\$53.08	\$51.57	\$47.45	\$42.12	\$39.92	\$35.36	\$40.99
Alaska	200.29	196.31	211.19	258.67	298.34	300.73	423.42
Arizona	7.31	6.83	6.81	5.59	4.59	3.92	5.13
Arkansas	12.74	12.23	11.83	13.02	15.93	21.78	25.55
California	45.78	41.07	38.39	35.57	33.60	32.22	31.14
Colorado	7.94	7.38	10.33	14.11	16.73	15.86	21.44
Connecticut	138.06	133.55	125.56	117.73	111.73	106.25	109.83
Delaware	156.15	177.88	166.60	155.93	155.87	169.23	160.21
Florida	33.66	33.55	34.47	35.46	35.02	29.62	27.20
Georgia	45.65	46.10	41.03	38.41	34.78	31.77	27.68
Hawaii	200.77	208.25	211.63	219.25	195.65	190.71	171.26
Idaho	9.07	8.11	4.09	20.83	31.74	42.92	44.19
Illinois	36.59	40.48	44.53	51.34	51.70	52.12	52.16
Indiana	20.44	17.86	15.85	14.45	12.67	12.35	19.27
Iowa	7.34	6.87	6.11	9.68	14.75	13.94	14.45
Kansas	22.14	27.03	24.36	22.49	21.21	18.53	16.31
Kentucky	119.10	107.44	98.92	114.31	109.37	108.64	98.20
Louisiana	65.56	68.70	74.31	75.33	85.04	83.52	85.09
Maine	90.26	91.83	88.66	98.93	87.69	81.69	86.20
Maryland	78.50	86.33	96.48	106.86	92.91	79.22	81.38
Massachusetts	110.09	128.84	123.52	110.14	104.72	99.34	97.79
Michigan	30.50	30.69	28.18	27.73	28.99	31.58	34.95
Minnesota	37.92	40.77	43.35	55.73	51.98	52.08	54.36
Mississippi	63.96	71.53	66.58	95.41	55.39	49.02	42.35
Missouri	10.63	11.75	13.83	15.65	17.68	22.99	28.00
Montana	20.03	19.44	21.52	24.15	23.60	45.98	40.65
Nebraska	7.39	6.65	5.61	4.69	3.89	13.53	15.07
Nevada	13.04	11.69	10.33	38.91	46.62	61.41	56.70
New Hampshire	55.83	60.36	63.92	64.69	99.23	106.66	111.10
New Jersey	78.02	74.26	68.98	73.21	74.82	80.85	84.87
New Mexico	27.42	29.59	30.11	42.65	56.13	69.26	67.31
New York	123.95	162.61	148.73	152.90	142.19	130.86	122.17
North Carolina	22.90	23.68	24.64	21.06	26.85	27.49	26.24
North Dakota	16.11	18.32	16.94	16.24	24.00	38.31	31.52
Ohio	42.56	43.98	41.99	40.75	39.85	39.20	42.41
Oklahoma	65.69	59.06	51.62	53.04	62.42	55.19	54.55
Oregon	125.79	132.13	142.61	158.26	170.74	198.73	222.42
Pennsylvania	77.12	77.59	77.12	71.95	63.48	56.57	51.42
Rhode Island	86.15	86.94	99.93	121.05	146.82	163.02	178.29
South Carolina	70.88	71.09	80.20	96.66	78.33	85.24	96.91
South Dakota	19.39	26.28	57.27	83.73	112.04	132.08	114.48
Tennessee	38.17	41.94	47.93	48.53	43.24	39.58	37.81
Texas	28.26	26.56	24.01	20.98	19.64	18.13	16.74
Utah	14.93	22.56	19.03	33.25	39.42	47.94	45.83
Vermont	196.26	161.80	161.07	145.06	142.12	163.01	149.74
Virginia	23.85	22.15	24.36	31.25	36.97	38.27	38.11
Washington	56.43	48.61	50.31	44.03	39.93	37.50	37.71
West Virginia	119.17	116.88	119.79	113.28	117.39	119.17	112.70
Wisconsin	39.10	48.06	52.87	56.32	55.38	55.47	54.45
Wyoming	33.21	28.08	23.68	27.25	48.60	70.44	78.51
Total U.S.	\$57.27	\$60.85	\$58.81	\$59.71	\$57.61	\$56.39	\$56.06

a. Debt data from the U.S. Department of Commerce, Bureau of the Census, State Government Finances (series GF), various years. Debt data measured as of June 30 of each fiscal year shown. Figures exclude debt issued by local governments, and debt issued by the District of Columbia.

Reprinted from : The Use of Tax-Exempt Bonds in California : Policy Issues and Recommendations, Legislative Analyst, Jon David Vasche, State of California, December 1982.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS HB 609 (Finance)
 Title: Debt of the State, Agencies & Municipalities
 Sponsor: House Finance
 Requestor: House Rules
 Date of Request: 3-30-84

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: _____
 BRU, Program or Subprogram(s) Affected: State Bond Committee

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	50.0	50.0	50.0	50.0	50.0
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	50.0	50.0	50.0	50.0	50.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Funds are requested to provide for the annual report and guidelines.

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: 3-30-84

Approved by Commissioner: Thomas Mitchell
 Agency: _____

Date: 4/2/84

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Fiscal Note / Revenue 4/2/84

Stanton

A Review of Debt Capacity
and Debt Management
for the State of Alaska

Report to the
Legislative Budget and Audit Committee,
State of Alaska Legislature

August, 1983

Prepared by
GOVERNMENT FINANCE RESEARCH CENTER
MUNICIPAL FINANCE OFFICERS ASSOCIATION
1750 K Street, NW
Suite 200
Washington, DC 20006

Exec. Summary - debt management Report 8/83

CHAPTER I

EXECUTIVE SUMMARY

The changing nature of tax-exempt borrowing, including the shift from traditional tax-supported government bonds to revenue-backed bonds, the rise and volatility in interest rates, the reliance upon individual investors in contrast to institutional lenders, and changes in federal law concerning various aspects of tax-exempt financing, has resulted in states generally being more attentive to debt management and debt policy. This study of State debt management comes at a propitious time. While the past growth of tax-exempt borrowing by issuers bearing the Alaska name has been rapid and sizeable, new programs and proposals before the legislature indicate that the demand for new spending and borrowing is far from sated. At the same time, recent reductions in the market price for petroleum and the unpredictability of its future supply and price raise uncertainties about the level and viability of the principal source of governmental revenues that directly or indirectly supports many of Alaska's borrowing and spending programs.

The interdependence of the Alaskan economy and its oil wealth creates a paradox for assessing the State's debt management and debt capacity. Oil revenues have enabled the State and local governments to borrow at unusually high levels -- in terms of per capita amounts of debt -- and have provided the financial security required by investors in the State's bonds. It is the reliance on these same oil revenues, however, that is the principal weakness of the Alaska credit as a long-term issuer of tax-exempt bonds and that makes assessment of the State's future debt capacity very difficult.

To be effective, debt management must join the capital needs of the State and its constituent governmental units with the ability to achieve bond market access on affordable terms. Market access is a function of debt capacity, debt burden, and perceived ability to pay; it is also conditioned importantly by the overall forces that shape borrowing needs nationally and the willingness of investors to supply funds. The private credit market, where public debts are sold, decides what borrowers will be accommodated and at what cost -- from a fluctuating but always limited pool of lendable funds. While Alaska is concerned first and foremost with the cost and availability of credit for its own needs, Alaska bonds compete with other governmental obligations from all parts of the country. The terms offered Alaska borrowers by the marketplace are strongly influenced by the volume and quality of competing claims from other borrowers. Hence, it is in Alaska's interest to offer a well-structured, high-quality security in order to obtain funds, and to obtain them at acceptable interest rates.

Effective debt management must also provide State and local issuers and the State's debt managers with the flexibility to react quickly and responsibly to changes in the financial markets. That the tax-exempt bond market is highly

sensitive to changes in the federal tax code was obvious in late 1982 as the pendency of the bond registration requirement brought a flood of issues to market. Now, as a result of this legislation, the primary and secondary market acceptance of an issuer's securities will in part depend on a timely, accurate and efficient transfer process (discussed on pages 35-36). Changes in other federal tax provisions can also sharply affect the demand for tax-exempt bonds. Chapter Two includes a survey of the tax acts of 1981 and 1982, and their impacts on the municipal bond market. These changes, like volatility in interest rates, are factors over which the State has little control. However, a responsible and flexible debt management program places the State in the best position to respond effectively to events that may effect the State's borrowing.

State-Level Debt

The evidence presented in this study shows that Alaska debt has grown from 0.7 to 1.8 percent of annual national tax-exempt bond market volume since 1970. The rising market share accorded Alaska bonds has been the result of an increase in the State's annual volume of new debt issues from \$134 million to \$1.4 billion between 1970 and 1982. Chapter Three documents the increase in borrowing and includes a profile of the major State debt issuers. Of all State-level issuers in Alaska, the Alaska Housing Finance Corporation has issued the largest amount of public debt -- over 62 percent of State-level debt and over 44 percent of all State-wide debt (including local government obligations) outstanding -- and is the State's most frequent and best-known borrower.

At a time when we have seen the national credit rating agencies downgrade the credit rating of many states, Alaska can be proud of its rating upgrade over the past 10 years from a Baa to an AA credit. Credit analysts and the market itself have recognized the quality of Alaska's bonds as an investment. The evidence shows that Alaska now trades on par with such strong AA credits as Connecticut and Ohio. Chapter Four presents the results of our study of the State's past market experience. The data show that Alaska has consistently experienced lower borrowing costs than other states with similar ratings. Evidence to support this comes from the lower underwriting spreads, larger number of bids, and the lower interest rates on Alaska bonds as compared to those of other states of similar high quality.

State Bond Committee

In spite of the strong past performance of the State's bonds, the mid-1980s is a good time for the State of Alaska to broaden and strengthen the role of the State in debt management and oversight, particularly through the State Bond Committee (see pages 157 to 160). Recent fluctuations in the worldwide price of oil and the decline of Prudhoe Bay oil production within the ten-year range have alerted investors to the "boom and bust" nature of the Alaskan economy. These two events will be important factors behind the ability of the State to issue further debt in the coming years. One major role for a newly

reconstituted State Bond Committee would be oversight of the State's total indebtedness. It is not intended that the State Bond Committee supplant the activities or authority of independent agencies and corporations; however, it is vital that the State annually review and assess its debt position -- including within that review all State-level debt -- relative to the State's debt capacity and priorities for future public investment.

In order to carry out its expanded scope of activity, the State Bond Committee should be restructured. The chairmanship should reside in a senior-level fiscal official -- such as the Commissioner of Revenue or the Director of the Office of Management and Budget -- who is actively involved in the State's debt management. The Commissioner of Commerce and Economic Development is the Committee's present chair. Expanding the membership to include a representative from the governing board of a State corporation, and the Commissioner of Community and Regional Affairs would emphasize the interrelationship of the State, its agencies, and local government in the debt management area. To assist in fulfilling its expanded duties, the Committee should be staffed full-time by a professional in the field of public finance.

The Committee should be given the responsibility to take a global view of the State's debt-related activities in a formal manner, not in the loose, informal way that is presently said to exist. The State may wish to require that each entity of the State which is authorized to issue bonds annually file a debt financing plan with the State Bond Committee. From these plans a master debt issuance schedule may be compiled to inform and assist all debt issuers in the State. The schedule could be updated monthly or on an "as-needed" basis as financing plans change. The State Bond Committee should also annually prepare a comprehensive profile of outstanding debt and monitor its impact on the State's fiscal condition. Special attention in this review should be paid to the level of the State's contingent liabilities, such as moral obligation debt, and changes in the growth and composition of local debt.

It is advised that the State develop written debt management guidelines that include several criteria for evaluating the desired and affordable level of debt issuance in lieu of a legislative ceiling on debt issuance. The State Bond Committee should be responsible for implementing these guidelines by reviewing each State-level bond issue before it is brought to market. The Committee's only power in this regard would be to defer or veto an issuance because the security structure or sources of repayment are inadequate or the issue jeopardizes the financing plans or creditworthiness of the State. Likewise, if the State wishes to maintain its present interest rate ceiling on the issuance of bonds, it is preferable to set such a ceiling administratively rather than legislatively.

Debt Capacity and Affordability

The analysis of debt capacity is addressed in Chapter Seven. Comparisons of State debt with that of other states indicates that Alaska is an "outlier" with extremely high ratios of debt per capita and debt per \$1,000 of personal

income. Therefore, it is necessary to look in-depth at the State's revenue sources to assess its capacity for further debt issuance. Determination of the affordable level of general obligation debt essentially depends upon the State's ability and willingness to pay debt service now and in the future on any amounts borrowed. For the immediate future, Alaska's debt capacity will be determined by the amount of general fund revenues that the State wishes to allocate to the payment of debt service and the preservation of the permanent fund. Thus, short-term affordability depends exclusively on the fluctuating level and uncertain future of oil revenues as long as the State's source of funds to repay debt is tied to this single source. In the longer term, when the State's oil wealth has subsided, the ability of Alaska to issue debt will depend upon the stability and breadth of the State's economy. Without its extensive petroleum resource base Alaska will become much more like other states and analysis of its debt capacity will follow the traditional steps outlined in pages 196 to 206.

The methodology for evaluating Alaska's short-term debt affordability is presented on pages 218 to 222. If the State maintains its current ratio of debt service to revenues at the five percent level and continues to issue debt with maturities within the known and predictable range of State revenues, the State's creditworthiness will be preserved. If the State wishes to have debt service comprise a larger share of the State budget (to a maximum of 10 percent), debt capacity would be increased -- although this would force trade-offs against other State spending priorities and possibly result in a decline in the State's AA credit rating. Through 1990, the State's general obligation debt capacity is estimated to range from \$252 million to \$1.2 billion, depending upon the level of current revenues the State decides to commit to the payment of debt service.

- Because of the frequent changes in petroleum prices and their impact on State revenues, the affordability analysis along the lines presented in this report must be continually updated. Revisions should take place at least quarterly when the Department of Revenue releases long-range revenue forecasts and when ever the State issues general obligation debt. Such analysis will provide the State Bond Committee with important information to be used in formulating future debt issuance plans.

Even though the affordability of revenue bonds is principally determined by the adequacy of the revenue stream pledged to repayment of the bonds, along with the market's acceptance of the security structure behind the bonds, revenue bonds indirectly affect the State's debt capacity. To the extent that revenue bonds are supported by a pledge of the State's moral obligation, or their issuance creates an oversupply of bonds bearing the Alaska name in the marketplace, the State's ability and willingness to carry debt will be affected.

Use of Moral Obligation Bonds

We do not see the possibility of entirely eliminating the use of the State's moral obligation pledge in the case of all Alaska financings. Where it is possible to avoid its use, such as in the case of Alaska Housing Finance Corporation

bonds, it should be avoided. The moral obligation pledge should not be treated as a right, available to most State issuers, as it is at present. Rather, it should be considered a privilege, an indication to the bond market that, after close scrutiny, the State believes the project meets public policy objectives and is financially sound. The State Bond Committee should have the responsibility for determining the necessity of the moral obligation to an agency's borrowing program, and its potential impact on the State's creditworthiness.

If moral obligation debt increases at a time when overall State revenues are stable, are growing at a rate less than the growth in contingent liabilities, or are declining, the moral obligation burden may encumber the State's credit capacity. Such an occurrence would make general obligation debt more costly and, therefore, less affordable due to weaker credit quality. Hence, the importance for including contingent debt in the State Bond Committee's annual review of the State's outstanding debt.

If it were not for the Permanent Fund, the limited sources of State revenue would cause investors to discount the moral obligation pledge heavily. The mere existence of the Permanent Fund provides comfort to bondholders that the State would be able to meet its moral obligations, if necessary, even though such action is not constitutionally permitted and would require a change in law. Any attempt to erode the principal of the Fund, or to otherwise weaken its position should, therefore, be avoided.

Capital Financing Plan

Demonstrating keen fiscal management and attention to capital financing and debt management is especially important to Alaska because of the uncertainties surrounding State revenues. The State must wisely allocate scarce resources to its developing economy in a manner that balances capital investment with the return on that investment providing a diverse and broadened economy that will be able to maintain the public infrastructure put in place. Accordingly, the need for a capital financing plan linked to a comprehensive capital improvement plan is evident. (see pages 165 to 174)

The quality of financial reporting is an important element in a capital financing plan and to the complete debt management picture. While Alaska's financial reporting is complete, it does not conform to generally accepted accounting principles (GAAP). States that use an accounting system that conforms to, and is consistent with, GAAP benefit in several ways (see pages 174-175). It is recommended that the State consider converting its annual financial reports to GAAP. Such action will provide the State with vital information on its financial condition, encourage the State to take a global view of outstanding debt, improve financial management, and will be looked upon favorably by investors in the State's bonds.

General Debt Management

Specific debt management practices being used in the State could be improved. The State and its agencies recognize the importance of securing professional advice on debt issuance. However, financial advisors and bond counsel are typically compensated based on a percentage of the amount of bonds sold. Tying the advisor's compensation to the amount of bonds sold or the successful delivery of the bonds builds in an unnecessary risk of conflict of interest. The State should review its method of compensation for financial advisory services and seek arrangements that do not encourage conflicts between the advice and the payment for the advice. In this regard, a flat fee -- such as a base retainer and hourly rates -- is to be preferred over a fee based upon the amount of bonds issued. (see pages 185 to 190).

There is a place for both negotiated and competitive techniques for selling bonds in a debt management and debt marketing strategy. The approach which is judged to provide the greatest market reception and lowest interest cost should be followed. While each bond issue is unique, it appears that some bond issues presently being sold by negotiation by the State, for example, those of the Alaska Housing Finance Corporation, would be candidates for a competitive sale. (see pages 182 to 184).

Neither the State Bonding Act nor the State statutes regarding municipal debt specify the method by which effective interest rate on a competitive bond sale must be determined. However, the State and most municipalities have chosen to use the net interest cost (NIC) method to compare alternative bids at competitive sale. This method may not be in the best interests of the State because the winning bid on a NIC basis does not necessarily result in the lowest true interest cost (TIC) -- a measure of the "true" cost of borrowing money that takes into account the time value of money. We recommend that the State Bond Committee review the current rules that govern the award of the State's competitive general obligation bond issues, and that municipalities be encouraged to do so as well, with a view toward awarding bond issues on the basis of TIC. (see pages 179 to 181).

Local Government Debt

Local governments in Alaska have issued approximately 29 percent of all State-wide debt. The analysis of local government borrowing in Chapter Five indicates that the bonds of Alaska's localities sell at yields significantly above the average for the overall market. Furthermore, the evidence indicates that yields on the North Slope Borough's debt are vastly higher than the average for other Alaska municipalities. The most significant comparison of local and State bond issuance is the markedly higher underwriting cost on local issues. Compared to other states, local governments in the Alaska rely on general obligation bond financing at twice the national rate. Given the high levels of debt that have been issued by the State's localities, the much higher than average interest costs of Alaska's local debt, and the loss to the State of revenues from taxes levied by certain localities to pay the annual debt service on their debt, the State may wish to analyze further local bond market experience and State policies regarding local debt management. The State

should take the lead in implementing programs that encourage the prudent use and guard against the misuse of local debt issuance.

Currently the State is being short-changed by those localities that levy a high amount of taxes on oil production property in order to finance debt service. Because taxes paid to the locality are credited towards State property tax liability, this represents a direct revenue loss to the State. It is, therefore, in the State's interest to address the absolute level of debt issuance by its localities. It is recommended that the State develop a two-tiered ceiling on local debt issuance, based on per capita amounts of debt and a percentage of property value.

Specific State-level programs which can assist local borrowers and improve local debt management are covered in pages 136 to 141. In evaluating alternative State policies, the State must consider both the direct budgetary costs of the programs and the indirect effects on the State's own credit worthiness, and the amount of autonomy the State wishes its localities to enjoy. A reasonable compromise between encumbering the State's debt capacity and providing greater financial assistance to local governments would be to expand the role of the Municipal Bond Bank. Our review of the Bank's market performance indicated that, compared with other state bond banks, the Alaska Bond Bank has the potential for saving as many as 50 basis points in borrowing cost by undertaking an active national marketing effort. The State should review the present security structure behind the Bank's bonds with the view toward improving their market reception by taking advantage of the State's high creditworthiness.

The State's present program to subsidize the cost of school construction is an expensive undertaking; however, its cost could be minimized through attention to the cost of the project and to the means of financing during the Department of Education's approval process. Further alternatives include the issuance of State general obligation bonds in lieu of local school construction bonds, and requiring the Municipal Bond Bank to issue all school construction debt.

- (b) The commissioner of revenue may
 - (1) invest and reinvest the principal of the funds;
 - (2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;
 - (3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;
 - (4) make, execute, acknowledge, and deliver documents of transfer and conveyance and instruments necessary or appropriate to carry out the powers granted;
 - (5) register investments held in a fund in the name of the board having the power to approve investments for a fund;
 - (6) do all acts whether or not expressly authorized which are considered proper for the protection of the investments held in the funds. (§ 4 ch 182 SLA 1978)

Chapter 15. State Bonding Act.

Article

- 1. General Obligation Bonds (§§ 37.15.010 — 37.15.220)
- 2. Bond Anticipation Notes (§§ 37.15.300 — 37.15.390)
- 3. International Airports Revenue Bonds (§§ 37.15.410 — 37.15.550)

Article 1. General Obligation Bonds.

Section	Section
10. Full faith and credit for general obligation bonds	120. Regulations
12. Continuing debt service appropriation	130. Officers, records and proceedings
15. Committee shall publish notice of existing state indebtedness before election	140. Duties of state bond committee
20. Manner and amounts of sale	150. Committee may employ special services
30. Interest rate and maturity	155. Prohibited bidding on bonds and anticipation notes
40. Sale of bonds	160. Contents of resolution
55. Redemption	170. State bond committee to certify annual principal, interest, and reserve requirements
60. Form and registration of bonds	180. Remedies of bondholders
70. Place of payment	190. Negotiability
80. Signatures and seal	200. Bonds as legal investments
90. Terms and conditions	210. Refunding bonds
100. Trustee	215. Official statements
110. Creation and membership of state bond committee	220. Short title

Statutes

Sec. 37.15.010. Full faith and credit for general obligation bonds. The full faith, credit and resources of the state are hereby pledged to the payment of the principal of and interest and redemption premium, if any, on all general obligation bonds of the state authorized pursuant to art. IX, § 8 of the constitution. (§ 1 ch 175 SLA 1960; am § 1 ch 104 SLA 1967)

Collateral references. — 63 Am Jur.2d, Public Funds, §§ 23-32. 64 Am Jur.2d, Public Securities and Obligations, § 1 et seq. 81A C.J.S., States, §§ 250-262. Funding or refunding obligations as

subject to conditions respecting approval by voters, 97 ALR 442. Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.012. Continuing debt service appropriation. The amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding general obligation bonds of the state are appropriated on July 1 of each year from the general fund to the state bond committee to make all required payments of principal, interest, and redemption premium. (§ 1 ch 100 SLA 1981)

Opinions of attorney general. — This section does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitu-

tion, as that section of the constitution contains an implied exception for bond obligations. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.015. Committee shall publish notice of existing state indebtedness before election. (a) Before a general or special election in which a bond issue is offered for ratification, the state bond committee shall publish a notice of existing state bonded indebtedness at least once a week for three consecutive weeks in a newspaper of general circulation in each of the four judicial districts of the state. The first notice shall be published at least 20 days before the date of the election. A notice shall contain

- (1) the current total bonded indebtedness of the state,
- (2) the cost of the debt service on the current indebtedness.

(b) Neither the failure to publish the notice of existing state bonded indebtedness nor a defect in the publication affects the validity of the bond issue offered for ratification or of a general or special election in which a bond issue is offered for ratification. (§ 2 ch 50 SLA 1964; am § 1 ch 8 SLA 1969)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Bonds issued by state officer of board payable solely out of proceeds of obli-

gations of political subdivisions pledged as within constitutional or statutory provisions which impose a limit on state indebtedness or require consent of electors, 100 ALR 1114.

Mistake, ambiguity, or omission in statement as to indebtedness, in call for

election or proposal for bond issue, as affecting validity of election or bonds issued pursuant thereto, 116 ALR 1258.

Effect of delay after authorization by voters on power of governmental unit to issue bonds, 135 ALR 768.

Validity, within authorized debt, tax, or voted limit, of bond issue in excess of amount permitted by law, 175 ALR 823.

Sec. 37.15.020. Manner and amounts of sale. The state bond committee shall sell the bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants. (§ 1 ch 175 SLA 1960)

Sec. 37.15.030. Interest rate and maturity. Each issue or series of bonds shall bear interest at an effective rate over the life of the bonds not to exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. The bonds shall mature in not more than 30 years from date of issue, unless a longer period is specifically authorized by statute. (§ 1 ch 175 SLA 1960; am § 2 ch 104 SLA 1967; am § 1 ch 92 SLA 1970; am § 1 ch 29 SLA 1976; am § 1 ch 85 SLA 1980; am § 1 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "eight" preceding "percent a year" at the end of the first sentence.

The 1982 amendment substituted the language beginning "11 percent a year" for

"10 percent a year" at the end of the first sentence.

Collateral references. — Right to call governmental bonds in advance of their maturity, 109 ALR 988.

Sec. 37.15.040. Sale of bonds. Before selling an issue or series of bonds, the state bond committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the state bond committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. (§ 1 ch 175 SLA 1960; am § 3 ch 104 SLA 1967; am § 1 ch 43 SLA 1969)

Sec. 37.15.050. Redemption. The state bond committee may determine whether the bonds are subject to redemption before their fixed maturities and may fix the premium for and all other terms of the redemption. No bond may be subject to redemption before its fixed maturity date unless the right to so redeem the bond is expressly mentioned on the face of the bond. (§ 1 ch 175 SLA 1960; am § 4 ch 104 SLA 1967; am § 1 ch 26 SLA 1968; am § 7 ch 143 SLA 1968)

Collateral references. — 81A C.J.S., States, § 261.

Funding or refunding obligations as subject to conditions respecting limitation

of indebtedness, 97 ALR 442.

Validity of bond issue in excess of amount permitted by law within authorized debt, tax or voted limit, 175 ALR 823.

Sec. 37.15.060. Form and registration of bonds. An issue or series of bonds may be issued in coupon form payable to bearer or in fully registered form, and bonds in coupon form may be made registrable as to principal or principal and interest, as determined by the state bond committee. (§ 1 ch 175 SLA 1960; am § 2 ch 26 SLA 1968)

Sec. 37.15.070. Place of payment. The state bond committee may fix the place or places of payment of the principal, interest and redemption premium, if any. (§ 1 ch 175 SLA 1960; am § 5 ch 104 SLA 1967)

Sec. 37.15.080. Signatures and seal. (a) Each bond shall be signed on behalf of the state by the governor and attested by the lieutenant governor, which signatures may be facsimile signatures. The seal of the state shall be impressed, imprinted or otherwise reproduced on each bond. Each interest coupon attached to the bond shall be signed by the facsimile signatures of the governor and lieutenant governor. If an officer whose signature appears on the bonds or coupons ceases to be an officer before delivery of the bonds, the signature is, nevertheless, valid and sufficient for all purposes, as if the officer had remained in office until delivery.

(b) A signature required on a bond issued by a political subdivision of the state may be a facsimile signature. (§ 1 ch 175 SLA 1960; am § 6 ch 104 SLA 1967)

Collateral references. — Printing, lithographing, or other mechanical signature on public bonds, coupons, or other pecuniary obligation, 94 ALR 768.

Sec. 37.15.090. Terms and conditions. Each issue or series of bonds shall be issued under and subject to the terms, conditions, and covenants providing for the payment of the principal and the interest and other terms, conditions, covenants, and protective provisions safeguarding the payment as found reasonably necessary by the state bond committee for the most advantageous sale. The terms, conditions, and covenants may include the setting aside and maintaining of certain reserves to secure the payment of principal and interest. (§ 1 ch 175 SLA 1960)

Collateral references. — Effect of inclusion in call for election, or in proposal for bond issue submitted to people, of unauthorized method of payment or retirement, 93 ALR 362.

Power of legislature to add to or make more onerous the conditions or limitations

prescribed by Constitution upon incurring public debts, 106 ALR 231.

Power and discretion of officer or board authorized to issue bonds of governmental unit as regards terms or conditions to be included therein, 119 ALR 190.

Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

Sec. 37.15.155. Prohibited bidding on bonds and anticipation notes. (a) No person who provides financial programming or marketing assistance to the state bond committee in connection with the issuance or sale of general obligation bonds, revenue bonds or bond anticipation notes of the state may bid on the bonds.

(b) The sale of general obligation bonds, revenue bonds or bond anticipation notes of the state to a person who is prohibited from bidding on the bonds or notes under (a) of this section is against public policy and the sale is void.

(c) In this section "person" means an individual, firm, agent, factor, intermediary, partnership, corporation, association, bond house, stockbroker or bond broker. (§ 1 ch 192 SLA 1974)

Sec. 37.15.160. Contents of resolution. The resolution adopted by the state bond committee shall

(1) fix the principal amount, denominations, date, maturities, place of payment, terms, right of redemption if any, form, conditions and covenants of the bonds;

(2) fix the date of sale and the form of the notice of sale; and

(3) provide if the notice is to be published elsewhere in addition to the publication required by AS 37.15.040. (§ 3 ch 175 SLA 1960; am § 3 ch 26 SLA 1968)

Sec. 37.15.170. State bond committee to certify annual principal, interest, and reserve requirements. (a) Before January 1 of each year after bonds are issued, the state bond committee shall certify to the commissioner of administration the amount needed for the following calendar year to meet principal, interest, and reserve requirements on all bonds or issues or series of bonds then outstanding.

(b) The commissioner of administration shall set aside these amounts or make the necessary provisions for the setting aside of these amounts so that there will be sufficient money to pay the principal and interest on the due date and to meet reserve requirements. (§ 4 ch 175 SLA 1960)

Sec. 37.15.180. Remedies of bondholders. The owner and holder of each bond or the trustee may by appropriate proceeding require and compel the transfer and payment of money as directed by this chapter (§ 4 ch 175 SLA 1960)

Sec. 37.15.190. Negotiability. General obligation bonds of the state and the coupons attached to the bonds are negotiable instruments. (§ 5 ch 175 SLA 1960)

Collateral references. — Negotiability of state warrants, 36 ALR 949.

Sec. 37.15.200. Bonds as legal investments. General obligation bonds of the state are legal investments for all state funds, or for funds under state control, and for all funds of a political subdivision of the state. (§ 5 ch 175 SLA 1960)

Sec. 37.15.210. Refunding bonds. (a) All or a part of the general obligation bonds of the state, or all or a part of each outstanding issue or series of bonds, may be refunded at or before maturity by the issuance of general obligation refunding bonds of the state if, in the opinion of the state bond committee, refunding is advantageous to and in the best interest of the state and its inhabitants. Money set aside as reserve to secure the payment of the principal and interest of bonds being refunded may be used to pay the principal and interest on these bonds or may be retained by the state to secure the payment of the principal and interest on the refunding bonds to be issued.

(b) Refunding bonds and the coupons attached to them are negotiable instruments. The effective rate of interest over the life of refunding bonds may not exceed 11 percent a year or that rate of interest which is 110 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of bonds, whichever is higher, and the amount of premium which is paid to effect the redemption of outstanding bonds may not be considered in determining the effective rate of interest.

(c) Refunding bonds may be exchanged for the bonds being refunded or refunding bonds may be sold in the manner and at the prices which the state bond committee determines to be for the best interest of the state and its inhabitants either at public or private sale.

(d) The issuance of refunding bonds need not be authorized by the qualified voters of the state. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, exchange or sale, and delivery of refunding bonds. The provisions of this chapter relating to the terms, conditions, covenants, issuance, and sale of general obligation bonds of the state apply to refunding bonds except as otherwise specifically provided in this section. (§ 6 ch 175 SLA 1960; am § 2 ch 92 SLA 1970; am § 2 ch 85 SLA 1980; am § 2 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" in the second sentence of subsection (b).

The 1982 amendment substituted the language beginning "11 percent a year" and ending "date of sale of bonds, whichever is higher" for "10 percent a

year" in subsection (b).

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.215. Official statements. To the extent practicable the official statements and other documentation issued in connection with an offering of state or local government securities shall comply with

the guidelines of the Municipal Finance Officers Association or other nationally recognized guidelines. (§ 12 ch 168 SLA 1978)

Sec. 37.15.220. Short title. AS 37.15.010 — 37.15.220 may be cited as the State Bonding Act. (§ 7 ch 175 SLA 1960; am § 54 ch 127 SLA 1974)

Article 2. Bond Anticipation Notes.

<p>Section</p> <p>300. Borrowing in anticipation of sale of bonds permitted</p> <p>310. Issuance of notes</p> <p>330. Repayment of notes</p> <p>340. Security for repayment of general obligation bonds</p>	<p>Section</p> <p>350. Security for repayment of revenue bonds</p> <p>360. Limitation on issuance of notes</p> <p>370. Use of proceeds from sale of notes</p> <p>380. Sale of notes</p> <p>390. Execution of notes</p>
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Sec. 37.15.300. Borrowing in anticipation of sale of bonds permitted. When the state bond committee considers it in the best interests of the state, it may borrow money in anticipation of the sale of general obligation and revenue bonds, if

(1) the general obligation bonds to be sold have been authorized by law and ratified by a majority vote of the qualified voters of the state who vote on the question; or

(2) the general obligation bonds to be sold have been authorized by law for the purpose of meeting natural disasters, repelling invasion, suppressing insurrection, or defending the state in war; or

(3) the revenue bonds to be sold have been authorized by law; and

(4) money to be derived from the sale of general obligation and revenue bonds has been appropriated by the legislature. (§ 1 ch 42 SLA 1964; am § 1 ch 74 SLA 1964)

Sec. 37.15.310. Issuance of notes. The state bond committee shall issue notes for the amounts borrowed with a maturity date not to exceed one year from the date of issue. All the notes are payable at a fixed place, on or before a fixed time, or at a fixed time, from the proceeds of the sale of bonds, in anticipation of which the original note or notes were issued, unless the bonds have not been sold by the maturity date of the notes. Interest on the notes is payable at a fixed place, on or before a fixed time, out of appropriations made for the payment of interest on general obligation notes or bonds of the state. (§ 1 ch 42 SLA 1964; am § 1 ch 127 SLA 1976)

Sec. 37.15.320. Issuance of new notes. [Repealed, § 3 ch 41 SLA 1967.]

Sec. 37.15.330. Repayment of notes. Every note shall be payable from the proceeds of the next succeeding sale of bonds or from the proceeds of the sale of new bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.340. Security for repayment of general obligation bonds. Notes issued in anticipation of the sale of general obligation bonds and the interest thereon are secured by the full faith, credit, and resources of the state. (§ 1 ch 42 SLA 1964)

Sec. 37.15.350. Security for repayment of revenue bonds. Notes issued in anticipation of the sale of revenue bonds and the interest thereon are secured in the same manner as are the revenue bonds in anticipation of which the notes are issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.360. Limitation on issuance of notes. The total amount of such notes issued and outstanding shall at no time exceed the total amount of bonds authorized to be issued. (§ 1 ch 42 SLA 1964)

Sec. 37.15.370. Use of proceeds from sale of notes. The proceeds from the sale of the notes shall be used only for the purposes for which the proceeds from the sale of bonds may be used or to meet payment of outstanding bond anticipation notes. (§ 1 ch 42 SLA 1964)

Sec. 37.15.380. Sale of notes. Notes issued under this chapter shall be sold by the state bond committee in such manner and at such price or prices as it shall determine, at either public or private sale; however, no such note shall be sold for less than par and accrued interest or at an interest rate exceeding 11 percent a year or that rate of interest which is 110 percent of the rate of Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the notes, whichever is higher. (§ 1 ch 42 SLA 1964; am § 3 ch 92 SLA 1970; am § 3 ch 85 SLA 1980; am § 3 ch 110 SLA 1982)

Effect of amendments. — The 1980 amendment substituted "10" for "seven" preceding "percent a year" at the end of the section.

The 1982 amendment substituted the language beginning "11 percent a year" for "10 percent a year" at the end of the section.

Sec. 37.15.390. Execution of notes. Notes for money borrowed in anticipation of receipts from the sale of bonds shall be signed by the governor and countersigned by the lieutenant governor. The governor's and lieutenant governor's signatures may be facsimile signatures. (§ 1 ch 42 SLA 1964; am § 4 ch 110 SLA 1982)

Effect of amendments. — The 1982 amendment substituted the present second sentence for the former sentence,

which read: "The governor's signature may be a facsimile signature."

Article 3. International Airports Revenue Bonds.

<p>Section</p> <p>410. Bond authorization</p> <p>420. Construction fund</p> <p>430. Revenue fund</p> <p>440. Redemption fund</p> <p>450. Bond terms</p> <p>460. Bond resolution</p> <p>470. Enforcement by holder</p> <p>480. Amounts required for payments</p>	<p>Section:</p> <p>490. Bond negotiability</p> <p>500. Airport charges</p> <p>510. State improvements to airports</p> <p>520. Refunding</p> <p>530. Bonds as legal investments</p> <p>540. Statutory construction</p> <p>550. Definitions</p>
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Legislative history reports. — For report on ch. 149, SLA 1972 (CSHB 531), see 1972 House Journal, p. 1233.

Sec. 37.15.410. Bond authorization. For the purpose of providing part or all of the money to be used, with or without any grants or other money which may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$62,825,000 is authorized to acquire, equip, construct and install the additions, improvements, extensions and facilities authorized in AS 37.15.510. The principal of and interest on these bonds shall be paid out of and secured by the gross revenues derived by the state from the ownership, lease, use and operation of the airports, and of all the facilities of them and out of any other revenues or money which the state legislature may provide exclusive of any state tax or license. (§ 1 ch 149 SLA 1972; am § 1 ch 66 SLA 1974; am § 1 ch 68 SLA 1979; am § 1 ch 11 SLA 1982; am § 1 ch 25 SLA 1983)

Effect of amendments. — The 1979 amendment substituted "\$43,325,000" for "\$34,825,000" in the first sentence. The 1982 amendment, substituted "\$34,825,000" for "\$43,325,000" in the first sentence. The 1983 amendment substituted

"\$62,825,000" for "\$34,825,000" in the first sentence. **Editor's notes.** — See ch. 69, SLA 1979 in Temporary and Special Acts and Resolves for the appropriation of the increase in bonds authorized by ch. 68, SLA 1979.

Sec. 37.15.420. Construction fund. (a) There is a special fund of the state known as the "International Airports Construction Fund," into which shall be paid the proceeds of the sale of the bonds (except any accrued interest paid on them, which shall be paid into the bond redemption fund) and any grant or other money which is legally provided for the same purposes for which the bonds are authorized. The money in the construction fund shall be used to pay the costs of acquiring, equipping, constructing and installing additions and improvements to and extensions of and facilities for the airports and costs incidental thereto including costs of the authorization issuance and

sale of the bonds. To the extent provided in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the period of actual construction, and for such further period, not exceeding one year after the period of construction, as may be provided in the bond resolution. Money in the construction fund may also be transferred to the bond redemption fund, to the extent provided in the bond resolution, to establish a reserve for the payment of the principal of and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the construction fund. (§ 1 ch 149 SLA 1972)

Cross references. — For initial appropriations to fund, see section 2, ch. 149, SLA 1972, Temporary and Special Acts. **Opinions of Attorney General.** — This fund does not represent an unconstitutional dedication of public funds under § 7, art. 1 of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.430. Revenue fund. (a) There is another special fund of the state, known as the "International Airports Revenue Fund," which shall be completely segregated and set apart from all other funds of the state, which is a trust fund for the uses and purposes provided in AS 37.15.410 — 37.15.550, and into which shall be paid all revenues, fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them and facilities and improvements used in connection with them. These revenues, charges, fees and rentals shall not include the proceeds of any state tax or license. The money in the revenue fund shall only be used for the purpose of paying or securing the payment of the principal of and interest on the bonds and of and on any other revenue bonds issued by authorization of the legislature to provide funds to acquire, equip, construct and install additions and improvements to, and extensions of and facilities for, the airports and to be payable out of the revenue fund, the purpose of paying the normal and necessary costs of maintaining and operating the airports and all of the improvements and facilities of them, the purpose of paying the costs of renewals, replacements and extraordinary repairs to the airports and all of the improvements and facilities of them, the purpose of redeeming before their fixed maturities any and all revenue bonds issued for the purposes of the airports, the purpose of providing funds to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the airports and all of their facilities, and the purpose of providing funds to pay any and all other

(b) The investment of money in the revenue fund may be made in such manner as the committee may determine. The interest earned upon or any profits derived from the sale of this investment shall be deposited in and become a part of the revenue fund. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.440. Redemption fund. There is another special fund of the state, known as the "International Airports Revenue Bond Redemption Fund," which is a trust fund for paying and securing the payment of the principal of and interest and redemption premium, if any, on the bonds and which shall be at all times completely segregated and set apart from all other funds of the state. The committee, on behalf of the state, shall obligate and bind the state to set aside and pay into the bond redemption fund any part or parts of, or all of, or a fixed proportion of, or a fixed amount of the money in the revenue fund sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if it considers it necessary, to set aside and maintain reserves for this purpose. The bond redemption fund shall be drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state. (§ 1 ch 149 SLA 1972)

Opinions of Attorney General. — This fund does not represent an unconstitutional dedication of public funds under § 7, art. IX, of the state constitution, as that section of the constitution contains an implied exception for revenue derived from bond issues and for revenue

derived from facilities constructed with bond proceeds, at least to the extent that it is necessary to satisfy the debt obligation or maintain the facility so that it continues to generate revenues for that purpose. November 30, 1982, Op. Att'y Gen.

Sec. 37.15.450. Bond terms. (a) The bonds shall be sold in such amounts or series and at such time or times as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids in such manner as it may prescribe. If satisfactory bids are received, the bonds offered for sale shall be awarded to the highest responsible bidder. If the committee determines that the bids received are not satisfactory as to price or responsibility of the bidders, it may reject all bids received. The bonds, or each series of them, shall be sold at such a price so that the effective interest rate over the life of the bonds does not exceed 11 percent per year or that

rate of interest which is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest shall be payable annually or semiannually.

(b) The bonds shall mature at such time or times as fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with such premium or premiums as fixed by the committee, but no bond may be subject to redemption before its fixed maturity date unless the right so to redeem that bond is expressly mentioned on the face of the bond. The bonds may be in denominations determined by the committee; may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under such regulations and conditions as the committee shall provide; shall be payable as to principal and interest at such place or places as may be determined by the committee; shall be signed on behalf of the state by the governor and shall be attested by the lieutenant governor, both of which signatures may be facsimile signatures; shall have the seal of the state impressed, printed or lithographed on them, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials; shall be issued under and subject to such terms, conditions and covenants providing for the payment of the principal of them and interest on them and such other terms, conditions, covenants and protective features safeguarding this payment and relating to the maintenance, operation and improvement of the airports as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of this principal and interest. The committee may provide that any additional bonds authorized after June 27, 1972 by the legislature to be payable out of the same source or sources as the bonds authorized as of that date may later be issued on a parity with the bonds authorized as of that date upon compliance with any conditions which the committee may prescribe.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of them, for the safeguarding and disbursement of any of the money in any of the funds created by AS 27.15.420, 37.15.430 and 37.15.440, or for such duties with respect to the authentication, delivery and registration of the bonds as the committee may determine, and shall fix the rights, duties, powers and obligations of the trustee or trustees.

(d) In its determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions and covenants of them as provided in (a), (b) and (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those which will accomplish the most advantageous sale of

the bonds, with due regard, however, to necessary or normal costs of maintenance and operation, renewals and replacements of and repairs to the airports and to all improvements to them and facilities of them owned, used, operated or leased in connection with them, the future growth and expansion of the airports and all of such facilities, and the possibility of additional revenue bond financing for airports purposes. Any such decisions of the committee, as expressed in any bond resolution, are final and conclusive when any bonds have been issued pursuant to the bond resolution.

(e) A bond resolution may provide that the bonds issued shall contain a recital that they are issued under AS 37.15.410 — 37.15.550, and any such bonds containing this recital shall be conclusively considered to be valid and to have been issued in conformity with AS 37.15.410 — 37.15.550.

(f) The validity of the authorization and issuance of bonds is not affected by any proceedings for the acquisition or construction of the additions, improvements, extensions or facilities for which the bonds have been issued or by any contracts in connection with the acquisition or construction. (§ 1 ch 149 SLA 1972; am §§ 1, 2 ch 19 SLA 1973; am § 4 ch 85 SLA 1980; am § 5 ch 110 SLA 1982)

Revisor's notes. — AS 37.15.450 was derived from § 7, ch. 88, SLA 1961, as amended by § 8, ch. 62, SLA 1968 and § 3, ch. 173, SLA 1970. In the last sentence of what is now designated subsection (b), the only differences between the wording here and in those earlier versions are that "hereafter" was changed to "after the effective date of this Act" and "authorized by this Act" (in two places) was changed to "authorized as of that date." The latter change suggests that the date referred to in the former change is June 27, 1972, the effective date of the Act putting these provisions in the Alaska Statutes, rather than

April 15, 1961, the effective date of the original international airports bond authorization Act. Therefore, under AS 03.05.031(b)(5), the 1972 date has been inverted in the text.

Effect of amendments. The 1980 amendment substituted "10" for "eight" preceding "percent per year" near the end of the next-to-last sentence of subsection (a).

The 1982 amendment substituted the language beginning "11 percent per year" for "10 percent per year" at the end of the next-to-last sentence of subsection (a).

Sec. 37.15.460. Bond resolution. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.450. (§ 1 ch 149 SLA 1972)

Sec. 37.15.470. Enforcement by holder. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may by appropriate proceedings in the courts of record of the state, require and compel the transfer, setting aside and payment of money and the enforcement of all of the terms, conditions and covenants as required and provided in AS 37.15.410 — 37.15.550 and in the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.480. Amounts required for payments. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioners of revenue and transportation and public facilities the amounts required in the next ensuing calendar year by the bond resolution or resolutions to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by the bond resolution or resolutions, and shall also certify to the commissioners the last date or dates upon which payments may be made. (§ 1 ch 149 SLA 1972)

Sec. 37.15.490. Bond negotiability. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state. (§ 1 ch 149 SLA 1972)

Sec. 37.15.500. Airport charges. The commissioner of transportation and public facilities shall fix and collect such fees, charges and rentals derived by the state from the ownership, lease, use and operation of the airports and all of the facilities and improvements of them or used in connection with them as will provide revenues sufficient to comply with all of the covenants of the bond resolution. (§ 1 ch 149 SLA 1972)

Sec. 37.15.510. State improvements to airports. The state is authorized to acquire, equip, construct and install additions and improvements to and extensions of the airports, facilities for the landing, parking, loading, storing, repairing, safety and utility of aircraft at the airports and passenger, freight and terminal facilities, including safety equipment and devices at the airports, found to be necessary by the commissioner of transportation and public facilities. (§ 1 ch 149 SLA 1972)

Sec. 37.15.520. Refunding. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interests of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an Act of the legislature, and the committee is authorized and directed to adopt the resolution or resolutions and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and

delivery of such bonds. All provisions of AS 37.15.410 — 37.15.550 applicable to revenue bonds are applicable to the refunding bonds and to the issuance, sale or exchange of them, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest upon the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid pursuant to the call of them or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on them to the date of the call or retirement. (§ 1 ch 149 SLA 1972)

Collateral references. — Funding or refunding obligations as subject to conditions respecting limitation of indebtedness or approval by voters, 97 ALR 442.

Power of governmental unit to issue bonds as implying power to refund them, 1 ALR2d 134.

Sec. 37.15.530. Bonds as legal investments. The bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees and other fiduciaries. The bonds may be accepted as security for deposits of all funds of the state and its political subdivisions. (§ 1 ch 149 SLA 1972)

Sec. 37.15.540. Statutory construction. AS 37.15.410 — 37.15.550 shall be liberally construed in order to carry out the purposes for which they were enacted, and all existing laws in conflict with any of these sections are superseded insofar as necessary to accomplish the purposes of and carry out the provisions of these sections. (§ 1 ch 149 SLA 1972)

Sec. 37.15.550. Definitions. As used in AS 37.15.410 — 37.15.550, unless the context otherwise requires:

(1) "airports" means the international airports owned and operated by the state and located at or near the cities of Anchorage and Fairbanks;

(2) "bond redemption fund" means the International Airports Revenue Bond Redemption Fund created by AS 37.15.440, including any accounts which are created in that fund after June 27, 1972;

(3) "bond resolution" means the resolution or resolutions authorizing the issuance of bonds, adopted by the committee under AS 37.15.460;

(4) "bonds" means the international airports revenue bonds authorized by AS 37.15.410 — 37.15.550;

(5) "commissioner of transportation and public facilities" means the principal executive officer of the Department of Transportation and Public Facilities of the state as provided in AS 44.42.010, or a successor;

(6) "commissioner of revenue" means the principal executive officer of the Department of Revenue of the state as provided in AS 44.25.010, or a successor;

(7) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department or officer of the state which or who succeeds to the rights, powers, duties and obligations of the state bond committee by lawful Act of the legislature;

(8) "construction fund" means the International Airports Construction Fund created by AS 37.15.420;

(9) "revenue fund" means the International Airports Revenue Fund created by AS 37.15.430. (§ 1 ch 149 SLA 1972)

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§ 37.15.100

PUBLIC FINANCE

§ 37.15.150

Sec. 37.15.100. Trustee. If the state bond committee finds it necessary to accomplish the most advantageous sale of the bonds, the committee shall select a trustee for the owners and holders of the bonds or for the safeguarding and disbursement of the proceeds of the sale of the bonds for the use and purpose for which issued, and shall fix the rights, duties, powers, and obligations of the trustee. (§ 1 ch 175 SLA 1960)

Sec. 37.15.110. Creation and membership of state bond committee. There is created a committee known as the "state bond committee," the members of which are the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue. If a member of the committee is absent or otherwise unable to act, the member's designee in the department shall act as a member of the committee in the member's place. (§ 2 ch 175 SLA 1960; am § 7 ch 104 SLA 1967; am § 81 ch 218 SLA 1976)

Sec. 37.15.120. Regulations. The state bond committee may adopt regulations for the performance of its duties and may designate by resolution one of its members to perform any act necessary to effectuate its duties not required by statute to be performed by the state bond committee in meeting or by resolution, or by another officer of the state. (§ 2 ch 175 SLA 1960; am § 8 ch 104 SLA 1967)

Sec. 37.15.130. Officers, records and proceedings. The commissioner of commerce and economic development is the chairman of the state bond committee and the commissioner of revenue is the secretary. A majority of the members of the committee constitute a quorum. The committee shall keep a full, complete, and permanent record of its proceedings. All records and correspondence of the committee shall be kept in the office of the commissioner of revenue. (§ 2 ch 175 SLA 1960; am § 82 ch 218 SLA 1976)

Collateral references. — Personal liability of officers to holders of invalid public money obligations, 87 ALR 273.

Sec. 37.15.140. Duties of state bond committee. The state bond committee shall adopt the resolution and prepare the documents necessary for the issuance, sale, and delivery of bonds. (§ 3 ch 175 SLA 1960)

Sec. 37.15.150. Committee may employ special services. If the state bond committee considers it necessary and advisable, it may procure architectural or engineering, fiscal agent or municipal investment, legal and other expert or specialized services at reasonable and customary fees to assist it in accomplishing the most advantageous sale of the bonds. The fees may be paid from the proceeds of the sale or advanced from the contingency fund in the office of the governor or otherwise. (§ 3 ch 175 SLA 1960)

paragraph (21) of this section as amended by ch. 112, SLA 1982.

The second 1982 amendment rewrote this section.

The 1983 amendment rewrote paragraph (13).

Editor's notes. — AS 47.30.340, referred to in paragraph (13) was repealed by § 7, ch. 84, SLA 1981.

Sec. 39.25.120. Partially exempt service. (a) Positions in the partially exempt service are included in the position classification plan established under this chapter and are compensated according to the pay plan (AS 39.27.011).

(b) A person holding a position in the partially exempt service is not required to take an examination or qualify or earn a place on a register, and is not eligible for a hearing by the personnel board in case of dismissal, demotion, or suspension. Positions in the partially exempt service are specifically exempt from the rules established under AS 39.25.150(3) — (10), (13), (14), and (17).

(c) The following positions in the state service constitute the partially exempt service:

(1) deputy and assistant commissioners of the principal departments of the executive branch, including the assistant adjutant general of the Department of Military Affairs;

(2) the directors of the major divisions of the principal departments of the executive branch and the regional directors of the Department of Transportation and Public Facilities;

(3) attorney members of the staff of the Department of Law and of the public defender agency;

(4) one private secretary for each head of a principal department in the executive branch;

(5) employees of councils, boards, or commissions established by statute in the Office of the Governor or the office of the lieutenant governor, unless a different classification is provided by statute;

(6) the executive director, deputy director, hearing officers, and administrative law judges of the Alaska Public Utilities Commission;

(7) the director, deputy director, staff legal counsel, and hearing officers of the Alaska Transportation Commission;

(8) not more than two special assistants to the commissioner of each of the principal departments of the executive branch, but the number may be increased if the partially exempt service is amended under AS 39.25.130 to include the additional special assistant

(9) the principal executive officer of the following boards, councils, or commissions:

- (A) Alaska Public Broadcasting Commission;
- (B) Professional Teaching Practices Commission;
- (C) Parole Board;
- (D) Board of Nursing;
- (E) Real Estate Commission;

- (F) Alaska Royalty
- (G) Alaska Historical
- (H) Alaska State Co
- (I) Alaska Police Sta
- (J) Council on Scienc
- (K) Older Alaskans
- (10) Alaska Pioneers
- (11) hearing examin
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Board. (§ 6 ch 144 SLA

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am § 19 ch 263 SLA 19

§ 1 ch 103 SLA 1978;

No. 41 § 3 (1980); an

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46 § 4 (1980); am § 18

§ 4 ch 110 SLA 1981;

ch 50 SLA 1982; am §

Effect of amendments.
1981 amendment added a p
to this section as it exists
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(c)(9)(K).

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§ 39.25.120

AS 47.30.340, paragraph (13) was repealed by AS 1981.

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PUBLIC OFFICERS AND EMPLOYEES

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- (F) Alaska Royalty Oil and Gas Development Advisory Board;
- (G) Alaska Historical Commission;
- (H) Alaska State Council on the Arts;
- (I) Alaska Police Standards Council;
- (J) Council on Science and Technology;
- (K) Older Alaskans Commission;
- (10) Alaska Pioneers' Home managers;
- (11) hearing examiners in the Department of Revenue;
- (12) the comptroller in the division of treasury, Department of Revenue;
- (13) investment officers in the Department of Revenue;
- (14) airport managers in the Department of Transportation and Public Facilities employed at the Anchorage and Fairbanks International Airports;
- (15) the deputy director of the division of tourism and the deputy director of the division of insurance in the Department of Commerce and Economic Development;
- (16) the executive director and staff of the Alaska Public Offices Commission;
- (17) the director, deputy director, personnel analysts II, labor relations analysts I, labor relations analysts II, senior negotiators, and research directors of the division of labor relations in the Department of Administration;
- (18) the rehabilitation administrator of the Workers' Compensation Board. (§ 6 ch 144 SLA 1960; am § 2 ch 48 SLA 1961; am § 2 ch 133 SLA 1961; am § 4 ch 5 SLA 1966; am § 3 ch 104 SLA 1969; am § 2 ch 109 SLA 1969; am § 4 ch 78 SLA 1971; am § 9 ch 47 SLA 1974; am § 4 ch 82 SLA 1975; am § 10 ch 207 SLA 1975; am § 2 ch 157 SLA 1976; am § 19 ch 263 SLA 1976; am Executive Order No. 39 § 6 (1977); am § 1 ch 103 SLA 1978; am § 2 ch 108 SLA 1978; am Executive Order No. 41 § 3 (1980); am Executive Order No. 42 §§ 3, 4 (1980); am Executive Order No. 43 § 4 (1980); am Executive Order No. 44 § 5 (1980); am Executive Order No. 45 § 3 (1980); am Executive Order No. 46 § 4 (1980); am § 18 ch 115 SLA 1980; am § 3 ch 79 SLA 1981; am § 4 ch 110 SLA 1981; am Executive Order No. 48 § 3 (1981); am § 4 ch 50 SLA 1982; am § 26 ch 93 SLA 1982; am § 8 ch 112 SLA 1982)

Effect of amendments. — The first 1981 amendment added a paragraph (19) to this section as it existed prior to the third 1982 amendment. These provisions are now contained in subparagraph (c)(9)(K).

The second 1981 amendment substituted a comma for "and" preceding "deputy director" and added "hearing officers, and administrative law judges" following "deputy director" in present paragraph (c)(6).

The third 1981 amendment substituted "Department of Administration" for "Department of Environmental Conservation" in paragraph (17) of this section as it existed prior to the third 1982 amendment of this section. The provisions of that paragraph are now contained in subparagraph (c)(9)(J).

The first 1982 amendment added paragraph (c)(17).

The second 1982 amendment added paragraph (c)(18).